

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, 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 announcement.*

*This announcement and the listing document referred herein is for informational purposes only as required by the Rules Governing the Listing of Securities on the Stock Exchange and is not an offer to sell or the solicitation of an offer to buy any securities in the United States or in 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. Neither this announcement nor anything herein (including the listing document) forms the basis for any contract or commitment whatsoever. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the Company (defined below) and management, as well as financial statements. No public offer of securities is to be made by the Company in the United States.*

*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.*



## **Zhongliang Holdings Group Company Limited**

### **中梁控股集团有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*(the “Company”, Stock Code: 2772)*

## **US\$300,000,000 8.5% GREEN SENIOR NOTES DUE 2022 (THE “NOTES”, STOCK CODE: 40680)**

### **PUBLICATION OF THE OFFERING MEMORANDUM**

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 “Stock Exchange”).

Please refer to the offering memorandum dated 10 May 2021 (the “Offering Memorandum”) appended herein in relation to the issuance of the Notes. As disclosed in the Offering Memorandum, the Notes were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Stock Exchange on that basis.

The Offering Memorandum 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.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Memorandum.

By Order of the Board  
**Zhongliang Holdings Group Company Limited**  
**YANG Jian**  
*Chairman*

Hong Kong, 21 May 2021

*As at the date of this announcement, Mr. Yang Jian, Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) are the executive Directors; and Mr. Wang Kaiguo, Mr. Wu Xiaobo and Mr. Au Yeung Po Fung are the independent non-executive Directors.*

## IMPORTANT NOTICE

### THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES

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

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE ATTACHED DOCUMENT HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR UNDER ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, RESOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.**

The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (the "EU Prospectus Regulation") or the EU Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "UK Prospectus Regulation"). The following offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area ("EEA") and the United Kingdom ("UK") will be made pursuant to an exemption under the EU Prospectus Regulation or the UK Prospectus Regulation (as the case may be) from the requirement to produce a prospectus in connection with offers of the securities.

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

**Prohibition of Sales to EEA Retail Investors** — The Notes (as defined in the attached document) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, (as amended "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97, 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 (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of UBS AG Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China CITIC Bank International Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Company Limited, Standard Chartered Bank and Vision Capital International Holdings Limited, any person who controls it or any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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.

US\$300,000,000



## Zhongliang Holdings Group Company Limited

### 中梁控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

## 8.5% SENIOR NOTES DUE 2022

### ISSUE PRICE: 99.186%

Our 8.5% Senior Notes due 2022 (the “Notes”) will bear interest at the rate of 8.5% per annum payable in arrears on November 20, 2021 and May 19, 2022 and will mature on May 19, 2022.

The Notes are senior obligations of Zhongliang Holdings Group Company Limited (中梁控股集团有限公司) (the “Company”) guaranteed (the “Subsidiary Guarantees”) by our existing subsidiaries (the “Subsidiary Guarantors”) other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “Description of the Notes.”

At any time and from time to time prior to May 19, 2022 we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to May 19, 2022 at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum and accrued and unpaid interest if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the “Indenture”)), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the Description of the Notes).

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

The Notes are being issued as “Green Bond” under our Sustainable Finance Framework. See the section entitled “Notes Being Issued as Green Bonds”.

**Investing in the Notes involves risks. Furthermore, investors should be aware that the Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See the section entitled “Risk Factors” beginning on page 14 and particularly pages 38 for risks relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantors.**

We are concurrently conducting an offer to purchase for cash of our June 2021 Notes (the “Concurrent Offer to Purchase”). We intend to finance the Concurrent Offer to Purchase with proceeds from internal funding.

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 (as defined herein) 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) (“Professional Investors”) only. The expected date of listing of the Notes on the Hong Kong Stock Exchange is on or around May 21, 2021.

This offering memorandum is for distribution to Professional Investors only. **Notice to Hong Kong investors:** The Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirms that the Notes are intended for purchase by Professional Investors only and will be listed on The Hong Kong Stock Exchange Limited on that basis. Accordingly, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

**The SEHK has not reviewed the contents of this offering memorandum, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this offering memorandum 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 Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the content of this offering memorandum, 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 offering memorandum.

This offering memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of giving information with regard to the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any). The Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) accept full responsibility for the accuracy of the information contained in this offering memorandum and confirms, having made all reasonable enquiries, that to the best of their knowledge there are no other material facts the omission of which would make any statement herein misleading.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “U.S. Securities Act”), and may not be offered or sold within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold by UBS AG Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China CITIC Bank International Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Company Limited, Standard Chartered Bank and Vision Capital International Holdings Limited (the “Initial Purchasers”) only outside the United States in compliance with Regulation S under the U.S. Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see “Transfer Restrictions.”

The Notes are expected to be rated B+ by Fitch Ratings. We have been assigned a long-term corporate credit rating of B1 with a positive outlook by Moody’s Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor’s, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

It is expected that delivery of the Notes will be made on or about May 20, 2021 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

#### Sustainable Finance Structuring Advisors

HSBC

UBS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS

HSBC

Guotai Junan International

BOC International

BOCOM International

CCB International

China CITIC  
Bank International

CMB International

Credit Suisse

Deutsche Bank

Haitong International

Standard Chartered Bank

Vision Capital  
International

The date of this offering memorandum is May 10, 2021

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY .....	1	BUSINESS .....	92
THE OFFERING .....	5	REGULATION .....	125
SUMMARY CONSOLIDATED		MANAGEMENT .....	138
FINANCIAL AND OTHER DATA ...	11	PRINCIPAL SHAREHOLDERS .....	143
RISK FACTORS .....	14	RELATED PARTY TRANSACTIONS ..	144
USE OF PROCEEDS .....	51	DESCRIPTION OF OTHER	
NOTES BEING ISSUED AS		MATERIAL INDEBTEDNESS .....	145
GREEN BONDS .....	52	DESCRIPTION OF THE NOTES .....	157
EXCHANGE RATE INFORMATION ...	55	TAXATION .....	223
CAPITALIZATION AND		PLAN OF DISTRIBUTION .....	227
INDEBTEDNESS .....	58	TRANSFER RESTRICTIONS .....	233
SUMMARY CONSOLIDATED		RATINGS .....	235
FINANCIAL AND OTHER DATA ...	59	LEGAL MATTERS .....	235
MANAGEMENT’S DISCUSSION AND		INDEPENDENT ACCOUNTANTS .....	235
ANALYSIS OF FINANCIAL		GENERAL INFORMATION .....	236
CONDITION AND RESULTS OF		INDEX TO FINANCIAL	
OPERATIONS .....	62	INFORMATION .....	F-1
CORPORATE STRUCTURE .....	91		

---

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

**This offering memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129 (the “EU Prospectus Regulation”) or the EU Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “UK Prospectus Regulation”). This offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area and in the United Kingdom will be made pursuant to an exemption under the EU Prospectus Regulation or the UK Prospectus Regulation (as the case may be) from the requirement to produce a prospectus in connection with offers of the securities.**

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

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

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

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

**IN CONNECTION WITH THIS OFFERING, ANY ONE OF THE INITIAL PURCHASERS APPOINTED AND ACTING IN THE CAPACITY AS STABILIZATION MANAGERS OR ANY PERSON ACTING FOR THEM (THE “STABILIZATION MANAGERS”), MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF STABILIZATION MANAGERS, AND NOT FOR US OR ON OUR BEHALF.**

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum and the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant

circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative, or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this offering memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

This offering memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK for the purpose of giving information with regard to the Company and the Subsidiary Guarantors. The Company, together with the Subsidiary Guarantors, accept full responsibility for the accuracy of the information contained in this offering memorandum 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.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Transfer Restrictions” below.

No representation or warranty, express or implied, is made or given by UBS AG Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China CITIC Bank International Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Company Limited, Standard Chartered Bank and Vision Capital International Holdings Limited (the “Initial Purchasers”), China Construction Bank (Asia) Corporation Limited, as trustee (the “Trustee”) or any of their respective affiliates or advisers as to the accuracy, completeness or sufficiency of the information set forth herein, including whether the net proceeds from the Notes will be used to finance and/or refinance Eligible Green Projects (as defined herein), and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. Neither the Initial Purchasers nor the Trustee has independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, neither the Initial Purchasers nor the Trustee accepts any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers, the Trustee or on their behalf in connection with the Company, the Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or any person affiliated with the Initial Purchasers or the Trustee in connection with any investigation of the accuracy of such

information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers or the Trustee.

## **Data Protection**

Under the Cayman Islands Data Protection Law, 2017 and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the “**Data Protection Legislation**”), individual data subjects have rights and the Issuer as data controller has obligations with respect to the processing of personal data by the Issuer and its affiliates and delegates. Breach of the Data Protection Legislation by the Issuer could lead to enforcement action.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Issuer in order for an investment in the Notes to continue or to enable the Notes to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Notes or to redeem the Notes.

The Issuer has published a privacy notice (the “**Data Privacy Notice**”), which provides prospective investors with information on the Issuer's use of their personal data in accordance with the Data Protection Legislation. The location and means of accessing the Data Privacy Notice is specified in the “General Information” Section of this offering memorandum.

**The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.**

We are not, and the Initial Purchasers are not, making an offer to sell the Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the securities, including the Notes and the Subsidiary Guarantees, may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the Notes and the Subsidiary Guarantees, and distribution of this offering memorandum, see the sections entitled “Transfer Restrictions” and “Plan of Distribution” below.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisers for legal, business, tax and other advice regarding an investment in the Notes.



## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group” and words of similar import, we are referring to Zhongliang Holdings Group Company Limited (中梁控股集團有限公司) itself and its consolidated subsidiaries, as the context requires. In this offering memorandum, references to the “Board” or “Board of Directors” refer to the board of directors of the Company.

Market data, industry forecast and the PRC and property industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or its respective directors and advisers, and neither we, the Initial Purchasers nor our or its respective directors and advisers make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC and property industry statistics.

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

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

References to “BVI” in this offering memorandum are to the British Virgin Islands.

References to “COVID-19” in this offering memorandum are to the disease caused by severe acute respiratory syndrome coronavirus 2.

References to “PRC” and “China,” in the context of statistical information and description of laws and regulations in this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC (“Macau”), or Taiwan. “PRC government” or “State” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) which differ in certain respects from generally accepted accounting principles in the United States (“U.S. GAAP”) and certain other jurisdictions. Unless the context otherwise requires, references to “2018”, “2019” and “2020” in this offering memorandum are to our financial years ended December 31, 2018, 2019 and 2020, respectively.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.01, in our share capital.

References to “IFRS” are to International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board.

References to “Reorganization” are to the corporate reorganization we underwent before our initial public offering listed on The Stock Exchange of Hong Kong Limited (the “SEHK”) in June 2019.

References to “CBRC” or “CBIRC” are to, China Banking Regulatory Commission (中國銀行業監督管理委員會), currently consolidated into the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).

References to “EIT” are to enterprise income tax in the PRC. References to “EIT Law” are to, the PRC Enterprise Income Tax Law.

References to “MOFCOM” are to Ministry of Commerce of the PRC (中華人民共和國商務部).

References to “MOHURD” are to Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) (previously Ministry of Construction of the PRC (中華人民共和國建設部) before March 15, 2008).

References to “NDRC” are to National Development and Reform Commission (中華人民共和國發展和改革委員會).

References to “PBOC” are to People’s Bank of China (中國人民銀行).

References to “SAFE” are to the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局).

References to “SAFE Circular No. 37” are to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on July 4, 2014.

References to “SAT” are to the State Administration of Taxation of the People’s Republic of China (中華人民共和國國家稅務總局).

References to “State Council” are to the PRC State Council (中華人民共和國國務院).

References to “Zhejiang Tianjian” are to Zhejiang Tianjian Real Estate Co., Ltd. (浙江天劍置業有限公司), (formerly known as Zhejiang Zhongliang Real Estate Co., Ltd (浙江中梁置業有限公司)), a limited company established in the PRC on June 29, 1993, which is indirectly majority owned by Mr. Yang Jianqing, cousin of Mr. Yang Jian.

In this offering memorandum, unless the context otherwise requires, all references to “Affiliate” are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to “subsidiary” are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the SEHK, as amended (the “Listing Rules”), which includes: (i) a “subsidiary undertaking” as defined in Schedule 1 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding

companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director of our Company, chief executive or substantial shareholder of a listed issuer; and all references to “controlling shareholder” are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and “controlling interest” will be construed accordingly.

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

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

## FORWARD-LOOKING STATEMENTS

This offering memorandum 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 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;
- 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 regions where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the 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 guarantee of future performance and some of which may not materialize or may change. 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 memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

### **ENFORCEMENT OF CIVIL LIABILITIES**

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

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

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

We have been advised by our Cayman Islands legal adviser, Walkers (Hong Kong), that a judgment obtained in a court of the United States will be recognized and enforced in the courts of the Cayman Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands, where the judgment: (a) is final and conclusive; (b) is one in respect of which such United States courts had jurisdiction over the defendant according to Cayman Islands conflict of law rules; (c) is either for 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; and (d) was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

We have been advised by our British Virgin Islands legal adviser, Walkers (Hong Kong), that any final and conclusive judgment obtained in a court of the United States 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 without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the courts of the British Virgin Islands, provided that (a) the judgment had not been wholly satisfied, (b) that United States court had jurisdiction in the matter and the Subsidiary Guarantors incorporated in the British Virgin Islands either submitted to the jurisdiction of that United States 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 of the British Virgin Islands and (e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

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

- (i) was obtained by fraud;
- (ii) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (iii) is contrary to public policy or natural justice in Hong Kong;
- (iv) is based on foreign penal, revenue or other public law; or
- (v) falls within Section 3(1) of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong).

We have also been advised by Commerce & Finance Law Offices, our PRC legal adviser, that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor, any JV Subsidiary Guarantor or their respective directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, any Subsidiary Guarantor, any JV Subsidiary Guarantor or their respective directors or officers predicated upon the U.S. federal or state securities laws.

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains terms used in this offering memorandum in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

average selling price or ASP	average selling price on a saleable GFA basis, unless otherwise stated
CAGR	compound annual growth rate
contracted sales	total contractual value of properties sold in the relevant period, i.e. the total contractual value determined in the formal sale and purchase contract signed by both parties; it includes completed properties sold and properties pre-sold prior to completion of construction; contracted sales in any given period is not equivalent to the revenue in the relevant period and shall not be deemed as an indication for the revenue to be recognized in any future period; contracted sales data is unaudited and is based on internal information of our Group, which is provided for investors' reference only
fourth-tier cities	refer to cities with an average annual residential property sales of less than RMB8 billion in the past three years, a GDP of less than RMB150 billion and with a population of less than 4 million, which include cities such as Jiujiang, Shangrao, Heyuan, Enshi, Huaibei, Puer and Dali
GFA	gross floor area
LAT	land appreciation tax (土地增值稅), as defined in the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》)
Midwest China Economic Region	for the purpose of this offering memorandum, refers to Chongqing, Shanxi Province, Henan Province, Shaanxi Province, Ningxia Hui Autonomous Region, Gansu Province, Yunnan Province, Guizhou Province, Hunan Province, Hubei Province, Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region and Sichuan Province
Pan-Bohai Economic Rim	for the purpose of this offering memorandum, refers to Beijing, Tianjin, Hebei Province, Shandong Province and Liaoning Province
Pearl River Delta Economic Zone	for the purpose of this offering memorandum, refers to Guangdong Province
PRC Real Estate Top 10 Research Team	a research team jointly established by China Index Academy, Enterprise Research Institute under the Development Research Center of the State Council (國務院發展研究中心企業研究所) and the Property Research Institute Tsinghua University (清華大學房地產研究所) which is dedicated to evaluate PRC real estate developers and releases reports with respect to top 100 real estate developers in terms of comprehensive development capacity in China every year, based on various assumptions and factors, including but not limited to scale, profitability, growth, stability, financing capacity, operating efficiency and social responsibility

recognized GFA	for the purpose of this offering memorandum, refers to (i) with respect to the portion of GFA for which revenue was recognized at a point in time, total GFA so delivered and sold in the relevant period, and (ii) with respect to the portion of GFA for which revenue was recognized over time, the GFA proportionate to the amount of revenue so recognized in the relevant period out of the total revenue to be recognized, which was further by reference to the construction progress towards completion
second-tier cities	refer to cities with an average annual residential property sales of more than RMB100 billion in the past three years, a GDP between RMB350 billion and RMB2,000 billion and a population between 5 million and 16 million, which include cities such as Wenzhou, Suzhou, Wuxi, Hangzhou, Changsha, Wuhan, Chengdu, Kunming and Nanning
sq.m.	square meters
third-tier cities	refer to cities with an average annual residential property sales between RMB8 billion to RMB100 billion in the past three years, a GDP between RMB100 billion and RMB500 billion and a population between 2 million and 8 million, which include cities such as Jinhua, Jiaxing, Taizhou, Changzhou, Yangzhou, Huzhou, Zhangzhou, Quzhou, Lishui, Ningde, Shaoguan, Zhoushan, Xuancheng and Qinzhou
Western Taiwan Straits Economic Zone	for the purpose of this offering memorandum, refers to Jiangxi Province and Fujian Province
Yangtze River Delta Economic Region	for the purpose of this offering memorandum, refers to Shanghai, Zhejiang Province, Jiangsu Province and Anhui Province



## SUMMARY

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

### OVERVIEW

We are a large-scale comprehensive real estate developer in China, based in the Yangtze River Delta Economic Region with a national footprint. We were recognized as a top 20 real estate developer in China by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center in 2019 and 2020.

We conduct our businesses based on various standardized modules, covering the entire value chain of property development from land acquisition, construction and development to marketing and sales, which aims to ensure high operating efficiency while maintaining relatively low operating costs and expenses. Our standardized land acquisition modules provide detailed land acquisition criteria and disciplined procedural guidance, taking various factors into consideration and applicable for various product types in different locations. We adopt multiple land acquisition methods to expand our land bank. We also implement standardized operating modules for design and development of our products. We currently offer three main series of residential properties, namely, the Star and Sea series (星海系), the Mansion series (拾光系) and the Metropolis series (鎏金系), targeting, first-time home purchasers, first-time home upgraders and second-time home upgraders, respectively. Under each residential property series, we further fine-tune the products into two or three separate product lines. First-time home purchasers usually refer to those who buy their residential properties for the first time and are more concerned about the property’s functionality, space efficient floor plan and purchase price. To cater to these purchasers, we develop properties, mainly the Star and Sea series, which are featured with well designed living spaces, basic community facilities and other amenities as well as an affordable price. First-time home upgraders usually refer to those who are already home owners and expect to improve their existing living environment. These purchasers are concerned about the upgraded and comprehensive living spaces and utilities, community landscape, community reputation and ancillary facilities. To cater to these purchasers, we develop properties, mainly the Mansion series, which are featured with multi-functional interior utilities, elegant building facade designs, and comfortable and secured community facilities. Second-time home upgraders usually refer to those who already own multiple residential properties. Such purchasers are looking not only for functionality, but also to use their homes to socialize with others to enhance their overall living experience. To cater to these purchasers, we develop properties, mainly the Metropolis series, which are featured with high quality construction materials and tasteful interior and exterior designs, large living spaces, grand and leisure community facilities that can accommodate various activities for different groups of residents.

We have established a valuable product database with over 70 sets of standardized product design models. We formulate and implement standardized marketing modules which are embedded with multiple standardized key performance indicators to evaluate and improve effectiveness of our marketing efforts. We believe our comprehensive standardized operational modules and procedures are the key to our success in rapid replication and expansion.

Our management system divides large business groups into a number of small business units which enjoys certain operational autonomy and adopts a result-oriented evaluation and incentive approach, thus encouraging each employee to be actively involved in the management and to share responsibilities and benefits. Such character enables quick horizontal replication and expansion which works well with property development business due to its highly replicable nature. Our management system enjoys flexibility in daily operation and management, which motivates well-adapted and competent employees and inherently eliminates the incompetent ones. We believe this enhances our competitiveness and vitality. It also enables our senior management to promptly react to ever changing market trends, capturing the emerging opportunities or minimizing the potential risks arising therefrom.

We strive to develop quality residential properties targeting first-time home purchasers, first-time home upgraders and second-time home upgraders. Our residential property projects have also been well recognized. We also engage in the development, operation and management of commercial properties and hold a portion of such commercial properties for future investment purpose. We intend to continue to enhance and expand our product portfolio by developing new products catering to the needs of our target customers in different locations. We also plan to prudently pursue new growth opportunities by expanding into new operations that are complementary to our current business. We believe a balanced product mix will help diversify our revenue streams, generate recurring income, optimize our resources and assets allocation, and enhance the value and attractiveness of our properties located in the neighboring regions, thus making us less susceptible to any particular market segment.

As of December 31, 2020:

- we had established presence in 153 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone;
- we had 480 projects, including 342 projects developed by our subsidiaries and 138 projects developed by our joint ventures and associates, at various development stages; and
- total land bank attributable to us amounted to 51.8 million sq.m., including:
  - approximately 44.2 million sq.m. for property projects developed by our subsidiaries, comprising completed properties available for sale, lease or investment with an aggregate GFA of approximately 6.6 million sq.m., properties under development with an aggregate planned GFA of approximately 34.5 million sq.m. and properties held for future development with an aggregate estimated GFA of approximately 3.1 million sq.m.; and
  - approximately 7.6 million sq.m. attributable to us for property projects developed by our joint ventures and associates, comprising completed properties available for sale, lease or investment with an aggregate GFA of approximately 0.8 million sq.m., properties under development with an aggregate planned GFA of approximately 5.6 million sq.m. and properties held for future development with an aggregate estimated GFA of approximately 1.2 million sq.m.

The aggregate contracted sales of our Group, taking into account the entire contracted sales by our joint ventures and associates, were approximately RMB101.5 billion, RMB152.5 billion and RMB168.8 billion, respectively, for the years ended December 31, 2018, 2019 and 2020. For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB30,214.7 million, RMB56,639.6 million and RMB65,940.6 million (US\$10,105.8 million), respectively. We recorded a net profit of RMB2,526.3 million, RMB6,255.9 million and RMB6,566.4 million (US\$1,006.3 million) in 2018, 2019 and 2020, respectively.

## **OUR STRENGTHS**

We believe our primary competitive strengths are:

- large real estate development scale with national footprint and an established brand name in China;
- quality land bank secured by efficient expansion strategy and strong land acquisition capabilities;
- established standardized real estate development processes ensuring execution capability;
- efficient management system; and

- visionary and experienced management team.

## **OUR STRATEGIES**

We strive to become a leading comprehensive real estate developer in the PRC. To achieve our goal, we intend to implement the following strategies:

- leverage favorable government policies and enhance leadership in existing markets and strategically expand into new regions with high-growth potentials;
- identify new growth opportunities by utilizing diversified investment strategies;
- continue to optimize our product portfolio and enhance product quality;
- continue to enhance operating efficiency by increasing standardization and intelligent management and operation;
- continue to attract, retain and motivate long-term dedicated employees; and
- remain dedicated to prudent financial policies to optimize our capital structure.

## **RECENT DEVELOPMENTS**

### **Issuance of Senior Notes**

On January 13, 2021, we issued an additional July 2022 Notes in the aggregate principal amount of US\$200.0 million. See “Description of Other Material Indebtedness — July 2022 Notes.”

On February 1, 2021, we issued the January 2022 Notes in the aggregate principal amount of US\$250.0 million. “Description of Other Material Indebtedness — January 2022 Notes.”

### **Repurchase and Cancellation of Senior Notes**

The Company repurchased the February 2021 Notes in an aggregate amount of US\$105,480,000 (the “Repurchased Notes”) on January 15, 2021. Upon completion of the repurchase, the Company cancelled the Repurchased Notes. As of the date of the offering memorandum, we have fully repaid the February 2021 Notes upon maturity.

### **Change of Address of Registered Office and Principal Share Registrar and Transfer Office in the Cayman Island**

Effective from February 1, 2021, our address of the registered office and the principal share registrar and transfer office was changed to 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

### **Execution of Facility Letter with Specific Performance Covenants**

On February 23, 2021, we, as borrower, accepted a facility letter issued by Hang Seng Bank Limited, as lender, of up to US\$20,000,000. The facility will be available for drawdown within 6 months from February 23, 2021. The maturity date will be 12 months from the date of drawdown. Our controlling shareholders are subject to certain covenants under the facility letter.

On March 16, 2021, we, as borrower, accepted a facility agreement issued by BOCI Leveraged and Structured Finance Limited, as lender, of up to US\$50,000,000. We are obligated to repay the loan under the facility agreement on the date falling 364 days from the utilization date of the facility.

### **Establishment of Environmental, Social and Governance Committee (“ESG Committee”)**

Effective from March 23, 2021, we established an ESG Committee, to assist our board to review and monitor the environmental, social and governance policies and practices of the Group. Mr. Chen Hongliang, Mr. Li Heli, Mr. Yau Sze Ka (Albert) and Mr. Au Yeung Po Fung have been appointed as the members of the ESG Committee and Mr. Chen Hongliang has been appointed as the chairman of the ESG Committee.

### **Change of Address of Principal Place of Business in Hong Kong**

Effective from April 1, 2021, our principal place of business in Hong Kong was changed to 27/F., Queen’s Road Centre, 152 Queen’s Road Central, Central, Hong Kong.

### **The Coronavirus Pandemic**

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The COVID-19 pandemic has adversely affected the livelihood of many people in and the economy of the PRC. The pandemic has had negative impacts on the global economy and the real estate sector in China. The pandemic has had significant impacts, especially in the first half of 2020, on sales, delivery and cashflow of real estate developers in China. The PRC central and local governments have taken various measures, including travel restrictions, to manage cases and reduce potential spread and impact of infection, and to boost the economy and stimulate the local property markets. As a result of the timely and effective implementation of these measures, the PRC government has controlled the COVID-19 pandemic since late March 2020, allowing businesses and factories to gradually reopen.

Since the outbreak of COVID-19 pandemic in January 2020, we kept a vigilant watch of developments and continued to formulate plans to respond to possible risks and changes. With early effective prevention and control plans put in place, we managed to minimize the impact of the COVID-19 pandemic on our operations, financial management and future performance in 2020. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See “Risk Factors — Risks Relating to Doing Business in the PRC — The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.”

### **GENERAL INFORMATION**

We were incorporated in the Cayman Islands on March 22, 2018, as an exempted company with limited liability. Our shares have been listed on the SEHK since July 16, 2019. Our principal place of business in Hong Kong is at 27/F, Queen’s Road Centre, 152 Queen’s Road Central, Central, Hong Kong. Our head office in the PRC is at 20/F, No.3 Shanghai Convention & Exhibition Center of International Sourcing, 235 Yunling East Road Putuo District, Shanghai, China. Our registered office is located at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. Our website is [www.zldcgroup.com](http://www.zldcgroup.com). Information contained on our website does not constitute part of this offering memorandum.

## THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer . . . . .	Zhongliang Holdings Group Company Limited (中梁控股集團有限公司).
Notes Offered . . . . .	US\$300,000,000 aggregate principal amount of 8.5% Senior Notes due 2022 (the “Notes”).
Offering Price . . . . .	99.186% of the principal amount of the Notes.
Original Issue Date . . . . .	May 20, 2021.
Maturity Date . . . . .	May 19, 2022.
Interest . . . . .	The Notes bear interest from (and including) May 19, 2021 at the rate of 8.5% per annum, payable in arrears.
Interest Payment Dates . . . . .	November 20, 2021 and May 19, 2022
Ranking of the Notes . . . . .	The Notes: <ul style="list-style-type: none"><li>● are general obligations of the Company;</li><li>● are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;</li><li>● rank at least <i>pari passu</i> in right of payment with the Existing Notes and all other unsecured and unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);</li><li>● are guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “— Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees” of this offering memorandum;</li><li>● are effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantor and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and</li><li>● are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.</li></ul>

Subsidiary Guarantees and  
JV Subsidiary  
Guarantees . . . . .

Each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount.

A Subsidiary Guarantee may be released in certain circumstances. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees or JV Subsidiary Guarantees.”

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of Heng Rong Co., Limited, Zhongliang Hongkong Property Investment Group Co., Limited, Zhongliang International Development Company Limited and Ample Sino Investments Limited (collectively, the “Initial Subsidiary Guarantors”). Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the “Initial Other Non-Guarantor Subsidiaries”) nor those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date. In addition, none of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary or Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “New Non-Guarantor Subsidiaries,” and together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided that* after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of Total Assets.

Rankings of the Subsidiary Guarantees and JV Subsidiary Guarantees. . .

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

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

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

Use of Proceeds . . . . .

The gross proceeds from this offering will be approximately US\$297.5 million, which we plan to use for refinancing of existing indebtedness in accordance with our Sustainable Finance Framework as described under this offering memorandum titled “Notes Being Issued As Green Bonds”. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

Optional Redemption . . . . . At any time prior to May 19, 2022, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to May 19, 2022, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Change of Control  
Triggering Event . . . . . Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest (if any) to (but not including) the Offer to Purchase Payment Date.

Redemption for Taxation  
Reasons . . . . . Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, in whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person for redemption, if the Company or a Surviving Person would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes — Redemption for Taxation Reasons."



Covenants . . . . .	<p>The Notes and the Indenture governing the Notes will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> <li>● incur additional indebtedness and issue disqualified or preferred stock;</li> <li>● make investments, dividend payments or other specified restricted payments;</li> <li>● issue or sell capital stock of Restricted Subsidiaries;</li> <li>● guarantee indebtedness of Restricted Subsidiaries;</li> <li>● sell assets;</li> <li>● create liens;</li> <li>● enter into sale and leaseback transactions;</li> <li>● engage in any business other than permitted business;</li> <li>● enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;</li> <li>● enter into transactions with shareholders or affiliates; and</li> <li>● effect a consolidation or merger.</li> </ul> <p>These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes — Certain Covenants.”</p>
Transfer Restrictions . . . . .	<p>The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”</p>
Form, Denomination and Registration . . . . .	<p>The Notes will be issued only in fully registered form without coupons, in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depository and registered in the name of the common depository or its nominee. Beneficial interests in the Global Note will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their participants.</p>
Book-Entry Only . . . . .	<p>The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry; Delivery and Form.”</p>
Delivery of the Notes . . . . .	<p>The Company expects to make delivery of the Notes against payment in same-day funds on or about May 20, 2021, which the Company expects will be the fifth business day following the date of the offering memorandum referred to as “T+7.” You should note that initial trading of the Notes may be affected by the “T+7” settlement. See “Plan of Distribution.”</p>
Trustee . . . . .	<p>China Construction Bank (Asia) Corporation Limited.</p>

Paying and Transfer Agent and Registrar . . . . .	China Construction Bank (Asia) Corporation Limited.	
Ratings . . . . .	The Notes are expected to be rated B+ by Fitch Ratings. We have been assigned a long-term corporate credit rating of B1 with a positive outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.	
Listing and Trading . . . . .	Application will be made to the SEHK for the listing of the Notes by way of debt issues to Professional Investors only.	
Security Codes . . . . .	<u>ISIN</u>	<u>Common Code</u>
	XS2341214059	234121405
Governing Law . . . . .	The Notes and the Indenture are governed by and construed in accordance with the laws of the State of New York.	
Risk Factors . . . . .	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."	

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statement data for the years ended December 31, 2018, 2019 and 2020 and the summary consolidated statements of financial position as of December 31, 2018, 2019 and 2020 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for such years and as of such dates, as audited by Ernst & Young, our independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Historical results are not necessarily indicative of results that may be achieved in any future period.

### SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(In thousands, except for percentages)			
	(Unaudited)			
<b>Revenue</b> . . . . .	<b>30,214,688</b>	<b>56,639,596</b>	<b>65,940,566</b>	<b>10,105,834</b>
Cost of sales . . . . .	(23,303,847)	(43,457,345)	(52,087,655)	(7,982,782)
<b>Gross profit</b> . . . . .	<b>6,910,841</b>	<b>13,182,251</b>	<b>13,852,911</b>	<b>2,123,051</b>
Other income and gains . . . . .	95,045	233,873	918,050	140,697
Selling and distribution expenses . . . . .	(1,333,901)	(2,030,081)	(2,254,253)	(345,479)
Administrative expenses . . . . .	(1,648,265)	(2,549,711)	(2,848,025)	(436,479)
Impairment losses on financial assets . . . . .	(10,964)	(9,870)	(5,562)	(852)
Other expenses . . . . .	(197,760)	(255,162)	(186,371)	(28,563)
Fair value gains on investment properties	71,971	49,855	88,365	13,543
Fair value (losses)/gains on financial assets at fair value through profit or loss . . . . .	(4,039)	(6,880)	(30,929)	(4,740)
Finance income . . . . .	353,711	515,645	408,100	62,544
Finance costs . . . . .	(433,466)	(466,533)	(542,494)	(83,141)
Share of profits and losses of:				
Joint ventures . . . . .	(82,242)	979,353	467,861	71,703
Associates . . . . .	717,545	255,371	497,169	76,194
<b>Profit before tax</b> . . . . .	<b>4,438,476</b>	<b>9,898,111</b>	<b>10,364,822</b>	<b>1,588,478</b>
Income tax expense . . . . .	(1,912,189)	(3,642,203)	(3,798,407)	(582,131)
<b>Profit for the year</b> . . . . .	<b>2,526,287</b>	<b>6,255,908</b>	<b>6,566,415</b>	<b>1,006,347</b>
Attributable to:				
Owners of the parent . . . . .	1,931,336	3,833,699	3,743,429	573,706
Non-controlling interests . . . . .	594,951	2,422,209	2,822,986	432,642
	<u>2,526,287</u>	<u>6,255,908</u>	<u>6,566,415</u>	<u>1,006,347</u>
<b>Other Financial Data (Unaudited)</b>				
EBITDA <sup>(1)</sup> . . . . .	6,263,819	12,110,370	14,085,782	2,158,740
EBITDA margin <sup>(2)</sup> . . . . .	20.7	21.4	21.4	21.4

---

*Notes:*

- (1) EBITDA for any period consists of operating profit before fair value gains on the investment properties fair value gains or losses on financial assets at fair value through profit or loss, share of profits or losses of joint ventures or associates and listing expenses plus finance costs and depreciation, amortization expenses and interest capitalized in cost of sales. EBITDA is not a standard measure under IFRS. 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. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

**SUMMARY CONSOLIDATED FINANCIAL POSITION DATA**

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(In thousands)			(Unaudited)
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	105,269	117,679	134,706	20,645
Investment properties . . . . .	928,900	1,196,550	1,839,550	281,923
Right-of-use assets . . . . .	—	144,809	111,100	17,027
Other intangible assets . . . . .	455	8,128	8,481	1,300
Investments in joint ventures . . . . .	2,584,059	3,240,364	4,544,896	696,536
Investments in associates . . . . .	2,113,159	6,749,631	13,928,585	2,134,649
Deferred tax assets . . . . .	1,852,380	2,932,066	3,222,423	493,858
Prepayments and other receivables . . . . .	96,202	—	292,658	44,852
<b>Total non-current assets . . . . .</b>	<b>7,680,424</b>	<b>14,389,227</b>	<b>24,082,399</b>	<b>3,690,789</b>
<b>Current assets</b>				
Financial assets at fair value through profit or loss . . . . .	228,757	290,723	552,413	84,661
Properties under development . . . . .	99,481,406	128,779,890	145,914,463	22,362,370
Completed properties held for sale . . . . .	3,596,396	4,140,691	10,886,087	1,668,366
Trade receivables . . . . .	4,354	3,035	5,209	798
Due from related companies . . . . .	9,841,443	9,446,200	10,931,355	1,675,303
Prepayments and other receivables . . . . .	22,209,895	38,283,718	40,890,035	6,266,672
Tax recoverable . . . . .	1,951,577	2,691,238	3,338,884	511,706
Cash and bank balances . . . . .	23,080,364	26,495,261	34,232,445	5,246,352
<b>Total current assets . . . . .</b>	<b>160,394,192</b>	<b>210,130,756</b>	<b>246,750,891</b>	<b>37,816,229</b>
<b>Current liabilities</b>				
Trade and bills payables . . . . .	8,498,295	12,060,536	17,082,883	2,618,066
Other payables and accruals . . . . .	20,476,168	19,019,087	24,488,785	3,753,070
Contract liabilities . . . . .	95,482,250	115,873,077	120,909,048	18,530,122
Due to related companies . . . . .	7,419,138	11,985,635	18,130,579	2,778,633
Interest-bearing bank and other borrowings . . . . .	14,468,672	20,125,313	16,477,897	2,525,348
Lease liabilities . . . . .	—	46,234	47,247	7,241
Tax payable . . . . .	1,960,281	3,406,783	5,052,468	774,325
Provision for financial guarantee contracts	84,869	31,364	72,914	11,175
Other financial liabilities . . . . .	59,284	92,378	68,315	10,470
Senior notes . . . . .	—	1,378,045	7,306,141	1,119,715
<b>Total current liabilities . . . . .</b>	<b>148,448,957</b>	<b>184,018,452</b>	<b>209,636,277</b>	<b>32,128,165</b>
<b>Net current assets . . . . .</b>	<b>11,945,235</b>	<b>26,112,304</b>	<b>37,114,614</b>	<b>5,688,063</b>
<b>Total assets less current liabilities . . . . .</b>	<b>19,625,659</b>	<b>40,501,531</b>	<b>61,197,013</b>	<b>9,378,853</b>
<b>Non-current liabilities</b>				
Interest-bearing bank and other borrowings . . . . .	12,536,245	15,860,556	28,419,856	4,355,533
Lease liabilities . . . . .	—	100,210	72,695	11,141
Deferred tax liabilities . . . . .	335,182	851,884	633,980	97,162
Proceeds from assets-backed securities . . . . .	—	—	317,709	48,691
Senior notes . . . . .	—	2,817,326	1,570,623	240,709
<b>Total non-current liabilities . . . . .</b>	<b>12,871,427</b>	<b>19,629,976</b>	<b>31,014,863</b>	<b>4,753,236</b>
<b>Net assets . . . . .</b>	<b>6,754,232</b>	<b>20,871,555</b>	<b>30,182,150</b>	<b>4,625,617</b>
<b>Equity</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital . . . . .	85	31,450	31,450	4,820
Reserves . . . . .	2,578,591	8,696,650	10,875,287	1,666,711
	<b>2,578,676</b>	<b>8,728,100</b>	<b>10,906,737</b>	<b>1,671,531</b>
<b>Non-controlling interests . . . . .</b>	<b>4,175,556</b>	<b>12,143,455</b>	<b>19,275,413</b>	<b>2,954,086</b>
<b>Total equity . . . . .</b>	<b>6,754,232</b>	<b>20,871,555</b>	<b>30,182,150</b>	<b>4,625,617</b>

## RISK FACTORS

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

### RISKS RELATING TO OUR BUSINESS

**Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in the Yangtze River Delta Economic Region.**

Our business and prospects depend on the performance of the PRC property market. As of December 31, 2020, we had a total of 480 property projects, including 342 projects developed by our subsidiaries and 138 projects developed by our joint ventures and associates, covering 153 cities in China at various stages of development. We intend to continue to enhance our presence in these regions in China, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone. These property markets may be affected by local, regional, national and global factors, including economic and financial conditions, speculative activities in local markets, demand for and supply of properties, investor confidence, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. Any general market downturn in China or in cities in which we have or expect to have operations may materially and adversely affect our business, financial condition and results of operations. Moreover, any oversupply of properties or potential decline in demand for or prices of properties in these cities could also have a material adverse impact on us.

In 2018, 2019 and 2020, approximately 94.9%, 72.8% and 51.6%, respectively, of our revenue from sales of properties was derived from the Yangtze River Delta Economic Region. As of December 31, 2020, we had a total land bank attributable to us of approximately 51.8 million sq.m., of which, approximately 15.7 million sq.m. were located in the Yangtze River Delta Economic Region. In addition, we are a diversified and nation-wide developer. We expect that the property projects located in the Yangtze River Delta Economic Region and Midwest Region will contribute to the majority of our revenue in the near future, our business, financial condition and results of operations may be particularly subject to the market uncertainties, volatility and significant adverse change in the real estate market of the Yangtze River Delta Economic Region and Midwest Region.

In particular, the PRC property market is affected by the recent slowdown of China's economic growth. There have been increasing concerns over the sustainability of the real estate market growth in China. Factors such as decrease in available funds and investor confidence may negatively impact the demand for the properties we developed. As a result, the property market may experience oversupply of properties and idle housing inventory. Any oversupply of properties or any potential decline in the demand or prices for properties in the cities in which we operate or intend to operate could have a material adverse impact on our cash flows, financial condition and results of operations.

**We may not be able to acquire land reserves in desirable locations that are suitable for our development at commercially acceptable prices, or at all.**

The sustainable growth and success of our business depend significantly on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for our projects. We acquire land for our projects through the listing-for-sale process, auctions

and public tenders organized by the relevant government authorities, by cooperating with third-party business partners through joint ventures and associates and by acquiring target projects or target project companies from third parties.

Our ability to acquire land depends on a variety of factors, such as the overall local economic conditions, the availability of land parcels provided by the government, our effectiveness in identifying and acquiring land parcels that are suitable for our development. The availability and price of land sold at land auctions held by local governments depend on factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. Furthermore, the rapid development in certain cities we plan to enter in recent decades has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs. As a result, our cost for acquiring land use rights may further rise in the future, and our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to acquire suitable land parcels at commercially acceptable prices for our future development in a timely manner or at prices that enable reasonable economic returns to us, or at all.

**We may not have adequate financings to fund our property development, and such capital resources may not be available on commercially reasonable terms, or at all.**

Property development is capital intensive and we expect to continue to incur a high level of capital expenditures in the foreseeable future. We finance our property projects primarily through proceeds from the pre-sales and sales of our properties and borrowings from financial institutions including CBIRC-licensed commercial banks as well as trust financing and asset management companies. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including but not limited to:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- our future results of operations, financial condition and cash flows;
- the condition of the international and domestic financial markets and financing availability;
- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and
- changes in policies regarding regulation and control of the real estate market.

The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development sector. For example:

- the PBOC has adjusted the Renminbi deposit reserve ratio several times since 2010;
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008;
- PRC commercial banks and trust companies are prohibited from granting loans to real estate developers to pay land premiums;
- the State Council has issued rules requiring that at least (i) 20% of total investment for affordable housing or ordinary commercial housing development projects is funded by the developer's own capital; and (ii) 25% of the total investment for all other types of property development projects is funded by the developer's own capital;
- the CBRC has issued rules governing the establishment, operation and financing activities of trust companies in 2007, including the provision of such financing to real estate developers; and

- the Opinions on Regulating Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) jointly issued by the PBOC, CBIRC, the China Securities Regulatory Commission and SAFE on April 27, 2018 (which is applicable to banks, trust companies, asset management companies and other types of financial institutions) has tightened the regulation in relation to the asset management business of all kinds of financial institutions.

Operation of the trust companies in the PRC are primarily regulated by the CBIRC pursuant to the “Rules Governing Trust Companies” (《信託公司管理辦法》), which came into effect on March 1, 2007. Trust companies are therefore under the supervision and monitoring of the CBIRC and are required to comply with all notices and regulations promulgated by the CBIRC.

In addition, pursuant to Notice on Issuing Administrative Rules No. 4 for Filing of Private Placement Assets Management Plans by Securities & Future Business Institutions (the “Administrative Rules No. 4 for Filing”) (《關於發佈〈證券期貨經營機構私募資產管理計劃備案規範第4號〉的通知》), which was issued on February 13, 2017 by the Asset Management Associate of China, any investment in the real estate developers and projects under the private placement asset management plans newly established by securities/futures business institutions shall meet the requirements of Administrative Rules No. 4 for Filing; the existing products shall not add any new investment project that does not meet the requirements of the Administrative Rules No. 4 for Filing; if a project that an existing product has invested in cities under the circumstances prohibited under Article 1, 2 or 3 of the Administrative Rules No. 4 for Filing, the relevant investment project may not be renewed upon expiration. The Administrative Rules No. 4 for Filing applies to investment by the private placement fund managers that carry out private placement investment fund business in real estate developers and projects. Where a securities/futures business institution establishes a private placement assets management plan to invest in the ordinary residential housing projects in the cities where the real estate price is soaring, such a plan shall not be filed for record. Private placement asset management plans shall neither finance real estate developers for paying land acquisition price or replenishing working capital by means of entrusted loan, trust plan or transfer of right to earnings of the assets (beneficiary right), nor facilitate, directly or indirectly, any violation of laws and regulations such as issuance of loans for down payment.

The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and trust loan arrangements to finance our property projects. For example, we are limited as to the development activities in which such financing can be used. In addition, the amount, timing and cost of funding available to us are also adversely affected, so are the collaterals used to secure such financing. We cannot assure you that the PRC government will not introduce other initiatives, which may further limit our access to capital and the means we finance our property projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all. Furthermore, given the growth in trust loan arrangements provided to PRC real estate developers, the PRC government may implement more stringent measures to control risks in loan growth, including, among others, more stringent review procedures that trust companies are required to adopt when considering applications for trust loan and remedial actions that trust companies are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that trust companies can make available for the PRC property development industry. If such measures were to happen, our ability to obtain trust loan might be adversely affected, which will in turn adversely affect the anticipated growth of our business in the future and prospects.

**Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations.**

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks and trust loan providers. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. As all of our borrowings are in Renminbi, the interest rates on our borrowings are affected by the benchmark interest rates set by the PBOC, which may fluctuate significantly. The weighted average effective interest rates on our total borrowings outstanding as of



December 31, 2018, 2019 and 2020 were 9.9%, 9.4% and 8.5%, respectively. There is no assurance that our effective interest rate may not be adversely affected. For example, any future increases in the PBOC benchmark interest rates as a result of government policies may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

**We may not be successful in managing our growth and expansion into new cities and regions or new businesses.**

We have expanded our national footprint in recent years. In order to achieve sustainable growth, we need to continue to seek development opportunities in selected regions in the PRC with potential for growth and where we have no existing operations. Our historical focus was primarily on the development of residential property projects in the third- and fourth-tier cities and areas adjacent to the first- and second-tier cities in China. As of December 31, 2020, we had established presence in 153 cities in China with a total land bank attributable to us of approximately 51.8 million sq.m., of which, approximately 15.7 million sq.m. were located in the Yangtze River Delta Economic Region and approximately 18.0 million sq.m. were located in the Midwest Region. We currently intend to continue to expand our operations nationwide and further enhance our penetration in the second-tier cities. Additionally, we have expanded our business operations from development of residential properties to commercial properties.

Expanding into new geographical locations and new businesses involves uncertainties and challenges as we may be less familiar with the local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies in relevant sub-markets. In addition, expanding our business into new geographical locations would create competition with developers who have a better-established local presence or greater access to local labors, expertise and knowledge. Furthermore, the construction-, market- and tax-related regulations in our target cities may be distinguishably different and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments. Entering into the higher-tier cities may also subject us to higher land acquisition costs and development costs.

As we face challenges not previously encountered, we may fail to recognize or properly assess risks, take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in these new markets. For example, we may have difficulty in accurately predicting market demand for our properties in the cities into which we expand into or matching the behaviors or expectations of residents in those cities. We may also have difficulty in promoting and maintaining high occupancy rates and/or rental rates of the investment properties that we are currently developing.

In addition, expanding into new geographical locations and new businesses requires a significant amount of capital and management resources. We may not be able to manage the growth of our workforce to match the expansion of our business, and accordingly, we may experience issues such as capital constraints, construction delays, and lack of skilled and qualified personal. Any of such factors could have a material adverse effect on our business, financial conditions, results of operations and prospects.

**We had negative operating cash flow in 2019 and we may not be able to obtain sufficient funding for our land acquisitions and future property developments on commercially reasonable terms, or at all.**

We had negative cash flow from operating activities of approximately RMB20,329.0 million in 2019, primarily as a result of significant net cash used in operations due to our continued increase in property development activities and strengthened land acquisition efforts. We also had negative cash flow from investing activities of approximately RMB11,506.6 million, RMB5,021.1 million and RMB13,299.9 million (US\$2,038.3 million) for 2018, 2019 and 2020, respectively. Although we seek to

effectively manage our working capital, we cannot assure you that we will be able to match the timing and amount of our cash inflows with the timing and amounts of our payment obligations and other cash outflows.

We mainly rely on internal resources generated from our operations, including proceeds from the pre-sales and sales of our properties, as well as external financings, such as borrowings from commercial banks, trust loans, asset management arrangements, other borrowings from third parties (other than banks and financial institutions), and capital contribution from non-controlling shareholders. Negative operating cash flow may require us to obtain sufficient additional financing to meet our financing needs and obligations and support our expansion plans. In the event that we are unable to generate sufficient cash flow for our operations or otherwise obtain sufficient external funds to finance our business, our liquidity and financial condition may be materially and adversely affected and we may not be able to expand our business. We cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. Moreover, the level of our indebtedness and the amount of our interest payments could further limit our ability to obtain the necessary financing or favorable terms for the financing to fund our future capital expenditures and working capital. Such limitations may reduce our competitiveness but increase our exposure and sensitivity to adverse economic and industry conditions, which could materially adversely affect our financial condition and results of operations.

**We have substantial indebtedness and may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.**

We maintain a substantial level of borrowings to finance our operations. As of December 31, 2018, 2019 and 2020, our total outstanding bank loans and other borrowings amounted to approximately RMB27,004.9 million, RMB40,181.2 million and RMB54,092.2 million (US\$8,290.0 million), respectively. We may from time to time in the future consider other debt financing opportunities to refinance our existing loans and support our business expansion, such as the issuance of corporate bonds or the launch of asset-backed securities programs. In addition, we have in the past entered into, and may from time to time in the future enter into, investment agreements or framework agreements for our future projects, under which we may be required to make capital commitments. We also incurred borrowings from our related parties in 2018, 2019 and 2020. Subsequent to December 31, 2020, we have incurred additional indebtedness. For details, see the section entitled “Related Party Transactions.”

Our indebtedness could have an adverse effect on us, for example by increasing our vulnerability to adverse economic or industry conditions, such as significant increases in interest rates, and limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate.

In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development and we may also utilize proceeds from additional debt financings to acquire land resources, which could intensify the risks we face as a result of our indebtedness.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among others, prevailing economic conditions, PRC governmental regulation, the demand for properties in the regions we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. If we are unable to fulfill our repayment obligations under our borrowings, or otherwise comply with the restrictions and covenants in our current or future bank loans, corporate bonds and other agreements, there could be a default under the terms of those agreements. In the event of a default under those agreements, our lenders may accelerate the repayment of our outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clauses may also be triggered as a result. If any of such events occur, we cannot assure you that our assets and

cash flow would be sufficient to repay all of our indebtedness, or we would be able to obtain alternative financing on terms that are favorable or acceptable to us. As a result, our cash flow, cash available for distributions, financial condition and results of operations may be materially and adversely affected.

**We are subject to risks associated with certain covenants or restrictions under our borrowings, which may adversely affect our business, financial condition and results of operations.**

We are subject to certain restrictive covenants under the terms of our bank loans, trust financing and asset management arrangements, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among others, our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our subsidiaries' capital stock, repurchase our subsidiaries' capital stock, prepay certain indebtedness, repay shareholders' loans, reduce our registered capital, sell, transfer, lease or otherwise dispose of property or assets, make investments and engage in mergers, consolidation or other change-in-control transactions. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio or minimum profitability levels during the term of the loans. Pursuant to the respective agreements, trusts companies and asset management companies may have veto rights over some of our abovementioned corporate actions, which will further limit our flexibility in operation and ability to raise additional funding. Certain of our banking facilities also contain cross-default provisions that if our relevant subsidiary defaults on the borrowing with the commercial banks, their affiliated commercial institutions, and/or other commercial financial institutions, as provided under the loan agreement, such an action may constitute an event of default and the relevant commercial banks would be entitled to accelerate payment of all or any part of the outstanding indebtedness and may terminate all commitments to extend further credit. Moreover, our trust and other financings are generally secured by a pledge or transfer of the legal titles of the relevant project subsidiaries, and/or a lien on the land use right or the development project. If we are in default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in those project subsidiaries, our proportionate share of the asset value of the relevant property projects, land use rights or our development projects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness — Trust Financing and Asset Management Arrangements."

We cannot assure you that we will always be able to abide by all restrictive covenants and cross-default provisions of any of our loan contracts in the future. Should we fail to abide by these provisions, our lenders may be entitled to exercise certain rights as provided under the relevant contracts, including but not limited to accelerating the repayment of our loans, in which case our business, financial condition and results of operations may be adversely affected.

**The China Banking Regulatory Commission and/or other government agencies of the PRC may tighten the regulations relating to trust loans being provided to the property industry in the PRC, which may affect our ability to obtain trust loans.**

We had certain trust loan arrangements. As of December 31, 2020, the total outstanding principal of our trust financing and asset management arrangements amounted to approximately RMB14,980.2 million (US\$2,295.9 million). There are uncertainties regarding trust loan. The operation of trust companies in the PRC is primarily regulated by the China Banking Regulatory Commission (the "CBRC") pursuant to the Rules Governing Trust Companies (《信託公司管理辦法》), which came into effect on March 1, 2007, and relevant regulations are published and updated from time to time. Trust companies are therefore under the supervision and monitoring of the CBRC and are required to comply with the relevant notices and regulations promulgated by the CBRC. According to the Notice of the CBRC on the Relevant Issues concerning Supporting the Innovation and Development of Trust Companies (《中國銀監會關於支持信託公司創新發展有關問題的通知》) promulgated by the CBRC on 25 March 2009, Notice of General Office of the CBRC on Strengthening Supervision over the Real Estate Trust Business of Trust Companies (《中國銀監會辦公廳關於加強信託公司房地產信託業務監管有關問題的通知》) promulgated by the CBRC on February 11, 2010 and Notice of General Office of CBRC on Risk Warning for Real Estate Trust Businesses of Trust Companies (《中國銀監會辦公廳關於信託公司房地產信託業務風險提示的通知》) promulgated by the general office of the CBRC on November 12, 2010, trust companies shall not provide loans to property developers which (i) have not obtained land use rights certificates, construction land planning permits, construction work planning

permits or construction work commencement permits, (ii) have not met the minimum capital ratio requirement for real estate development projects, or (iii) whose controlling shareholders do not have second-level or above qualification. Under the above rules and notices, we are unable to obtain any trust loan from trust companies before our project companies obtaining the land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits, and meeting the minimum capital ratio requirement. Accordingly, we are unable to use trust loans from trust companies to finance the land premium, and under normal circumstance, any trust loan that we could obtain can only be used for the relevant project development. We cannot assure you that the PRC government will not implement additional or more stringent requirements with regard to trust financing companies. If additional or more stringent requirements with regard to trust companies have been implemented, it could result in a reduction in our financing options and/or an increase in the cost of financing our properties, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

**We generate revenue principally from the sales of properties, and our ability to benefit from a property development project may fluctuate, as it is subject to our property development project schedule and the timing of sales for such project.**

Historically, we have derived our revenue principally from the sales of properties we developed. In 2018, 2019 and 2020, we generated 99.3%, 99.5% and 99.3%, respectively, of our revenue from the sales of properties. According to our accounting policies, revenue of sales of properties may be recognized over time or at a point in time when control of our properties is transferred, depending on terms of pre-sale/sales contracts with detailed project completion and delivery schedule. Revenue recognized at a point in time, depending on the type of properties and the revenue generated, typically takes one to two years from the commencement of pre-sale to the construction completion of our properties before we recognize revenue from such projects. Depending on the terms of the pre-sale/sales contracts, our revenue is recognized over time with reference to the construction progress of our relevant property projects. Therefore, our ability to benefit may fluctuate due to factors such as the schedule of our property development, construction schedules, the online pre-sale filing process the market demand for our properties and the timing of property sales. Consequently, our results of operations for any given period only reflect decisions made by our customers some time ago and may not be indicative of our actual operating results during such period. In addition, cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. Such cyclicity, together with the time required and statutory time limits for the completion of projects and the sales of properties, cause our results of operations relating to property development activities susceptible to significant fluctuations from period to period. As a result, it can be difficult to predict our future performance.

**Our results of operations, financial condition and prospects may be adversely affected by impairment loss for properties under development and completed properties held for sale.**

The volatility of the real estate market may subject us to risks in connection with possible impairment losses for properties under development as well as completed properties held for sale, if we fail to complete the construction or sell the properties in time at our desired prices. Impairment losses may arise when the carrying value of a property exceeds its recoverable amount. In 2018, 2019 and 2020, we recorded impairment losses recognized for properties under development in the amount of RMB54.8 million, RMB223.6 million and RMB366.0 million (US\$56.1 million), respectively. During the same periods, we recorded impairment losses write-off for completed properties held for sale in the amount of RMB53.0 million, RMB57.9 million and RMB190.8 million (US\$29.2 million), respectively. We cannot assure you that we may not incur impairment losses, if any or at similar level, during adverse market conditions in the future.

**There are uncertainties about the recoverability of our deferred tax assets, which may affect our financial positions in the future.**

As of December 31, 2018, 2019 and 2020, we had deferred tax assets of RMB1,852.4 million, RMB2,932.1 million and RMB3,222.4 million (US\$493.9 million), respectively, which mainly represented the unrealized revenue in contract liabilities and unused tax losses from our group expenses.

We periodically assess the probability of the realization of deferred income tax assets. Deferred tax assets are recognized and measured based on the expected manner of realization or settlement of carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. In determining the carrying-over amounts of deferred tax assets, expected taxable profits are estimated based on a number of assumptions relating to our operating environment requiring significant level of judgment exercised by our directors. However, there is no assurance that our expectation of future earnings would be accurate due to factors beyond our control, such as general economic conditions and negative development of regulatory environment, in which cases we may not be able to recover our deferred income tax assets that could have an adverse effect on our results of operations.

**Our results of operations, financial condition and prospects may fluctuate subject to the fair value changes in our financial assets at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement and the use of significant unobservable inputs in the valuation techniques.**

In 2018, 2019 and 2020, we purchased wealth management products from reputable commercial banks and other financial institutions, mainly low-risk funds in the PRC, for our treasury management purposes. We recorded a fair value loss on financial assets at fair value through profit or loss of RMB4.0 million, RMB6.9 million and RMB30.9 million (US\$4.7 million) in 2018, 2019 and 2020, respectively. Such fair value loss on financial assets arose from the realization of the investment income upon disposal of certain wealth management products, which caused a decrease in the fair value of our remaining unrealized financial assets. As of December 31, 2018, 2019 and 2020, our financial assets at fair value through profit or loss amounted to RMB228.8 million, RMB290.7 million and RMB552.4 million (US\$84.7 million), respectively.

The wealth management products are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our consolidated income statements, therefore directly affecting our results of operations. We used to incur fair value losses for financial assets at fair value through profit or loss in 2018, 2019 and 2020. There is no assurance that we will not incur such similar fair value losses in the future. If we incur significant fair value losses, our results of operations, financial condition and prospects may be adversely affected.

**We recorded certain one-off gains in 2018, 2019 and 2020, which may not recur in the future.**

We recorded certain non-recurring one-off gains in 2018, 2019 and 2020, including gains on disposal of subsidiaries and associates during our corporate restructuring, and various government grants. Such gains aggregated to RMB61.8 million, RMB24.8 million and RMB83.8 million (US\$12.8 million) in 2018, 2019 and 2020, respectively. While such gains have had certain direct impact on our profit for the relevant periods, they are non-recurring in nature. Therefore, we may not record such gains, at the same level or at all, in the future, which may in turn materially affect our profitability.

**We may not be able to complete our projects according to our budget or construction schedule, or at all, which may lead to loss of or delay in recognizing revenues, lower returns and claims from customers.**

Completion of property development projects requires substantial capital expenditures for, among others, land acquisition and construction. The construction of property projects may take over a year or longer before the properties could generate positive net cash flows through pre-sales, sales and leasing. Furthermore, depending on the type of properties and revenue generated, it may take up to one year after the completion of these properties before we deliver such projects. As a result, our cash flows and results of operations may be significantly affected by our project development schedule, any changes to such schedules and our budget control in completing those projects.

The schedules of our project development and whether the project can be completed under our planned budget depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction and the associated financing costs. Other specific factors that could adversely affect our project development schedules and budgets include:

- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and
- natural catastrophes and adverse weather conditions.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may negatively impact our reputation as a real estate developer, further causing loss of or delay in our recognizing revenues and returns. If a property project is not completed on time, the purchasers of pre-sold units may be entitled to late delivery compensation or even terminate the pre-sale agreements and claim damages. We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

**Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining, requisite government approvals or licenses in carrying out our property development and management operations.**

The real estate industry in the PRC is heavily regulated. Real estate developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development, we must apply to the relevant government authorities to obtain (and renew for those relating to ongoing operations) various licenses, permits, certificates and approvals, including but not limited to, qualification certificates, land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sales permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate or permit. Some of our PRC subsidiaries are currently in the process of renewing their qualification certificates. If we fail to obtain or renew the certificates in a timely manner, the relevant government authorities may impose administrative penalties on us and our operations may be adversely affected.

In addition, we may not be able to adapt to new rules and regulations that may come into effect from time to time with respect to the real estate industry or we may encounter material delays or difficulties in fulfilling necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. In the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be materially and adversely affected.

**The constructed total GFA of some of our developments may exceed the original permitted GFA and such excess GFA is subject to governmental approval and will require us to pay additional land premium.**

The permitted total GFA for a particular property development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as

set out in relevant construction work planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for our project and, as a consequence, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental approval and the payment of additional land premium. We cannot assure you that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed our permitted total GFA, or the authorities will determine that all built-up areas conform to the plans approved as set out in the respective construction work planning permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or take any remedial actions that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, results of operations and financial condition.

**We rely on third parties in certain key aspects of our business and if any of such third parties fails to perform their contractual liabilities or to comply with the relevant laws and regulations, or if our relationships with any of them deteriorate, our reputation or business operation may be adversely affected.**

We engage third parties to carry out various services relating to our property development projects, including project design, pile setting, foundation building, construction, equipment installation, elevator installation and landscaping. We generally select these third-party service providers or contractors through tender processes. Completion of our projects is subject to the satisfactory performance by these third parties under their contractual obligations, including their adherence to our quality standards and the pre-agreed schedule for completion. We cannot assure you that the services rendered by any of these third parties will be satisfactory or meet our requirements for quality and safety, or that their services will be completed on time. If the performance of any third-party service provider or contractor is proved unsatisfactory, or if any of them is in breach of their contractual obligations due to their financial difficulties or other reasons, we may need to replace such service provider or contractor or take other remedial actions, which could materially and adversely affect the construction progress of our projects and our reputation, credibility, financial position and business operations. We may also be subject to various customer complaints if our customers are unsatisfied with the quality of our projects after delivery due to the failure of such third-party service providers, in particular, the contractors, to meet our quality standards. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to a contractor's financial or other difficulties. Moreover, we may also be subject to risks, including but not limited to administrative penalties and impaired reputation, if our third-party service providers, particularly the contractors, fail to comply with the relevant laws and regulations.

Moreover, as we are expanding our business into new geographical locations, there may be a shortage of third-party service providers or contractors that meet our standards and, as a result, we may not be able to engage a sufficient number of quality third-party service providers or contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects. Furthermore, if our relationship with any of the third-party service providers or contractors deteriorate, a serious dispute with such third-party service provider or contractor may arise, which may in turn results us costly legal proceedings. The occurrence of any of the abovementioned events may have a material adverse effect on our business, financial condition, results of operations and reputation.

**We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our contractors, suppliers, employees, tenants, business partners or other third parties, and may face significant liabilities as a result.**

We have been and may from time to time be involved in disputes with various parties involved in the development, sale, leasing and management of our properties, including contractors, suppliers, construction workers, purchasers, tenants and business partners, or other third parties. These disputes may lead to protests or legal or other proceedings and may result in damages to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our

properly developments. We believe that none of these legal proceedings or claims will have a material adverse impact on us. However, we cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement in these disputes may materially and adversely affect our business, financial condition and results of operations.

**We face risks related to the pre-sales of properties from any potential limitations or restrictions imposed by the PRC government as to such activities and claims from customers in the event the pre-sold properties are not delivered or completed on time.**

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide remedies for breach of these undertakings. For example, if we fail to deliver the development of units which we have pre-sold, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, our purchasers are entitled to claim compensation for late delivery under either their contracts with us or the relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and bring claims for additional compensation. A purchaser may also terminate his or her contract with us and/or bring claims for compensation for certain other contract disputes, including, for example, if the GFA of a relevant unit, as set out in the individual building ownership certificate, deviates by more than 3% from the GFA as set out in the contract; if the floor plan of a relevant unit is different from what is set out in the contract and adversely affects the quality and functionality of the unit; if the interior decoration of a relevant unit is inferior to what is set out in the contract; or if the purchaser fails to receive the individual property ownership certificate within a statutory period due to our fault.

We cannot assure you that we will not breach these undertakings. Though we are typically able to claim compensations from our contractors pursuant to the terms of our contracts with them if such breach is due to them, we also cannot assure you that we will always successfully recoup full compensations from our contractors. If we experience material delays in delivering our properties in the future or are required to pay significant amount of compensations to our purchasers due to contractual disputes or other reasons, our results of operations may be materially and adversely affected.

**Fluctuations in the labor costs and the price of raw materials could adversely affect our business and financial performance.**

We have experienced increase in labor costs in the past, and expect such costs to continue to increase in the foreseeable future. In addition, we procure construction materials through our external contractors or by ourselves. The cost of construction materials, such as steel and concrete, may continue to fluctuate from time to time. As some of our major construction contracts are not fixed unit-price contracts, we bear the risk of price fluctuations in construction materials during the relevant contract term when the prices exceed certain thresholds. Additionally, increases in the cost of construction materials and labor will likely drive our contractors to increase their fee quotes for our new property development projects. Furthermore, we typically pre-sell our properties prior to their completion and will not be able to pass the increased costs on to our customers if such increases are subsequent to the pre-sale. The rising cost of construction materials and labor and our inability to pass such increases on to our customers may adversely affect our results of operations.

**The LAT calculated by the relevant PRC tax authorities may be different from our calculation of the LAT liabilities for provision purposes, which may have a material adverse effect on our financial condition.**

Our properties developed for sale are subject to LAT. Under the PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT on the appreciation of land value at progressive rates ranging from 30% to 60%. We only prepay a portion of such provisions each year as required by the local tax authorities. In 2018, 2019 and 2020, we recorded approximately RMB1,183.6 million, RMB1,226.5 million and RMB1,406.8 million (US\$215.6 million), respectively, as provisions for LAT expenses.



We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time, pending settlement of such with the relevant tax authorities. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of LAT. However, given the time gap between when we make provision for and when we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses as recorded in a particular period may require subsequent adjustments. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect such excess amount, our cash flow, financial condition and results of operations may be materially and adversely affected.

**The interests of our company can be readily influenced by our controlling shareholders.**

Mr. Yang Jian and Ms. Xu Xiaoqun, Mr. Yang Jian's spouse, had effective control of 82.94% of our issued share capital as of the date of this offering memorandum. Mr. Yang Jian is the executive director and chairman of our Board and is able to significantly influence most matters requiring our shareholders' approval, including the election of directors and the approval of significant corporate transactions, including mergers and acquisitions. The interests of our controlling shareholders may not be consistent with our interests or those of our creditors, including holders of the Notes. To the extent that there are conflicts of interest between our controlling shareholders and our company or our creditors, we cannot assure you that our controlling shareholders will not cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

**Our property development business is subject to customer claims.**

Under Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), which became effective on January 30, 2000 and amended on October 7, 2017, all real estate developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. See "Business — Our Project Operation and Management — After-sales Services — Warranties" for more details. We have received customer claims in relation to the quality of our projects in the past and expect to continue to receive customer claims in the future. In addition, we may be subject to other types of customer claims from time to time during our ordinary course of business, such as claims in relation to the delay in delivering property title documents due to various reasons, including longer time required for completing the relevant procedures than expected or delay in commencing the relevant procedures, including but not limited to the examining procedure by the relevant land use right authorities and the registration, approval and certificate production procedures by the relevant property rights authorities.

Although we believe that each of those claims is immaterial by nature or amount, we cannot assure you that we will not face any materially adverse customer claims in the future. If a significant number of claims are brought against us under our warranties and we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner, or at all, or our funds to cover our payment obligations under the quality warranties are not sufficient, we could incur significant expenses to resolve such claims or face delays in remedying the related defects, which would in turn harm our reputation and have a material adverse impact on our business, financial condition and results of operations.

**We may be subject to fines or sanctions by the PRC government if we fail to comply with the land grant contracts.**

Under PRC laws and regulations, if we fail to develop a property project according to the terms of land grant contracts, including those relating to the payment of land premium and other fees, the designated use of land and the time for commencement and completion of our property development of the land, the relevant government authorities may issue a warning to, or impose a penalty on, us or require us to pay the liquidated damages or forfeit the land use rights. Any such violation may restrict our ability to participate, or prevent us from participating in future land bidding.

Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land grant premium by stipulated deadlines, we may be subject to late payment penalties at the rate of 0.1% of the unpaid land premium per day, or the repossession of the land by the government. If we fail to commence development for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land authorities may impose an idle land fee of up to 20% of the land grant premium. If we fail to commence development for more than two years after the commencement date stipulated in the land grant contracts, our land use rights are subject to forfeiture by the PRC government unless the delay in development is caused by government actions or *force majeure*. Moreover, even if we commence development of the land in accordance with the land use rights grant contracts, if our developed land area is less than one-third of the total land area, or if our total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project in the project proposal, or if the development of the land is suspended for over a year without government approval, our land may also be treated as idle land.

There are specific enforcement rules on idle land and other aspects of land use rights grant contracts in many cities in the PRC, and the local authorities enforce such rules in accordance with instructions from the central government of the PRC. Where a rightholder to a plot of state-owned land for construction conducts malicious hoarding or speculation of the land, current measures in place require the competent land authorities not to accept any applications for new land use rights or process any title transfer transaction, mortgage transaction, lease transaction or land registration application in respect of any idle land before such holder completes the requisite rectification procedures. We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred from the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession. In addition, we cannot assure you that regulations relating to idle land or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use rights grant contracts as a result of delays in project development or other factors, we may lose the opportunity to develop our project, as well as our past investment in the land, which could materially and adversely affect our business, financial condition and results of operations.

**We may be subject to fines due to the lack of registration of our leases.**

Pursuant to relevant PRC regulations, parties to a lease agreement are required to register the lease agreements and obtain property leasing filing certificates for their leases. We lease certain properties from independent third-party landlords mainly for our office premises. Failure to register the lease agreements does not affect the validity of our lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The registration of these lease agreements to which we are a tenant requires additional documents to be provided by the respective landlords, which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative and we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. See “Business — Leased Properties for Self-use” for more details.

**Inappropriate marketing activities of our properties may lead to penalties, undermine our sales and marketing efforts, deteriorate our brand name, and have a material adverse effect on our business.**

As a real estate developer in the PRC, we are subject to a variety of laws and regulations concerning the marketing and promotion of our property development projects, our business and our brand image. If any of our advertisements are considered to be untruthful, we will be required to cease advertising, remedy adverse effects and turn in a fine amounting three to five times of our advertising

fees. In addition, any false advertising may cast doubt on our other disclosures, advertisements, filings and other publications, deteriorate our brand name and reputation, and consequently materially and adversely affect our business, financial condition and results of operations.

**The illiquidity of property investments and lack of alternative uses for investment properties could limit our ability to respond to adverse changes in the performance of our properties.**

We strategically retain certain quality commercial properties as investment properties to generate rental income or for land appreciation purpose. As of December 31, 2018, 2019 and 2020, we had investment properties amounting to RMB928.9 million, RMB1,196.6 million and RMB1,839.6 million (US\$281.9 million), respectively. Our investment property portfolio may expand in the future but the fair value of such properties may fluctuate as at the end of each period. Investment properties are generally illiquid and our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the time needed to find purchasers to purchase such investment properties. In addition, should we decide to sell an investment property which is subject to a lease agreement, we may have to obtain consent from or pay termination fees to the tenants. We may also incur capital expenditures to manage and maintain our properties, or to correct defects or make improvements to those properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all.

Furthermore, aging of investment properties, changes in economic and financial condition beyond our control, such as changes in interest rates or changes in the competitive landscape in the PRC property market may adversely affect the amount of rental income we generate from, as well as the fair value of our investment properties, either completed or under development. However, our ability to convert any of our investment properties to alternative uses is limited as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financing can be obtained when needed. Such and other factors that impact our ability to respond to adverse changes in the performance of our investment properties may adversely affect our business, financial condition and results of operations.

**Our financial condition and results of operations may be materially impacted by gains or losses arising from changes in the fair value of our investment properties.**

We are required to reassess the fair value of any investment properties that we hold. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external appraisers. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of any such investment properties will affect our results of operations in the periods when they arise and the impact may be significant. The fair value gains on our investment properties in 2018, 2019 and 2020 were RMB72.0 million, RMB49.9 million and RMB88.4 million (US\$13.5 million), respectively. We cannot assure you that we can recognize comparable fair value gains in investment properties in the future and we may also recognize fair value losses, which would impact our results of operations for future periods. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. Nevertheless, fair value losses in investment properties would have a negative effect on our results of operations, even though such losses would not change our cash position as long as these properties are held by us.

**We guarantee the mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments.**

We derive the substantial portion of our revenue from sale of our properties and most of our purchasers apply for bank borrowings and mortgages to fund their purchases. Therefore, the availability of mortgages to our prospective purchasers would significantly affect our financial condition and results of operations. In accordance with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee mortgage loans

for purchasers up until (i) we complete the relevant properties and the property ownership certificates and the mortgage are registered in favor of the mortgagee bank or (ii) the settlement of mortgage loans between the mortgagee bank and the purchaser, whichever is sooner.

The guarantees cover the full value of mortgages that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments by the purchasers. If a customer defaults on payment of his or her mortgage, the mortgagee bank may require that we immediately repay the entire outstanding balance of the mortgage and any additional payments or penalties pursuant to the guarantee. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the loan and the mortgage to us and we would then have full recourse to the property. In line with the industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluation conducted by the mortgagee banks on such customers. Such credit risks are contingent liabilities not reflected on our balance sheets.

As of December 31, 2018, 2019 and 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB28,897.3, RMB51,717.8 million and RMB56,769.4 million (US\$8,700.3 million), respectively. We have encountered defaults by purchasers in the past, where we repaid all outstanding amounts owed by the purchasers to the mortgagee banks under relevant loans. We cannot assure you that defaults by purchasers will not occur or that the rate of such defaults will not increase in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, or there is a material depreciation in the market value of the relevant properties, or we cannot resell such properties due to unfavorable market conditions or for other reasons, our financial condition and results of operations may be materially and adversely affected.

**Changes in accounting standards applicable to our business and changes in our judgments and assumptions in applying these accounting standards may have a material impact on our results of operation and financial position.**

When preparing the financial information of our Group, we adopted IFRS 15 “Revenue from contracts with customers,” or IFRS 15, in lieu of IAS 18 “Revenue,” or IAS 18, and other applicable accounting standards, consistently throughout the years ended December 31, 2018, 2019 and 2020. It is mandatory to apply IFRS 15 for the period beginning on or after January 1, 2018 and an early adoption is also permitted. For more information on the revenue recognition under IFRS 15, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates.” Accounting standards applicable to our business may be changed or amended from time to time in the future. Any changes in these accounting standards may result in changes in the recognition, measurement and/or classification of our revenue, expenses, assets and liabilities, which could have material impacts on our results of operations and financial position. In addition, in applying these accounting standards, we are required to make judgments, estimates and assumptions with respect to our revenue, expenses, assets, liabilities and other factors that we consider to be relevant. Moreover, the International Accounting Standards Board may in the future issue new and revised standards and interpretations. Interpretations on the application of the IFRS will also continue to develop. These factors may require us to adopt new accounting policies from time to time in the future. The adoption of new accounting policies or new IFRS in the future could have a significant impact on our financial position and results of operations.

**Our property leasing and commercial property management businesses may subject us to a variety of risks.**

We have commenced the property leasing and commercial property management and started to generate rental income from the second half of 2018. We are subject to risks incidental to the ownership and operation of commercial properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from ongoing maintenance and repair and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or increase rental rates to the then prevailing market rates, or at all, upon expiration of the existing terms.

Likewise, we may not be able to enter into new leases at rental rates as expected. All these factors could negatively affect the demand for our investment properties, and as a result, decrease our rental income, which in turn adversely affect our business, financial condition and results of operations.

The performance of our commercial property management business depends on various factors, including our ability to provide professional and quality property management services, collect property management fees and control costs, particularly labor costs. We are generally paid fixed management fees for our services regardless of the actual costs we incur. In addition, for properties not owned by us, in order to raise our management fees, we are required to complete certain administrative and other procedures, including obtaining approvals of the property owner's general meeting. Management fees may also be subject to price range set by applicable government guidances. In the event that the property management fees we charge are insufficient to cover our costs and we are unable to increase such fees in response to cost increases, there could be adverse effect on our financial condition and results of operations. Additionally, if we seek to reduce costs, we may not be able to maintain the quality of our property management services, which may similarly affect our reputation, business financial condition and results of operations.

Furthermore, there are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by our tenants) taking place in public space, such as shopping malls. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties could adversely affect our reputation amongst customers and guests, negatively impact our brand, deteriorate our overall rents and occupancy rates, mandate us to implement additional safeguard measures, thereby increasing our operating costs. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties, we may be held liable for costs, damages and fines. Our current property and liability insurance policies may not be able to provide adequate coverage, if any, for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

**We may be adversely affected by material issues that affect our relationships or business ventures with our business partners.**

We have partnered with a number of minority interest holders of our subsidiaries and established joint ventures and associates with third parties and may continue to do so in the future. The performance of such business ventures has affected, and will continue to affect, our results of operations and financial position. We and our business venture partners provided capital to our jointly established project companies in proportion to our shareholding percentages in order to fund such project companies' land acquisition efforts and working capital requirements. Once these project companies commence pre-sale and generate cash flow, they will repay such capital to us on demand. Therefore, the timing of such business ventures' capital requirements, the financial performance of these business ventures and their ability to repay may materially and adversely affect our results of operations. With respect to our subsidiaries with minority interest holders, our consolidated financial results may be directly impacted and the profit attributable to our Group may be diluted. With respect to joint ventures and associates, we generally expect to incur share of losses in such joint ventures or associates until their respective development of property projects completes and starts to contribute revenue.

The success of a business venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from these entities. In addition, in accordance with PRC law, our joint venture agreements and the articles of association of our joint ventures and associates, certain matters relating to our business ventures require the consent of all parties to the joint ventures and associates. Therefore, such joint venture agreements involve a number of risks, including that:

- we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our joint ventures and associates if there is a disagreement between us and our joint venture partners;

- we may disagree with our joint venture partners in connection with the scope or performance of our respective obligations under the joint venture arrangements;
- our joint venture partners may be unable or unwilling to perform their obligations under the joint venture arrangements with us, including their obligations to make required capital contributions and shareholder loans, whether as a result of financial difficulties or other reasons;
- our partners may have economic or business interests or goals and philosophies inconsistent with ours;
- our partners may take actions contrary to our requests, instructions, policies or objectives with respect to our property investments; or
- our partners may face financial or other difficulties affecting their ability to perform their obligations under the relevant joint venture arrangements with us.

Similarly, those minority interest holders of our subsidiaries may have certain protective shareholder rights subject to the applicable laws and regulations and the articles of association of the relevant subsidiaries, such as information right. These rights of our business partners may otherwise increase our cost and time in managing our business ventures, prolong our internal communication and approval procedures, divert our management team's attention and other resources.

Our investments in joint ventures and associates require substantial capital injections from time to time, which may limit the liquidity of our working capital as compared to our other investments, such as wealth management products. Our investments in joint ventures and associates may also subject us to adverse financial performance. In 2018, 2019 and 2020, our share of profits and losses of joint ventures and associates fluctuated as a result of the increasing number of our invested joint ventures and associates as well as the operations of those entities. Since some of those entities were at an early stage of operation and had been operating at a loss, our profitability was adversely affected and we recorded a share of losses of joint ventures in the amount of RMB82.2 million, RMB929.4 million and RMB467.9 million (US\$71.7 million) in 2018, 2019 and 2020, respectively. On the other hand, even if our joint ventures and associates recognize profits, we may not receive any final remittance of surplus funds, which is typically in the form of dividend distribution, from these joint ventures and associates until their respective property projects are fully completed and delivered and the project companies are liquidated. The project companies' voluntary liquidation is subject to a number of preconditions and uncertainties with respect to time, for more details, see "Business — Our Project Operation and Management — Project Financing." Our consolidated financial performance may continue to be subject to fluctuations in future periods in conjunction with our investments in additional joint ventures and associates or the performance of such entities.

In addition, since we do not have full control over the business and operations of our joint ventures and associates, we cannot assure that they have been, or will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our joint ventures and associates, or our joint ventures and associates will not violate PRC laws and regulations, which may have a material adverse effect on our reputation, business, results of operation and financial condition.

**Our business may be adversely affected if we fail to hire or retain our senior management team and other qualified employees.**

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. The services of our directors and members of senior management are essential to our success and future growth. The loss of a significant number of our directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. We may not be able to successfully attract or retain all the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure

you that we will have the resources to fully achieve our staffing needs. In addition, if any director, any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we might lose key professionals and staff. Due to the intensified competition for management and other personnel in the PRC real estate sector, any failure to recruit or retain the necessary management personnel and other qualified employees could have a material adverse impact on our business and prospects.

**Deterioration in our brand image or any infringement of our intellectual property rights may materially and adversely affect our business.**

We rely, to a significant extent, on our brand name and image to attract potential customers to our properties. Any negative incident or negative publicity concerning us or our properties may materially and adversely affect our reputation, financial position and business, results of operations. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that run contrary to consumers' trust. Consumer demand for our properties and our brand value could diminish significantly if we fail to preserve the quality of our properties or fail to deliver a consistently positive consumer experience, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and the resulting decrease in our brand value, or any failure to establish our brand in provinces and cities in which we currently operate, may have a material adverse effect on our business, financial position and results of operations. In addition, any unauthorized or unreasonable use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations.

Moreover, we may not be able to adequately and effectively protect our trade name and trademarks in connection with our trademark licensing arrangement with Zhejiang Tianjian. Pursuant to the licensing arrangement, we agreed to license a set of "Zhongliang" trademarks to Zhejiang Tianjian and its subsidiaries that may be used in the development and marketing processes of their existing property projects as of June 27, 2018. Although we have specified the scope and manner in which such licensed trademarks can be deployed, there is no assurance that Zhejiang Tianjian and its subsidiaries will reasonably use our "Zhongliang" trademarks only to those authorized property projects. If our control over those licensed trademarks is ineffective and the rights of such trademarks are infringed or otherwise compromised, our reputation and business may be materially and adversely affected.

**Compliance with PRC laws and regulations regarding environmental protection may result in substantial costs and delays in construction schedule.**

We are subject to a variety of laws and regulations concerning the protection of the environment. Compliance with such laws and regulations may result in delays in our construction work, substantial compliance and other costs and severely restrict project development activities in environmentally sensitive regions or areas. See "Business — Environmental Matters" for details.

As required by PRC laws and regulations, property projects in environmentally sensitive regions and with self-built sewage treatment facilities are required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. For other property projects, we are required to file the environmental impact registration form for record-filing. If we fail to meet such requirements, local authorities may issue orders to restrict construction and based on the circumstances of the violation and the consequences thereof, impose on us a fine of between one to five percent of the total investment amount of the project, and may also issue orders to restore the original conditions before the construction; and the persons directly in charge and other directly responsible persons of us shall be subject to administrative sanctions under the law. After the completion of construction, for those projects which need approval from the relevant government authorities before the commencement of construction as discussed above, we are required to make an acceptance check of the environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. It is possible that the environmental assessments conducted may not reveal all environmental liabilities to their fullest extent, and there may be material environmental liabilities of which we are unaware. In the event of a termination of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

**Current insurance coverage may not be adequate to cover all risks related to our operations.**

In line with industry practice, we maintain a limited number of insurance policies for our residential property development projects. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements. We do not maintain insurance covering construction-related property damages or personal injuries of third parties.

In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites. We cannot assure you that we will not be sued or held liable for damages arising from, or in connection with, any such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as those due to earthquakes, typhoons, floods, wars, civil disorders and other events of *force majeure*. If we suffer any loss, damage or liability in the course of our business operations, we may not have sufficient funds to cover such loss, damage or liability or to replace any property development that has been destroyed. In addition, any payment we make to cover any loss, damage or liability could have a material adverse effect on our business, financial condition and results of operations.

**Our operations are dependent on a limited number of major suppliers.**

Our suppliers are mainly construction contractors and construction material suppliers. We have maintained a number of suppliers to operate our businesses. Some of our general contractors and subcontractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted each of the relevant group companies as a major supplier.

If a large number of our current major suppliers decide to terminate business relationships with us or, if the services or raw materials supplied by our current suppliers fail to meet our standards, or if their current service or raw material supplies are interrupted for any reasons, we may not be able to easily switch to other qualified suppliers in a timely fashion, which may materially and adversely affect our business and financial results.

**Our business, financial condition, results of operations and prospects may be adversely affected as a result of negative media coverage relating to us or the real estate market in which we operate or intend to operate.**

We may be subject to and associated with negative publicity, including those on the Internet, with respect to our corporate affairs, conducts related to our personnel and the real estate markets we operate or intend to operate. We may also be subject to negative reports or criticisms by various media, including incidents of fraud and bribery. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Nonetheless, any negative coverage, whether or not related to us or our related parties and regardless of its truth or merit, may have an impact on our reputation and consequently undermine the confidence of our customers and investors, in turn materially and adversely affecting our business, financial condition, results of operations and prospects.



## RISKS RELATING TO OUR INDUSTRY

**Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC real estate industry and in regions in which we operate.**

Our business is subject to extensive governmental regulations and, in particular, we are sensitive to policy changes in the PRC real estate sector. The PRC government exerts considerable direct and indirect influence on the development of the PRC real estate sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. In recent years, various control measures have been promulgated by central and local governments aiming at cooling the real estate sector and there is no assurance that further measures may be adopted to regulate this sector. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to real estate developers and property purchasers, impose additional taxes and levies on property sales, and restrict foreign investment in the PRC real estate sector or require the real estate developers to deleverage.

On December 28, 2020, PBOC and CBRC jointly promulgated the Notice of PBOC and CBRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會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 CBRC 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 such measures will not have a negative impact on our business or that the demand for new properties in cities and regions where we have or will have operations will continue to grow in the future or that there will not be over-development or market downturn in the PRC real estate sector. If we fail to adapt our operations to new policies, regulations or measures that may come into effect from time to time with respect to the real estate industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales in response, such policy and market condition changes may damage our contracted sales, delay our pre-sale schedules, and lower our ASPs and/or incur additional costs, in which cases our operating cash flows, gross profit margin, business prospects, results of operations and financial condition may be materially adversely affected.

### **The PRC property market industry is highly competitive.**

There are a large number of real estate developers in the PRC and we expect the level of competition to increase over time, especially as new players enter the market and existing players expand, merge, reorganize and become more established. Intense competition among real estate developers in China for land, financing, construction materials and skilled management and human resources may result in an increased cost for land acquisition and construction, oversupply of properties available for sale, decrease in property prices, slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and increase in administrative costs for hiring or retaining qualified contractors and personnel. Many of our competitors, including foreign developers and top-tier domestic developers, may have more financial or other resources than us. Domestic and overseas real estate developers may have entered the property development markets where we have operations. If we fail to compete effectively, our business operations and financial condition will suffer.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In Europe, the United Kingdom (the “UK”) ceased to be a member of the European Union (the “EU”) on January 31, 2020 (“Brexit”). From January 31, 2020 to December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the “TCA”). On December 29, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application in the EU for a limited period from January 1, 2021 to a date no later than April 30, 2021 (the “Provisional Period”), pending ratification of the TCA by the European Parliament. The TCA was subsequently signed on behalf of the EU on December 30, 2020. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK’s future economic, trading and legal relationships with the EU and with other countries. In addition, it is possible that the TCA may not be ratified by the European Parliament prior to the end of the Provisional Period, or at all, which would lead to further uncertainty as to the nature and terms of any subsequent relationships between the EU and the UK, and disruption may arise as a result. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

**RISKS RELATING TO DOING BUSINESS IN THE PRC**

**Changes in the PRC’s political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.**

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

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

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, a substantial portion of productive assets in China is still owned by the PRC government. 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 by allocating 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, however, also have a negative effect on us. For example, our business, financial condition, results of operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the PRC government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The PRC government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Subsequent to the entering of Phase I Agreement, the PRC government and the U.S. government adopted specific measures to exclude imports from the other country from additional tariffs. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the real estate industry remains uncertain.

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

- political instability or changes in political or social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

**Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you.**

Our business and operations are primarily conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. 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, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. In addition, any litigation in China may be protracted and result in substantial costs and diversion of

resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

**The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.**

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, pandemics such as the ongoing COVID-19 pandemic.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the ongoing COVID-19 pandemic, especially in the cities where we have operations, may result in material disruptions to our property development and sales and the operation of commercial properties. In addition, the outbreak of communicable diseases, such as the coronavirus outbreak on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

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

Toward the end of 2019, a highly infectious novel coronavirus, was identified and quickly spread globally. The World Health Organization, or the WHO, later named it COVID-19. WHO is closely monitoring and evaluating the situation. On January 30, 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern, or the PHEIC. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. As of the date of this offering memorandum, COVID-19 pandemic has spread to over 200 countries and territories globally with death toll and number of infected cases continuing to rise. Many countries have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including strict city lockdowns and travel bans. Several cities in China where we have land bank and operations had been under lockdown, and have had travel restrictions imposed upon to curb the spread of COVID-19 pandemic.

Since the outbreak of COVID-19 pandemic in January 2020, we kept a vigilant watch of developments and continued to formulate plans to respond to possible risks and changes. With early effective prevention and control plans put in place, we managed to minimize the impact of the COVID-19 pandemic on our operations, financial management and future performance in 2020. Effective measures were taken including enhancing the safety and hygiene standard of workplace for employees, flexible business continuity planning, continuous assessments of business risks, minimization of risks associated with property delivery, and contingency plans for responding to market changes. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China.

**It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC.**

Substantially all of our assets are located within the PRC. On January 18, 2019, the Supreme People's Court and the Department of Justice of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排), which has not yet taken into effect, providing for the reciprocal recognition and enforcement of judgments of courts with each other. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United Kingdom, Japan or many other countries. As a result, recognition and enforcement in China of judgments of a court in any of the other non-PRC jurisdictions may be difficult and uncertain.

**RISKS RELATING TO THE NOTES, SUBSIDIARY GUARANTEES AND JV SUBSIDIARY GUARANTEES**

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries and certain of our offshore subsidiary. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have significant operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our PRC subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2020, our Non-Guarantor Subsidiaries had total debt in the amount of RMB7,439.1 million (US\$1,140.1 million), capital commitments in the amount of RMB51,892.9 million (US\$7,953.1 million) and contingent liabilities arising from guarantees in the amount of RMB72.9 million (US\$11.2 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

In addition, creditors of all our subsidiaries and any holders of preferred shares in our subsidiaries, would have a claim over our subsidiaries' assets that would be prior to the claims of holders of the Notes.

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

We will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of December 31, 2020, our total borrowings included in non-current borrowings and current borrowings were RMB30,308.2 million (US\$4,645.0 million) and RMB23,784.0 million (US\$3,645.1 million), respectively. Subsequent to December 31, 2020, we have incurred additional indebtedness. See "Description of Other Material Indebtedness."

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

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the indentures governing the Notes, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenants. Under such covenants, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes, includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes, excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional debt, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See "— The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future."

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. For example, we may not be able to satisfy the Fixed Charge Coverage Ratio requirement for ratio debt immediately after the issuance of the Notes, in which case, we will have to rely on Permitted Indebtedness provisions to incur any additional debt. Certain of our financing arrangements also impose operating and financial restrictions on our business. Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

#### **The Notes may not be a suitable investment for all investors seeking exposure to green assets**

Whilst we have agreed to certain obligations relating to reporting and use of proceeds as described under this offering memorandum titled “Notes Being Issued As Green Bonds” it will not constitute a covenant or undertaking under the terms of the Notes if we were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Notes, in the manner specified in this offering memorandum. Any failure to use the net proceeds of the issue of the Notes in connection with green projects and/or social projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to such Notes, may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects and/or social projects. In the event that the Notes are included in any dedicated “green”, “environmental”, “social”, “sustainable” or other equivalently-labelled index, no representation or assurance is given by the Company or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of the Company or the Joint Lead Managers makes any representation as to (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, or (ii) the characteristics of Eligible Green Projects, including their environmental and sustainability criteria. Each potential purchaser of the Notes should have regard to the relevant projects and eligibility criteria described under the section headed “Notes Being Issued As Green Bonds” of this offering memorandum and determine for itself the relevance of the information contained in this offering memorandum regarding the use of proceeds, and its purchase of any Notes should be based upon such investigation as it deems necessary.

**Our Company is a holding company that relies on payment from our subsidiaries for funding and limitations on the ability of our PRC subsidiaries to pay dividends or repay intercompany loans or advances to us may have a material adverse effect on our ability to conduct our business.**

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Notes. 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.

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 IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In practice, our PRC subsidiaries may pay dividends once or twice a year. In addition, starting from January 1, 2008, 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 a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%, subject to prior approvals from competent local tax authorities. In addition, some of our PRC subsidiaries are subject to certain restrictions on dividend distribution under their loan agreements with the relevant banks. See “Description of Other Material Indebtedness.” As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the Notes and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or the JV Subsidiary Guarantees (as the case may be). Any limitation on the ability of our PRC subsidiaries to pay dividends to us may also materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses or otherwise fund and conduct our business. or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.



**We have flexibility to incur debt secured by assets the security interest of which may not be shared with the Holders of the Notes.**

Although the “Limitation on Liens” covenant as described under the “Description of the Notes” section provides that we may not create or permit to exist any liens on our assets and properties unless such liens are shared on a *pari passu* basis with the Holders of the Notes, such restriction is subject to important exceptions and qualifications. The terms of the Notes give us enhanced flexibility to make Restricted Payments, including investments, in Unrestricted Subsidiaries, minority owned joint ventures and other persons, and we have the flexibility under the terms of the Notes to designate certain subsidiaries as Unrestricted Subsidiaries, which may have substantial assets. Unrestricted Subsidiaries themselves are not subject to the restrictive covenants under the indenture governing the Notes and will therefore be permitted to incur debt secured by their assets, the security interest of which will not be shared with holders of the Notes. In addition, the definition of “Permitted Liens” also gives us and our Restricted Subsidiaries flexibility to incur debt secured by certain assets, the security interest of which may not be shared with holders of the Notes. The Notes will therefore rank behind such secured debt to the extent of the value of such security, the amount of which may be material.

**The Renminbi is not a freely convertible currency.**

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar and Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover twenty provinces and cities in China and to make Renminbi trade and other current account item settlement available in all countries worldwide. On December 3, 2013, the MOFCOM promulgated the Announcement on Issues Concerning Cross-border RMB Direct Investment (Announcement of the Ministry of Commerce [2013] No. 87) 《關於跨境人民幣直接投資有關問題的公告》商務部公告2013年第87號) (the “MOFCOM Announcement”) to further facilitate Renminbi inbound direct investments by foreign investors. On October 13, 2011, the PBOC promulgated the Administrative Measures on Settlement of Cross-Border Renminbi Direct Investment (PBOC Announcement 2011 No. 23) 《外商直接投資人民幣結算業務管理辦法》中國人民銀行公告[2011]23號) (the “PBOC Measures”) and amended in 2015 to set forth rules for settlements of Renminbi inbound direct investments. The MOFCOM Announcement and the PBOC Measures provide more detailed rules for cross-border Renminbi direct investments and settlements. We cannot assure you whether the relevant PRC authorities will adopt any other new regulations or rules to loosen or further strengthen the administration on the remittance of Renminbi for foreign direct investments.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was widened to 1.0% on April 16, 2012 and revised to 2.0% on March 17, 2014. The exchange rate of Renminbi-to-U.S. dollar dropped significantly recently. 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 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 into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Currently, we do not adopt any hedging instruments to reduce our foreign exchange risk exposure. Following the offering of the Notes, in the future we may purchase derivative financial instruments or enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes.

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

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of the Notes.”

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

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

**We may be 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 and to repay shareholder loans. Our PRC subsidiaries must present certain documents to the 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, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident under certain circumstances) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

**If we are unable to comply with the restrictions and covenants in our debt agreements, including the indenture governing the Notes, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated.**

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

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

The indentures governing the Notes and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

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

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

**The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures.**

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers or enter into other cooperative arrangements. As part of our business strategy, we may also invest in other businesses that we believe are suitable. As a result, we may need to make investments in joint ventures or other third parties and such entities may or may not be Restricted Subsidiaries. Although the indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. For example, we may make investments in any Unrestricted Subsidiaries and minority-owned joint ventures up to an aggregate amount equal to 25% of our total assets. See paragraph (17) of the definition of “Permitted Investment” in “Description of the Notes.”

**The terms of the Notes permit us to pay substantial amount of dividends.**

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a “Restricted Payment”, which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock in an aggregate amount up to 25.0% of our profit for the immediate prior fiscal year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able to pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

**We may elect to redeem the Notes prior to their maturity.**

As set forth in “Description of the Notes — Optional Redemption,” the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. The date on which the Issuer elects to redeem the Notes may not accord with the preference of particular Noteholders. We may be expected to redeem Notes when the current financing cost is lower than the interest rate on the Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the holders of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

The Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the SEHK for the listing and quotation of the Notes on the SEHK, we cannot assure you that we will obtain or be able to maintain a listing on the SEHK, or that, if listed, a liquid trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower the initial issue price depending on many factors, including prevailing interest rates, our Group’s operations and the market for similar securities. Further, the Notes may be allocated to a limited number of investors, in which case liquidity may be limited. 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. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “Transfer Restrictions.” We cannot predict whether an active trading market for the Notes will develop or be sustained.

**The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future.**

The Notes are expected to be rated B+ by Fitch Ratings. We have been assigned a long-term corporate credit rating of B1 with a positive outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that our corporate credit rating will remain for any given period of time or that a rating will not be lowered, put on negative outlook or CreditWatch negative or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant, including as a result of the incurrence of further debt. We have no obligation to inform holders of the Notes of any such revision, downgrade, negative outlook, CreditWatch negative or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

**Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant.**

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

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

**The insolvency laws of the Cayman Islands, the BVI and other local insolvency laws may differ from the United States bankruptcy laws or those of another jurisdiction with which holders of the Notes are familiar.**

Because we are incorporated under the laws of the Cayman Islands and some of the Subsidiary Guarantors are incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of the BVI, an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in the United States or other jurisdictions, would likely involve Cayman Islands insolvency laws and/or BVI insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the United States federal bankruptcy law or bankruptcy law in other jurisdictions. In addition, our other Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the Cayman Islands or Hong Kong and the insolvency laws of the Cayman Islands and Hong Kong may also differ from the laws of the jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

**The Trustee may request the holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.**

In certain circumstances, the Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it will take actions and/or steps and/or institutes proceedings on their behalf. The Trustee will not be obliged to take any such actions and/or steps and/or institute proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. Further, the Trustee may not be able to take actions and/or steps and/or institute proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Indenture or in circumstances where there is uncertainty or dispute as to such actions' compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders of the Notes to take such actions and/or steps and/or institute proceedings directly.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with IFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between IFRS and U.S. GAAP or between IFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between IFRS and U.S. GAAP or between IFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

**We will follow the applicable corporate disclosure standards for debt securities listed on the SEHK, which standards may be different from those applicable to debt securities listed in certain other countries.**

For so long as the Notes are listed on the SEHK and the rules of the SEHK so require, we will be subject to continuing listing obligations in respect of the Notes. The disclosure standards imposed by the SEHK may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

**Under the EIT Law we may be classified as a “resident enterprise” of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes.**

Under the EIT Law, an enterprise established outside of China with “de facto management organization” located within China will be considered a “resident enterprise” in the PRC and consequently will be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. 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. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. However, no definition of “management body” has been provided for enterprises established offshore by individuals or foreign enterprises such as our Company. Therefore, it is uncertain whether we will be deemed as a PRC “resident enterprise” for the purposes of the EIT Law. If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income from sources outside the PRC, such as income from any investment outside the PRC of any portion of the offering proceeds, would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct tax is imposed on enterprises under the laws of the Cayman Islands.

**Interest paid by us to our foreign investors and gain on the sale of our Notes may be subject to taxation under PRC tax laws.**

Under the EIT Law, if we are deemed as a “resident enterprise” in the PRC, PRC withholding tax at the rate of 10% (or lower treaty rate, if any) might be applicable to interest paid by us to investors that are “non-resident enterprises” if such “non-resident enterprise” investors do not have an establishment or place of business in China or if, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by “non-resident enterprise” investors would be subject to a 10% PRC tax if we were treated as a PRC “resident enterprise” and such gain is regarded as income derived from sources within China. In the case of “non-resident individual” investors, the PRC income tax on interest and gains may be imposed at a rate of 20% (or lower treaty rate, if any). If we were a PRC “resident enterprise” and were required under the EIT Law to withhold PRC income tax on interest payable to our Note holders, we would be required to, subject to certain exceptions, pay such additional amounts as would result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

In the event we are treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the Notes — Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change or interpretation or the stating of an official position that results in our

being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

**The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.**

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

**Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.**

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this offering memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain of our offshore subsidiaries upon issuance. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 20% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries.

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

Under the terms of the Notes, the Company may elect not to cause any future Restricted Subsidiary organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) provide any guarantee for the Notes and a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20.0% of the Capital Stock of such Subsidiary Guarantor to a



third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of our total assets.

In addition, a Subsidiary Guarantee may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain minority interest in such subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee provided by a JV Subsidiary Guarantor and its shareholder and subsidiaries is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year-end. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared with a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes. See “— Risks Relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

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

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

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

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

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

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

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

## USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US\$297.5 million, which we plan to use for refinancing of existing indebtedness in accordance with our Sustainable Finance Framework as described under this offering memorandum titled “Notes Being Issued As Green Bonds”.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. The use of proceeds of the Notes will be in compliance with the description under this offering memorandum titled “Notes Being Issued As Green Bonds”.

## NOTES BEING ISSUED AS GREEN BONDS

### PURPOSE

Our Sustainable Finance Framework (the “SFF”) has been developed to demonstrate how we will enter into Sustainable Financing Transactions to fund new and existing projects and businesses with environmental and social benefits in alignment with the ICMA principles: the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (“SBP”), Sustainability Bond Guidelines 2018 (“SBG”) and LMA Green Loan Principles 2021 (“GLP”). Sustainable Financing Transactions include the issuance of Green Bonds, Social Bonds as well as Sustainability Bonds. Our SFF is made public on our website.

### ASSERTIONS FROM MANAGEMENT

For each Sustainable Financing Transaction issued, we assert that it will adopt: (1) use of proceeds; (2) project evaluation and selection; (3) management of proceeds, and (4) reporting, as set out in our Sustainable Finance Framework.

#### 1. USE OF PROCEEDS

The net proceeds of each Sustainable Financing Transaction will be used to fund or refinance, in whole or in part, new or existing “Eligible Green Projects”. “Eligible Green Projects” refer to projects that provide clear environmental, social and/or sustainability benefits recognized by the standards mentioned above.

“**Eligible Green Projects**” refers to projects that meet one or more of the following categories of eligibility as recognized in the GBP:

- a. Green Buildings: new construction and/or renovation of existing buildings that have or will receive, or Refurbishment and/or tenant engagement initiatives that will reduce building environmental impact in accordance with any one of the following selected certification systems:
  - U.S. Leadership in Energy and Environmental Design (LEED): minimum certification of ‘Gold’; or
  - Building Environmental Assessment Method (BEAM Plus): minimum certification of ‘Gold’; or
  - Building Research Establishment Environmental Assessment Method (BREEAM): minimum level of ‘Excellent’; or
  - Chinese Green Building Evaluation Label: minimum certification level of ‘2-Star’; or
  - Any other appropriate green building label, that is an equivalent standard as the above
- b. Sustainable Water and Wastewater Management: water saving features projects to reduce domestic and commercial water consumption (e.g. rainwater harvester, cooling water recycler, irrigation system with water-saving features)
- c. Pollution Prevention and Control:
  - equipment, system that are used to mitigate environmental pollution (e.g. air, noise, water) during the construction and/or operation of buildings
  - enforcement of dust control, noise reduction, construction waste and gas pollution minimization

- d. Energy Efficiency:
- projects involving the upgrades of facilities/equipment (e.g. cooling system, lift system, lighting system, fresh air supply system of existing development that shall result in, based on third-party assessment, 10% improvement against the development's original energy consumption
  - projects with adoption of smart technologies and/or systems for tracking, monitoring and managing energy usage in new and existing buildings to ensure achieving certain energy saving targets. Such projects shall result in, based on third-party assessment, 10% improvement in energy efficiency when compared to relevant baseline
- e. Renewable Energy: design, construction, installation and operation of renewable energy systems, including solar (photovoltaic) for rooftop.
- f. Clean Transportation: infrastructure for clean energy vehicles such as electric vehicles and hydrogen vehicles.

## **2. PROJECT EVALUATION AND SELECTION**

Eligible Projects will be selected by the ESG Working Group formed by representatives from the Product Research and Development Center, Operations, Marketing and Customer Service Center, Group Account Department, Finance Team, Compliance, Investor Relations and other functional departments in accordance to the criteria defined in the Sustainability Finance Framework. Selected Eligible Projects will be reviewed on an annual basis.

## **3. MANAGEMENT OF PROCEEDS**

We will track the net proceeds using an internal register to keep track of the use of proceeds for each Sustainable Financing Transaction and will record the following information:

- a. Type of funding transaction, including details such as issuance date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon and ISIN number.
- b. Allocation of use of proceeds, including amount of proceeds allocated to each Eligible Project and the balance of unallocated proceeds.

Pending allocation to Eligible Projects, the net proceeds from each Sustainable Finance Transaction issued may be invested in cash or cash equivalents, or used to repay existing borrowings under our general credit facilities.

## **4. REPORTING**

We will provide information on the allocation of the net proceeds from outstanding Sustainable Financing Transactions on our website and/or our annual report, ESG or sustainability report. Such information will be provided on an annual basis until all the net proceeds have been fully allocated.

- a. Allocation Reporting: We will provide below information for the net proceeds of Sustainable Financing Transactions during the period:
  - The aggregate amount allocated to various Eligible Projects
  - The remaining balance of funds which have not yet been allocated and type of temporary investment
  - Share of financing vs. refinancing

- Examples of Eligible Projects (subject to confidentiality disclosures)
- b. Impact Reporting: Where possible, we will report on the environmental and social impacts resulting from Eligible Projects. Subject to the nature of Eligible Projects and availability of information, we aim to include, but not limited to, the following impact indicators:
- Green Buildings: level of certification; energy efficiency gains in MWh or % vs. baseline; estimated avoided GHG emissions (tCO<sub>2</sub>eq); annual energy savings (MWh pa); annual reduction in water consumption
  - Energy Efficiency: annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings); Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent
  - Pollution Prevention and Control: waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a.; Waste that is separated and/or collected, and treated (including composted) or disposed of in an environmentally sound manner before and after the project
  - Sustainable Water Management: amount of water recycled (litres); and amount of water reused (litres)
  - Renewable Energy: renewable energy produced (MWh); renewable energy capacity (MW); estimated avoided GHG emissions (tCO<sub>2</sub>eq); and annual energy savings (MWh pa)
  - Clean Transportation: annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent
  - Access to Basic Infrastructure and Essential Services and Affordable Housing: social impact indicators\* and their methodologies; projected social impact (verified by a third-party whenever possible); and expected and additional social benefits

We have engaged Sustainalytics, an independent firm that specializes in rating environmental and corporate governance performance, to provide an External Review in form of a Second Party Opinion (“SPO”) on our Sustainable Financing Framework and to confirm the alignment with the GBP/SBP/SBG/GLP. The SPO is available on our website.

## EXCHANGE RATE INFORMATION

### China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still 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 the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was widened to 1.0% on April 16, 2012 and further revised to 2.0% on March 17, 2014. From July 21, 2005 to June 30, 2014, the value of the Renminbi appreciated by approximately 30% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Low	Average <sup>(1)</sup>	High	Period end
		(RMB per US\$1.00)		
2016 . . . . .	6.9430	6.6549	6.9580	6.9430
2017 . . . . .	6.4773	6.7530	6.9575	6.5063
2018 . . . . .	6.2649	6.6292	6.9737	6.8755
2019 . . . . .	6.6822	6.9014	7.1786	6.9618
2020 . . . . .	6.5208	6.8868	7.1681	6.5250
October . . . . .	6.6503	6.7254	6.7898	6.6919
November . . . . .	6.5556	6.6029	6.6899	6.5760
December . . . . .	6.5208	6.5393	6.5705	6.5250
2021				
January . . . . .	6.4282	6.4672	6.4822	6.4282
February . . . . .	6.4730	6.4601	6.4869	6.4344
March . . . . .	6.5518	6.5109	6.5716	6.4932
April (through April 30, 2021) . . .	6.4749	6.5186	6.5649	6.4710

Source: Federal Reserve H.10 Statistical Release

Note:

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

## Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the current rate range or at all.



The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Low	Average <sup>(1)</sup>	High	Period end
		(HK\$ per US\$1.00)		
2016 . . . . .	7.7505	7.7618	7.8270	7.7534
2017 . . . . .	7.7540	7.7950	7.8267	7.8128
2018 . . . . .	7.8043	7.8376	7.8499	7.8305
2019 . . . . .	7.7850	7.8335	7.8499	7.7894
2020 . . . . .	7.7498	7.7552	7.7504	7.7534
October . . . . .	7.7498	7.7503	7.7548	7.7548
November . . . . .	7.7505	7.7526	7.7552	7.7522
December . . . . .	7.7505	7.7519	7.7539	7.7534
2021				
January . . . . .	7.7531	7.7533	7.7555	7.7517
February . . . . .	7.7567	7.7529	7.7567	7.7515
March . . . . .	7.7746	7.7651	7.7746	7.7562
April (through April 30, 2021) . . .	7.7664	7.7691	7.7849	7.7596

Source: Federal Reserve H.10 Statistical Release

Note:

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

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering, in each case, before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with the selected consolidated financial information and related notes included in this offering memorandum.

	As of December 31, 2020			
	Actual		As adjusted	
	RMB	US\$	RMB	US\$
	(In thousands)			
<b>Cash and cash equivalents (excluding restricted cash and pledged deposits)</b>	19,540,440	2,994,703	21,482,006	3,292,261
<b>Current</b>				
Bank loans				
— secured	1,402,958	215,013	1,402,958	215,013
— unsecured	63,710	9,764	63,710	9,764
Other loans				
— secured	6,537,022	1,001,842	6,537,022	1,001,842
— unsecured	2,064,473	316,394	2,064,473	316,394
Current portion of long-term bank loans				
— secured	4,136,130	633,890	4,136,130	633,890
— unsecured	1,050,000	160,920	1,050,000	160,920
Current portion of long-term other loans				
— secured	888,450	136,161	888,450	136,161
— unsecured	335,154	51,365	335,154	51,365
Senior notes	7,306,141	1,119,715	7,306,141	1,119,715
Notes to be issued <sup>(1)</sup>	—	—	1,941,566	297,558
<b>Total current borrowings</b>	23,784,038	3,645,063	25,725,604	3,942,621
<b>Non-current</b>				
Bank loans				
— secured	20,890,568	3,201,620	20,890,568	3,201,620
— unsecured	—	—	—	—
Other loans				
— secured	3,603,520	552,264	3,603,520	552,264
— unsecured	3,925,768	601,650	3,925,768	601,650
Senior notes	1,570,623	240,709	1,570,623	240,709
<b>Total non-current borrowings</b>	30,308,188	4,644,933	30,308,188	4,644,933
<b>Equity</b>				
Equity attributable to the owners of the Company				
Share capital	31,450	4,820	31,450	4,820
Reserves	10,875,287	1,666,711	10,875,287	1,666,711
	10,906,737	1,671,531	10,906,737	1,671,531
Non-controlling interests	19,275,413	2,954,086	19,275,413	2,954,086
<b>Total equity</b>	30,182,150	4,625,617	30,182,150	4,625,617
<b>Total capitalization<sup>(2)</sup></b>	60,490,338	9,270,550	60,490,338	9,270,550

Notes:

- (1) Represents the gross proceeds before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with the offering.
- (2) Total capitalization equals total non-current borrowings plus total equity.

Since December 31, 2020, we have incurred additional indebtedness. On January 13, 2021, we issued an additional July 2022 Notes in an aggregate principal amount of US\$200.0 million. On February 1, 2021, we issued the January 2022 Notes in an aggregate principal amount of US\$250.0 million. See “Description of Material Indebtedness” for details. We have also repurchased and repaid the February 2021 Notes. The capitalization table above has not been adjusted to reflect the issuance of the additional July 2022 Notes and the January 2022 Notes, as well as the repurchase and repayment of the February 2021 Notes. In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2020. See “Description of Other Material Indebtedness.”

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statement data for the years ended December 31, 2018, 2019 and 2020 and the summary consolidated statements of financial position as of December 31, 2018, 2019 and 2020 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for such years and as of such dates, as audited by Ernst & Young, our independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Historical results are not necessarily indicative of results that may be achieved in any future period.

### SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(In thousands, except for percentages)			
	(Unaudited)			
<b>Revenue</b> . . . . .	<b>30,214,688</b>	<b>56,639,596</b>	<b>65,940,566</b>	<b>10,105,834</b>
Cost of sales . . . . .	(23,303,847)	(43,457,345)	(52,087,655)	(7,982,782)
<b>Gross profit</b> . . . . .	<b>6,910,841</b>	<b>13,182,251</b>	<b>13,852,911</b>	<b>2,123,051</b>
Other income and gains . . . . .	95,045	233,873	918,050	140,697
Selling and distribution expenses . . . . .	(1,333,901)	(2,030,081)	(2,254,253)	(345,479)
Administrative expenses . . . . .	(1,648,265)	(2,549,711)	(2,848,025)	(436,479)
Impairment losses on financial assets . . . . .	(10,964)	(9,870)	(5,562)	(852)
Other expenses . . . . .	(197,760)	(255,162)	(186,371)	(28,563)
Fair value gains on investment properties	71,971	49,855	88,365	13,543
Fair value (losses)/gains on financial assets at fair value through profit or loss . . . . .	(4,039)	(6,880)	(30,929)	(4,740)
Finance income . . . . .	353,711	515,645	408,100	62,544
Finance costs . . . . .	(433,466)	(466,533)	(542,494)	(83,141)
Share of profits and losses of:				
Joint ventures . . . . .	(82,242)	979,353	467,861	71,703
Associates . . . . .	717,545	255,371	497,169	76,194
<b>Profit before tax</b> . . . . .	<b>4,438,476</b>	<b>9,898,111</b>	<b>10,364,822</b>	<b>1,588,478</b>
Income tax expense . . . . .	(1,912,189)	(3,642,203)	(3,798,407)	(582,131)
<b>Profit for the year</b> . . . . .	<b>2,526,287</b>	<b>6,255,908</b>	<b>6,566,415</b>	<b>1,006,347</b>
Attributable to:				
Owners of the parent . . . . .	1,931,336	3,833,699	3,743,429	573,706
Non-controlling interests . . . . .	594,951	2,422,209	2,822,986	432,642
	<u>2,526,287</u>	<u>6,255,908</u>	<u>6,566,415</u>	<u>1,006,347</u>
<b>Other Financial Data (Unaudited)</b>				
EBITDA <sup>(1)</sup> . . . . .	6,263,819	12,110,370	14,085,782	2,158,740
EBITDA margin <sup>(2)</sup> . . . . .	20.7	21.4	21.4	21.4

---

*Notes:*

- (1) EBITDA for any period consists of operating profit before fair value gains on the investment properties fair value gains or losses on financial assets at fair value through profit or loss, share of profits or losses of joint ventures or associates and listing expenses plus finance costs and depreciation, amortization expenses and interest capitalized in cost of sales. EBITDA is not a standard measure under IFRS. 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. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

## SUMMARY CONSOLIDATED FINANCIAL POSITION DATA

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
		(In thousands)		(Unaudited)
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	105,269	117,679	134,706	20,645
Investment properties . . . . .	928,900	1,196,550	1,839,550	281,923
Right-of-use assets . . . . .	—	144,809	111,100	17,027
Other intangible assets . . . . .	455	8,128	8,481	1,300
Investments in joint ventures . . . . .	2,584,059	3,240,364	4,544,896	696,536
Investments in associates . . . . .	2,113,159	6,749,631	13,928,585	2,134,649
Deferred tax assets . . . . .	1,852,380	2,932,066	3,222,423	493,858
Prepayments and other receivables . . . . .	96,202	—	292,658	44,852
<b>Total non-current assets . . . . .</b>	<b>7,680,424</b>	<b>14,389,227</b>	<b>24,082,399</b>	<b>3,690,789</b>
<b>Current assets</b>				
Financial assets at fair value through profit or loss . . . . .	228,757	290,723	552,413	84,661
Properties under development . . . . .	99,481,406	128,779,890	145,914,463	22,362,370
Completed properties held for sale . . . . .	3,596,396	4,140,691	10,886,087	1,668,366
Trade receivables . . . . .	4,354	3,035	5,209	798
Due from related companies . . . . .	9,841,443	9,446,200	10,931,355	1,675,303
Prepayments and other receivables . . . . .	22,209,895	38,283,718	40,890,035	6,266,672
Tax recoverable . . . . .	1,951,577	2,691,238	3,338,884	511,706
Cash and bank balances . . . . .	23,080,364	26,495,261	34,232,445	5,246,352
<b>Total current assets . . . . .</b>	<b>160,394,192</b>	<b>210,130,756</b>	<b>246,750,891</b>	<b>37,816,229</b>
<b>Current liabilities</b>				
Trade and bills payables . . . . .	8,498,295	12,060,536	17,082,883	2,618,066
Other payables and accruals . . . . .	20,476,168	19,019,087	24,488,785	3,753,070
Contract liabilities . . . . .	95,482,250	115,873,077	120,909,048	18,530,122
Due to related companies . . . . .	7,419,138	11,985,635	18,130,579	2,778,633
Interest-bearing bank and other borrowings . . . . .	14,468,672	20,125,313	16,477,897	2,525,348
Lease liabilities . . . . .	—	46,234	47,247	7,241
Tax payable . . . . .	1,960,281	3,406,783	5,052,468	774,325
Provision for financial guarantee contracts	84,869	31,364	72,914	11,175
Other financial liabilities . . . . .	59,284	92,378	68,315	10,470
Senior notes . . . . .	—	1,378,045	7,306,141	1,119,715
<b>Total current liabilities . . . . .</b>	<b>148,448,957</b>	<b>184,018,452</b>	<b>209,636,277</b>	<b>32,128,165</b>
<b>Net current assets . . . . .</b>	<b>11,945,235</b>	<b>26,112,304</b>	<b>37,114,614</b>	<b>5,688,063</b>
<b>Total assets less current liabilities . . . . .</b>	<b>19,625,659</b>	<b>40,501,531</b>	<b>61,197,013</b>	<b>9,378,853</b>
<b>Non-current liabilities</b>				
Interest-bearing bank and other borrowings . . . . .	12,536,245	15,860,556	28,419,856	4,355,533
Lease liabilities . . . . .	—	100,210	72,695	11,141
Deferred tax liabilities . . . . .	335,182	851,884	633,980	97,162
Proceeds from assets-backed securities . . . . .	—	—	317,709	48,691
Senior notes . . . . .	—	2,817,326	1,570,623	240,709
<b>Total non-current liabilities . . . . .</b>	<b>12,871,427</b>	<b>19,629,976</b>	<b>31,014,863</b>	<b>4,753,236</b>
<b>Net assets . . . . .</b>	<b>6,754,232</b>	<b>20,871,555</b>	<b>30,182,150</b>	<b>4,625,617</b>
<b>Equity</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital . . . . .	85	31,450	31,450	4,820
Reserves . . . . .	2,578,591	8,696,650	10,875,287	1,666,711
	<b>2,578,676</b>	<b>8,728,100</b>	<b>10,906,737</b>	<b>1,671,531</b>
<b>Non-controlling interests . . . . .</b>	<b>4,175,556</b>	<b>12,143,455</b>	<b>19,275,413</b>	<b>2,954,086</b>
<b>Total equity . . . . .</b>	<b>6,754,232</b>	<b>20,871,555</b>	<b>30,182,150</b>	<b>4,625,617</b>

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

*The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated. Our consolidated financial statements were prepared in accordance with IFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions.*

### OVERVIEW

We are a large-scale comprehensive real estate developer in China, based in the Yangtze River Delta Economic Region with a national footprint. As of December 31, 2020, we had established presence in 153 cities in 23 provinces and municipalities across five core economic regions in China. As of the same date, we had a project portfolio of 480 projects, including 342 projects developed by our subsidiaries and 138 projects developed by our joint ventures and associates, at various development stages.

Our business operations consist of four business lines: (i) sales of properties, (ii) management consulting services, (iii) property management services, and (iv) property lease. Substantially all of our revenue recognized in 2018, 2019 and 2020 was derived from sales of properties. For the years ended December 31, 2018, 2019 and 2020, revenue derived from sales of properties amounted to RMB29,992.1 million, RMB56,383.7 million and RMB65,500.8 million (US\$10,038.4 million), respectively, accounting for 99.3%, 99.5% and 99.3%, respectively, of our total revenue over the same periods.

We excluded the ancillary businesses including property management services from our Group upon the Reorganization since April 2018. Moreover, we have engaged in the development and operation of investment properties and started to generate rental income from leasing our investment properties from the second half of 2018. As of December 31, 2020, we had 14 property projects with investment properties under various development stages. Although we currently still focus on the development of residential properties for sale, we may in the future expand our investment property portfolio in response to changing market conditions and customer demand.

### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

#### **Economic Conditions and Regulatory Environment in the PRC**

The overall economic growth and urbanization in the cities and regions where we operate and intend to enter are expected to continue to impact our business and operating results. The overall economic growth in the PRC and the rate of urbanization will be affected by a number of macroeconomic factors, including but not limited to changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. Such macroeconomic dynamics and policies have in the past affected and will likely continue to affect the supply-and-demand for properties and property pricing trends in the cities and regions where we operate and intend to operate.

In addition, our business and operating results have been, and will continue to be, significantly affected by governmental policies and regulations in the PRC, in particular those relating to national and regional real estate markets. In the past few years, the PRC government has implemented a series of measures to control the overheated property market, which aim to discourage speculative investments and increase the supply of affordable residential properties. From time to time, the central and local governments adjust or introduce policies and regulations relating to land grants, pre-sales of properties, bank financing and taxation, planning and zoning, building design and construction, which have significantly impacted the availability and cost of financing for real estate developers, including us. In

addition, restrictive regulations may affect the availability and cost of financing for our potential property purchasers, such as higher minimum down payment requirements, higher mortgage rates provided by commercial banks, restrictions on the number of properties local residents may purchase and increasing taxes on title transfer and property ownership. For details, please refer to the “Regulatory.”

We currently focus on developing properties that target customers who are either first-time home purchasers, first-time home upgraders or second-time home upgraders, which mainly represent property development activities that are encouraged under the current regulatory environment in the PRC. As a result, we believe that we are less susceptible to the restrictive measures and will continue to benefit from the continued economic growth and urbanization, as well as the government policies to foster the continued growth of the property market in the PRC.

Furthermore, our continuing growth depends, to a significant extent, on our ability to expand into other regions and cities. We intend to further expand into cities in the five core economic regions we currently operate and may enter into other economic areas in the PRC in the future. We may not have the same level of familiarity with local regulatory environment, economic conditions, contractors, business practices, customs and customer taste, behavior and preferences. If we cannot successfully leverage our experience or understand the property market in any other cities which we target for expansion, our business, results of operations and financial position will be adversely affected.

### **Availability and Cost of Land in Strategically Selected Locations**

Land use right costs were the largest component of our cost of sales for property development in 2018, 2019 and 2020 and will continue to be a major component in the future. Over the past few years, land premiums in the PRC have generally increased as a result of growing domestic economy and rapid urbanization. Our sustainable business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favorable returns, which in turn depends on various factors, including the methods and timing of land acquisition, location of the land parcels, and the competition we face in a specific region. We primarily acquire land for our projects through the listing-for-sale process organized by the relevant government authorities, auctions and public tenders. We also acquire land parcels by cooperating with third-party business partners through joint ventures, or through target projects or target project companies. As the PRC economy continues to grow and demand for commodity properties remains relatively strong, we expect intensified competition among real estate developers. We especially observe that competition for quality land bank has been extended from the first- and second-tier cities to the third- and fourth-tier cities in the PRC, where most of our properties are currently located.

In addition, PRC’s governmental land supply policies and implementation measures are likely to further intensify the competition, and consequently increase the land acquisition costs. In order to participate in the public tender, auction and listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a portion of the actual cost of the relevant land and we are required to settle the land premium within one year after signing the land grant contract in accordance with relevant regulation, which has accelerated the timing of our payment for land acquisition costs and has had a significant impact on our cash flows. It is generally expected that land premiums will continue to rise in the PRC as the economy continues to grow, which may materially and adversely affect our business and operating results. Nevertheless, we may from time to time acquire land parcels by cooperating with third-party business partners, or through equity interests in companies that possess land use rights. Such land acquisition methods may enable us to leverage the competency of our business partners and reduce our initial capital injection.

### **Timing of Property Development, Pre-sale and Delivery**

The number of property projects that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions, construction costs and the land supply. The development of a property project may take several months or even years before the commencement of pre-sale, depending on the size and difficulty of the project, and subject to terms of the pre-sale contracts, no revenue with respect to such project may be recognized until it is completed

and delivered to the customers, or otherwise recognized over time with reference to the construction progress towards completion. Therefore, our cash flows and results of operations vary from period to period, subject to the selling prices and the GFA pre-sold/sold and delivered in the relevant periods. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects. Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. The relevant pre-sale requirements vary from city to city and pre-sale proceeds from a project are required to be used to finance its development. As a result of the time difference between costs incurred, cash received from pre-sales and revenue recognition, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

We endeavor to adopt the rapid-asset-turnover model to ensure the sufficiency of our working capital and liquidity. We expect to continue to implement our rapid-asset-turnover model and optimize our land acquisition, construction and pre-sale/sale procedures, minimizing the cost and time in connection with our property development. If any our current or planned schedules of land acquisition, property development or pre-sale/sale is delayed or otherwise interrupted, our cash flows or results of operations in a given period may be adversely affected.

### **Contractor Fees, Construction Materials and Labor Cost**

Construction costs constitute a large portion of our cost of sales, of which, contractor fees and construction materials are the two major components. Construction costs fluctuate as a result of changes in contractor fees, which generally include construction materials that the contractors are responsible for and cost of their construction workers. For certain major construction materials such as steel and cement, whose prices may fluctuate significantly, we and our contractors usually specify the price range within which the total construction contract price will be subject to. If the price fluctuates outside such initial specified price range, we will be solely responsible for the price difference beyond the agreed scope. Prior to 2016, the prevailing market prices of steel and cement in the PRC generally decreased due to an overcapacity issue, which bounced back in 2016 and 2017, primarily as a result of the structural reform in the steel and cement industries and government policies on projection adjustment. Such fluctuation has affected our cost of sales in 2018, 2019 and 2020. In addition, our labor cost increased significantly in 2018, 2019 and 2020, primarily as a result of our rapid business growth. Although we endeavor to take advantage of increasing economy scale and to implement cost control measures, we cannot assure you that our cost control efforts will always succeed. If we are unable to successfully maintain our contractor fees, construction materials or labor costs at a reasonable level, or to pass on the increase, if any, to our customers, we cannot sell our properties at a price level sufficient to cover all the increased costs, we may not be able to achieve our target margin and our profitability may be adversely impacted as well.

### **Availability and Cost of Financing**

Financing is an important source of funding for property development. We finance our operations primarily through internally generated cash flow including proceeds from the pre-sale/sale of our properties, as well as external financings, such as borrowings from commercial banks, trust financing, asset management arrangements, other borrowings from third parties (other than banks and financial institutions), and capital contribution from non-controlling shareholders. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those restricting the ability of real estate developers to obtain bank financing. As commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, we expect that any increase in the benchmark lending rates will increase our borrowing costs.

In addition, we finance our operations through trust financing and asset management arrangements provided by trust financing providers, asset management companies and other financial institutions, which usually have a greater flexibility in terms of fund availability and repayment requirements. As of December 31, 2020, the total outstanding principal of our trust financing and asset management arrangements amounted to approximately RMB14,980.2 million (US\$2,295.9 million). While trust financing providers, asset management companies and other financial institutions generally do not link



their interest rates to the PBOC benchmark lending rates, they typically charge higher interest rates than those by commercial banks. The PRC government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that trust financing providers, asset management companies and other financial institutions are required to adopt when considering applications for trust financing and remedial actions that they are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that trust financing providers, asset management companies and other financial institutions can make available for the PRC property development industry as a whole and to us. As such, any increase in interest rates offered to us and the general credit availability may significantly impact our real estate development business.

As of December 31, 2018, 2019 and 2020, our total outstanding borrowings amounted to RMB27,004.9 million, RMB40,181.2 million and RMB54,092.2 million (US\$8,290.0 million), respectively. The weighted average effective interest rates on our total borrowings outstanding as of December 31, 2018, 2019 and 2020 were 9.9%, 9.4% and 8.5%, respectively. We may also from time to time in the future obtain further funding by accessing both the international and domestic capital markets, including but not limited to the issuance of new corporate bonds, asset-backed securities programs and debt offerings, to diversify our financing sources, secure sufficient working capital and support our business expansion. In addition, a significant portion of our finance costs are capitalized to the extent that such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations. Moreover, the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

## **LAT**

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign invested real estate developers in the PRC and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. We recorded provisions for LAT expenses of RMB1,183.6 million, RMB1,226.5 million and RMB1,406.8 million (US\$215.6 million) for the years ended December 31, 2018, 2019 and 2020, respectively. We have accrued all LAT payable on our property sales and transfers in compliance with the relevant LAT laws and regulations in 2018, 2019 and 2020. However, our provision for LAT requires our management to use a significant amount of judgment and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Under such circumstances, our results of operations and cash flows may be materially and adversely affected.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our critical accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items.

The estimates and assumptions are based on our historical experience and other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of our judgments about matters not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) our judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

## **Early Adoption of IFRS 9 and IFRS 15**

IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers are effective for financial periods beginning on or after January 1, 2018, replacing IAS 39 and IAS 18, respectively, and we have applied IFRS 9 and IFRS 15 consistently throughout the years ended December 31, 2018, 2019 and 2020.

Impacts of the IFRS 9 and IFRS 15 on our historical financial information are as follows:

### ***Impact of IFRS 9***

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is classified as fair value through profit or loss, the changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognized in OCI, in which case such fair value changes recognized in OCI are never recycled into profit and loss, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in IAS39. IFRS 9 contains a “three-stage” approach, which is based on the change in credit quality of financial assets since the initial recognition. Assets move through the three stages as credit quality changes, and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. For trade receivables, we apply the simplified approach permitted by IFRS 9, under which we do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. We have 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.

### ***Impact of IFRS 15***

Following the adoption of IFRS 15, the following items are recognized in different ways:

#### ***Presentation of liabilities***

Advanced proceeds received from customers are presented as contract liabilities.

#### ***Accounting for revenue from sales of properties***

Revenue from sales of properties is recognized over time when our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date; otherwise, revenue is recognized at a point in time when the buyer obtains control of the completed property.

#### ***Accounting for significant financing component***

For contracts where the period between the payment by the customer and the transfer of the promised property or service is more than one year, the transaction price is adjusted for the effects of such financing component, if significant. 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 IFRS 15.

### **Revenue Recognition**

Revenue is measured at the amount of consideration to which we expect to be entitled to receive or to be receivable for the sales of properties and services in the ordinary course of our activities. Revenue is recognized, net of discounts and after eliminating intra-group sales.

#### ***Sales of Properties***

Revenue is recognized when or as the control of the asset is transferred to the customer. Control of the asset is transferred over time if our performance: (i) provides all of the benefits received and consumed simultaneously by the customer; or (ii) creates and enhances an asset that the customer controls as we perform; or (iii) does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Depending on the terms of the contracts and the applicable laws and regulations, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognized over the period of the contract prior to the physical delivery of the property by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the purchaser obtains control of the asset, which typically is the time of physical delivery of the property to the purchaser. The progress towards complete satisfaction of the performance obligation is measured based on our efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, we adjust the promised amount of consideration for the effect of financing component if it is significant.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognized when the customer obtains the physical possession or the legal title of the completed property and we have present right to payment and the collection of the consideration is probable, which typically is the time of physical delivery of the property to the purchaser.

#### ***Management consulting services***

Management consulting services income derived from the provision of support services in connection with development of property projects is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

#### ***Property management services***

Property management service income derived from the provision of property maintenance and management services is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

#### ***Rental income***

Rental income is recognized on a time proportion basis over the lease terms.

#### ***Interest Income***

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

## Financial Assets

### *Initial Recognition and Measurement*

Financial assets are recognized when, and only when, we become a party to the contractual provisions of the financial instruments.

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

### *Subsequent Measurement*

#### (i) *Debt instruments*

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which we classify our debt instruments:

- Amortized cost: Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in the statement of profit or loss when the assets are derecognized or impaired, and through amortization process.
- Fair value through other comprehensive income: Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income, or FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognized in other comprehensive income, or OCI, except impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognized in profit or loss. The cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognized.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in the statement of profit or loss in the period in which it arises. Interest income from these financial assets is included in the finance income.

#### (ii) *Equity instruments*

We subsequently measure all equity investments at fair value. On initial recognition of an equity instruments that is not held for trading, we may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognized in the consolidated statements of profit or loss and other comprehensive income when our right to receive payments is established. Changes in fair value of financial assets at fair value through profit or loss are recognized in "other income and gains" in the consolidated statements of profit or loss and other comprehensive income as applicable. Changes in fair value of financial assets at FVOCI are recognized in OCI.

## ***Impairment***

We have types of financial assets subject to IFRS 9's new expected credit loss model: financial assets included in prepayments and other receivables, due from related companies, restricted cash, pledged deposits and cash and cash equivalents.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

We consider that default has occurred when a financial asset is more than 90 days past due unless our Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## ***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when we determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with our procedures for recovery of amounts due.

## **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 derecognized (i.e., removed from our statements of financial position) when: (i) the rights to receive cash flows from the financial asset have expired; or (ii) we have transferred our rights to receive cash flows from the financial asset or have 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) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When we have transferred our rights to receive cash flows from an asset or have entered into a pass-through arrangement, we evaluate if and to what extent we have retained the risk and rewards of ownership of the asset. When we have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, we continue to recognize the transferred asset to the extent of our continuing involvement. In that case, we also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we have 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 we could be required to repay.

## **Investment Properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for uses 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 each relevant periods.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statements of profit or loss and other comprehensive income in the year when they arise. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of profit or loss and other comprehensive income in the year of the retirement or disposal.

## Properties under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realizable value. Properties under development are classified as current assets unless those will not be realized in normal operating cycles. On completion, the properties are transferred to completed properties held for sale.

## Completed Properties Held for Sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value takes into account the price ultimately expected to be realized, less estimated costs to be incurred in selling the properties.

## DESCRIPTION OF CERTAIN MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### Revenue

Our revenue mainly consists of revenue derived from sales of properties, and to a much lesser extent management consulting services, and property lease. The table below sets forth our revenue for each of the components described above and the percentage of total revenue for the periods indicated:

	Year Ended December 31,							
	2018		2019		2020			
	RMB	%	RMB	%	RMB	US\$	%	
	(In thousands, except for percentages)						(Unaudited)	
Sales of properties . . . .	29,992,092	99.3	56,383,676	99.5	65,500,822	10,038,440	99.3	
Other services . . . . .	218,166	0.7	244,044	0.4	428,258	65,633	0.6	
Rental income . . . . .	4,430	0.0	11,876	0.0	11,486	1,760	0.0	
<b>Total . . . . .</b>	<b><u>30,214,688</u></b>	<b><u>100.0</u></b>	<b><u>56,639,596</u></b>	<b><u>100.0</u></b>	<b><u>65,940,566</u></b>	<b><u>10,105,834</u></b>	<b><u>100.0</u></b>	

### Sales of Properties

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial majority of our total revenue. Our operating results for any given period are primarily dependent upon the recognized GFA and the ASP of the properties we recognized during such period and the market demand for those properties. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in the PRC in general as well as in the cities and regions in which we operate. Our recognized GFA may fluctuate from period to period depending on the size of the projects and the stage of their development. The recognized ASP of our properties may also fluctuate from period to period depending on the ASP for properties in cities and regions where we developed and sold property projects.

Consistent with industry practice, we typically enter into sale contracts with customers while the properties are still under development but have already satisfied the conditions for pre-sales in accordance with the PRC laws and regulations. In general, there is a time difference, typically ranging from one to two years, between the time we commence the pre-sales and the completion of the construction of such properties. Subject to pre-sale contracts and the governing laws of such contracts, if control of the property transfers over time, revenue for sales of the property is recognized over the period of the contract by reference to the construction progress towards completion. Otherwise, revenue is recognized at a point in time when the customer obtains control of the property. Proceeds from customers of pre-sold properties are recorded as “contract liability” under “current liabilities” before relevant revenue is recognized. The timing of the transfer of control of the properties may not only affect the amount and growth rate of our revenue from sales of properties but also cause the change of contract liabilities from period to period.

### ***Other Services***

Our other services primarily consist of management consulting services and property management services. Since October 2016, we commenced to provide management consulting services to certain of our related parties and third parties, which mainly represented the provision of support services to these entities in connection with construction, sales and marketing, and overall management during the development of property projects.

Historically, we were involved in certain ancillary businesses including property management services mainly to the demonstration areas and decorated model homes of property projects developed by us and our related parties. Revenue derived from property management services is recognized over the period when such services are rendered.

### ***Rental Income from Property Lease***

We have engaged in the development and operation of investment properties and started to generate rental income from leasing our investment properties since the second half of 2019. Our rental income remained relatively stable as RMB11.8 million and RMB11.5 million in 2019 and 2020, respectively.

### ***Cost of Sales***

Our cost of sales primarily represents the costs we incur directly for the property development activities as well as our management consulting services, property management services and property lease. The principal components of cost of sales for our property development include cost of properties sold, which represents land use right costs, direct construction costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

- *Land use right costs.* Land use right costs include costs relating to acquisition of the rights to occupy, use and develop land which mainly represents land premiums incurred in connection with land parcels granted from the government or land parcels acquired from third parties. These costs for a project are affected by a number of factors, such as the location of the underlying property, regional property market conditions, timing of the land acquisition, project's plot ratios, method of acquisition and changes in PRC laws and regulations. Although we have not in the past been required to do so, we may be required to pay demolition and resettlement costs, subject to the condition of the land parcel that is acquired.
- *Construction costs.* Construction costs include all the costs for the design and construction of a project, including contractor fees, costs of construction materials and labor costs. Our construction costs are affected by a number of factors, including the type and geographic locations of the properties being constructed or the type and amount of construction materials to be used, which may vary from city to city.
- *Capitalized interest.* We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the construction of a particular project. Finance costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated statements of profit or loss and other comprehensive income in the period in which they are incurred.

Our cost of sales in absolute amount continued to increase in 2018, 2019 and 2020, primarily due to the increase in the number of property projects completed and delivered, which in turn, resulted in the increase in our total recognized GFA.

## **Gross Profit and Gross Profit Margin**

The increase in gross profit margin for sales of properties from 22.6% in 2018 to 23.3% in 2019 was mainly because the decrease in average cost per sq.m. recognized outpaced the decrease in recognized ASP per sq.m. in the relevant period. Such decrease in the average cost per sq.m. recognized was partially attributable to the decrease in average land use right cost per sq.m., resulting from our continuous geographic expansion into the third- and fourth-tier cities in the Yangtze River Delta Economic Region in other core economic regions where the land acquisition cost was relatively lower. The decrease in gross profit margin for sales of properties from 23.3% in 2019 to 21.0% in 2020 was primarily because of higher land acquisition costs relative to the respective ASP in respect of property projects delivered during the year 2020.

## **Finance Income**

Finance income mainly consists of interest income on bank deposits, which increased from RMB353.7 million in 2018 to RMB515.6 million in 2019, but decreased to RMB408.1 million in 2020, 2019 and 2020.

## **Other Income and Gains**

Our other income and gains primarily include (i) gain on disposal of subsidiaries; (ii) net foreign exchange difference; (iii) forfeiture of deposits; (iv) government grants; (v) changes in provision for financial guarantee contracts; and (vi) others, which mainly include sundry income.

We disposed of certain subsidiaries and associates in 2018, 2019 and 2020 and recorded gains on such disposals in an aggregate amount of approximately RMB54.5 million, RMB24.8 million and RMB83.8 million (US\$12.8 million).

We recorded changes in provision for financial guarantee contract of approximately RMB83.4 million and RMB52.1 million (US\$8.0 million) in 2019 and 2020.

Forfeiture of deposits primarily represented forfeited deposits received from certain potential customers who did not subsequently enter into pre-sale/sales contracts with us and penalties received from certain customers due to their breach of sales or pre-sales contracts with us.

Foreign exchange differences of RMB74.6 million and RMB528.8 million (US\$81.0 million) in 2019 and 2020, respectively, primarily resulted from the capital contributions in our offshore subsidiaries which were denominated in foreign currencies.

Government grants mainly represented various subsidies obtained from local governments, such as industry funds and subsidies for tax returns. Government grants were generally non-recurring in nature.

## **Selling and Distribution Expenses**

Our selling and distribution expenses primarily consist of advertising and marketing expenses, sales agent fees, staff cost, rental and office expenses, and other expenses relating to sales of our properties. Advertising and marketing expenses primarily include costs incurred in connection with outdoor advertisements, promotional offers made directly to our customers and certain other promotional events.

Our selling and distribution expenses in absolute amount continuously increased in 2018, 2019 and 2020, primarily due to an increase in advertising and marketing expenses resulting from our strengthened selling and marketing efforts which was generally in line with our rapid business growth. The increase was also partially due to the expansion of our in-house sales and marketing team as well as the increase in the sales agent fees we incurred, both resulting from the significant increase in the number of new property projects for which are commenced pre-sales. Our selling and distribution



expenses increased by approximately 11.0% from RMB2,030.1 million in 2019 to RMB2,254.3 million 2020, primarily due to the increase in marketing expenses incurred for the promotion of more property projects available for pre-sale during the year.

### **Administrative Expenses**

Administrative expenses primarily consist of staff costs, entertainment expenses, surcharges, professional fees, office and meeting expenses, rental cost, traveling expenses and various other administrative expenses.

Our administrative expenses in absolute amount continuously increased in 2018, 2019 and 2020 due to our business expansion, which resulted in increases in our management and administrative headcounts, entertainment expenses, traveling expenses and other administrative expenses. The increase was also attributable to the increase in our land acquisition activities, which increased the relevant surcharges.

### **Impairment Losses on Financial Assets**

We made prudent general provisions for losses arising from potential bad debts in respect of our receivables. Impairment losses on financial assets amounted to approximately RMB11.0 million and RMB9.8 million in 2018 and 2019, respectively, which was in line with the continuous increase in our total trade and other receivables in 2018 and 2019. Impairment losses on financial assets (net) decreased from RMB9.8 million in 2019 to RMB5.6 million (US\$0.9 million) in 2020.

### **Other Expenses**

Our other expenses primarily comprise exchange losses, losses on disposal of certain subsidiaries, administrative penalty expenses incurred due to certain non-compliance incidents during our property development process, donations to social charity activities and compensation paid to certain of our customers due to our delay in delivering properties or our early termination of lease agreements.

### **Fair Value Gains on Investment Properties**

We develop and hold certain commercial areas in our properties on a long-term basis for rental income or capital appreciation. Our investment properties are recorded as non-current assets in our consolidated statements of financial position at fair value as of each balance sheet date as determined by independent valuations. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses in our consolidated statements of profit or loss and other comprehensive income, which may have a substantial effect on our profits. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if a different set of bases or assumptions is used. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our operations. The amounts of fair value adjustments have been, and may continue to change based on property market conditions in China.

Fair value gains on investment properties in 2018, 2019 and 2020 amounted to RMB72.0 million, RMB49.9 million and RMB88.4 million (US\$13.5 million), respectively. Fair value gains on investment properties in 2019 decreased from that in 2018 as we did not add any new investment properties in such period, while the construction of existing investment properties had been approaching to completion. As of December 31, 2020, we had 14 property projects with investment properties at various development stages.

## **Fair Value Losses on Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss mainly represented wealth management products we purchased from reputable commercial banks and other financial institutions. In 2018, 2019 and 2020, we invested in wealth management products, mainly low-risk funds in the PRC, for our treasury management purposes. We have established strict investment management procedures to monitor and control the potential risks relating to these investment activities. We have established policies to monitor and control the potential risks relating to our investments in wealth management products. In principle, we only invest in wealth management products with low-risk profile. A proposed investment in wealth management shall be subject to the review and approval of the personnel in charge of capital management, finance department head, vice president and the president of our Group.

## **Finance Costs**

Finance costs primarily consist of (i) interest expenses for bank and other borrowings and senior notes net of capitalized interest relating to properties under development, and (ii) interest expense arising from revenue contracts, which is related to the pre-sale proceeds of our properties we received from our customers.

Interests on bank and other borrowings and senior notes increased in 2018, 2019 and 2020, which was generally in line with the growing financial needs arising from our business expansion. The construction period for a project does not necessarily coincide with the drawdown and repayment schedules of the relevant loan, not all of the interest costs related to a project can be capitalized. Our finance costs may fluctuate from period to period depending on the level of total interest expenses as well as the level of interest costs that are capitalized within the reporting period.

We enter into pre-sales and/or sales contracts with our customers, subject to which we are entitled to receive consideration from customers and assume performance obligations to transfer products to them. Proceeds from customers of pre-sold properties are recorded as “contract liabilities” under the current liabilities before relevant sales revenue is recognized. The timing between the collection of proceeds and revenue recognition may not only affect the amount and growth rate of our revenue from sales of properties but also cause contract liabilities and interest expense arising from revenue contracts to fluctuate from period to period. Interest expense arising from revenue contracts were based on an incremental borrowing rate by reference to our total borrowings and assets in the relevant period. Interest expense arising from revenue contracts amounted to RMB589.0 million, RMB730.4 million and RMB861.9 million (US\$132.1 million) in 2018, 2019 and 2020, respectively, which was in line with the increase in the pre-sales of our properties.

## **Share of Profits and Losses of Joint Ventures and Associates**

We from time to time develop property projects jointly with third parties by establishing joint ventures and/or associates. In 2018, 2019 and 2020, share of profits and losses of joint ventures and associates fluctuated subject to the increasing number of our invested joint ventures and associates as well as the operations of those entities. Since most of those joint ventures were operating at a loss in 2018 and 2019 as the property projects developed by them had not been completed and delivered, we recorded a share of losses of joint ventures in 2018 and 2019. We recorded share of profits of joint ventures of RMB467.9 million (US\$71.7 million) in 2020, primarily due to the delivery of property projects held by our joint ventures which generated profit in 2020. Since 2018, some of our associates had commenced to generate revenue as they completed and delivered the property projects they developed. As such, we recognized a share of profits of associates of RMB717.5 million, RMB255.4 million and RMB497.2 million (US\$76.2 million) in 2018, 2019 and 2020, respectively.

## **Income Tax Expense**

Our subsidiaries in the PRC are subject to corporate income tax and LAT. Our corporate income tax and LAT expenses continuously increased in 2018, 2019 and 2020, reflecting the increase in the number of properties we completed and delivered, thus, an increase in our taxable income.

We recorded income tax expenses of RMB1,912.2 million, RMB3,642.2 million and RMB3,798.4 million (US\$582.1 million) in 2018, 2019 and 2020, respectively.

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(Unaudited)
<b>Current tax</b>				
PRC corporate income tax .....	1,625,595	2,995,985	2,985,834	457,599
PRC LAT. ....	1,183,637	1,226,541	1,406,782	215,599
<b>Deferred tax</b> .....	<b>(897,043)</b>	<b>(580,323)</b>	<b>(594,209)</b>	<b>(91,067)</b>
<b>Total tax charge for the year</b> .....	<b>1,912,189</b>	<b>3,642,203</b>	<b>3,798,407</b>	<b>582,131</b>

We calculate our effective corporate income tax rate (deducting the tax effect from LAT) by using the quotient of (a) the result of PRC corporate income tax plus deferred income tax, divided by (b) the result of profit before income tax minus LAT. For the years ended December 31, 2018, 2019 and 2020, our effective corporate income tax rate was approximately 22.4%, 27.9% and 25.0%, respectively.

The fluctuation in our effective income tax rate (deducting the tax effect from LAT) in 2018, 2019 and 2020 was primarily due to recognition on deferred tax assets for deductible temporary difference and unused tax losses. In 2018, 2019 and 2020, we had paid all relevant taxes when due and there are no matters in dispute or unresolved with the relevant tax authorities.

To a lesser extent, the increase in the effective corporate income tax rate was also attributable to an increase in non-deductible expenses in 2018. Effective corporate income tax rate decreased to 27.9% in 2019, mainly because profit before tax resulting from the share of profits and losses of joint ventures and associates, which is non-taxable according to the tax laws in China, grew rapidly compared with that recognized in 2018. Effective corporate income tax rate decreased from 27.9% for 2019 to 25.0% for 2020.

### Profit for the Period

Due to the nature of property development business, there is typically an extended lead time between the commencement of property development and revenue recognition. Starting from 2018, with more properties projects being completed, the relatively higher revenue contributed by the increase in total recognized GFA outpaced the total costs incurred during the year and a net profit was therefore resulted in 2018. As a result of the continuous growth of our revenue in 2019 and 2020, our net profit further increased in 2019 and 2020.

### Non-controlling Interests

In 2018, 2019 and 2020, the non-controlling interests of our Company mainly included (i) the minority equity interests in our project companies held by third parties with which we jointly develop property projects, and (ii) the minority interests held by the investment vehicles collectively established by our relevant employees subject to our Co-investment Schemes.

## YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

### Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group with line items, in absolute amounts and as percentages of total revenue, for the years indicated:

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(In thousands, except for percentages)			
	(Unaudited)			
<b>Revenue</b> . . . . .	<b>30,214,688</b>	<b>56,639,596</b>	<b>65,940,566</b>	<b>10,105,834</b>
Cost of sales . . . . .	(23,303,847)	(43,457,345)	(52,087,655)	(7,982,782)
<b>Gross profit</b> . . . . .	<b>6,910,841</b>	<b>13,182,251</b>	<b>13,852,911</b>	<b>2,123,051</b>
Other income and gains . . . . .	95,045	233,873	918,050	140,697
Selling and distribution expenses . . . . .	(1,333,901)	(2,030,081)	(2,254,253)	(345,479)
Administrative expenses . . . . .	(1,648,265)	(2,549,711)	(2,848,025)	(436,479)
Impairment losses on financial assets . . . . .	(10,964)	(9,870)	(5,562)	(852)
Other expenses . . . . .	(197,760)	(255,162)	(186,371)	(28,563)
Fair value gains on investment properties	71,971	49,855	88,365	13,543
Fair value (losses)/gains on financial assets at fair value through profit or loss . . . . .	(4,039)	(6,880)	(30,929)	(4,740)
Finance income . . . . .	353,711	515,645	408,100	62,544
Finance costs . . . . .	(433,466)	(466,533)	(542,494)	(83,141)
Share of profits and losses of:				
Joint ventures . . . . .	(82,242)	979,353	467,861	71,703
Associates . . . . .	717,545	255,371	497,169	76,194
<b>Profit before tax</b> . . . . .	<b>4,438,476</b>	<b>9,898,111</b>	<b>10,364,822</b>	<b>1,588,478</b>
Income tax expense . . . . .	(1,912,189)	(3,642,203)	(3,798,407)	(582,131)
<b>Profit for the year</b> . . . . .	<b>2,526,287</b>	<b>6,255,908</b>	<b>6,566,415</b>	<b>1,006,347</b>
Attributable to:				
Owners of the parent . . . . .	1,931,336	3,833,699	3,743,429	573,706
Non-controlling interests . . . . .	594,951	2,422,209	2,822,986	432,642
	<u>2,526,287</u>	<u>6,255,908</u>	<u>6,566,415</u>	<u>1,006,347</u>
<b>Other Financial Data (Unaudited)</b>				
EBITDA <sup>(1)</sup> . . . . .	6,263,819	12,110,370	14,085,782	2,158,740
EBITDA margin <sup>(2)</sup> . . . . .	20.7	21.4	21.4	21.4

## Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

### Revenue

Our revenue increased by approximately 16.4% from RMB56,639.6 million in 2019 to RMB65,940.6 million (US\$10,105.8 million) in 2020, primarily due to the increase in revenue derived from our sales of properties.

The table below sets forth a summary of revenues derived from each of our business lines:

	December 31,				
	2019		2020		
	RMB	%	RMB	US\$	%
(In thousands, except for percentages) (Unaudited)					
Sales of properties . . . . .	56,383,676	99.5	65,500,822	10,038,440	99.3
Other services . . . . .	244,044	0.4	428,258	65,633	0.6
Property lease . . . . .	11,876	0.0	11,486	1,760	0.0
<b>Total</b> . . . . .	<u>56,639,596</u>	<u>100.0</u>	<u>65,940,566</u>	<u>10,105,834</u>	<u>100.0</u>

Revenue derived from sales of properties increased by approximately 16.2% from RMB56,383.7 million in 2019 to RMB65,500.8 million (US\$10,038.4 million) in 2020, primarily due to an increase in the total recognized GFA from 5,621,427 sq.m. in 2019 to 7,670,277 sq.m. in 2020. The impact of increased recognized GFA was offset partially by the decrease in recognized ASP by approximately 14.9% to RMB8,540 per sq.m. in 2020 from RMB10,030 per sq.m. in 2019. During the period, the decrease in recognized ASP was due to decrease in proportion of recognized revenue contributed from the Yangtze River Delta which generally had higher ASP.

### Cost of Sales

Our cost of sales increased by approximately 19.9% from RMB43,457.3 million in 2019 to 52,087.7 million (US\$7,982.8 million) in 2020, which was in line with the increase in the our total revenue.

### Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 5.1% from RMB13,182.3 million for 2019 to RMB13,852.9 million (US\$2,123.0 million) in 2020. Our gross profit margin softened from 23.3% for the year ended December 31, 2019 to 21.0% in 2020, mainly because of higher land acquisition costs relative to the respective ASP in respect of property projects delivered during the period.

### Finance Income

Finance income decreased by approximately 20.8% from RMB515.6 million in 2019 to RMB408.1 million (US\$62.5 million) in 2020.

### Other Income and Gains

Other income and gains increased by approximately 292.5% from RMB233.9 million in 2019 to RMB918.1 million (US\$140.7 million) in 2020.

### Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 11.0% from RMB2,030.1 million in 2019 to RMB2,254.3 million (US\$345.5 million) in 2020, primarily due to the increase in marketing expenses incurred for the promotion of more property projects available for pre-sale during the year.

### ***Administrative Expenses***

Our administrative expenses increased by approximately 1.7% from RMB2,549.7 million in 2019 to RMB2,848.0 million (US\$436.5 million) in 2020, primarily due to the increase in administrative expenses as a result of our business expansion.

### ***Impairment Losses on Financial Assets***

We made prudent general provisions for losses arising from potential bad debts in respect of our receivables. Impairment losses on financial assets decreased from approximately RMB9.9 million in 2019 to RMB5.6 million (US\$0.9 million) in 2020.

### ***Other Expenses***

Our other expenses significantly decreased from RMB255.2 million in 2019 to RMB186.4 million (US\$28.6 million) in 2020.

### ***Fair Value Gains on Investment Properties***

Fair value gains on investment properties increased by approximately 77.2% from RMB49.9 million in 2019 to RMB88.4 million (US\$13.5 million) in 2020. The increase was mainly due to the increased number of investment properties.

### ***Fair Value Gains/Losses on Financial Assets at Fair Value through Profit or Loss***

Fair value gains/losses on financial assets at fair value through profit or loss primarily related to the wealth management products we purchased from domestic commercial banks. We recorded a fair value loss on financial assets at fair value through profit or loss of RMB6.9 million and RMB30.9 million (US\$4.7 million) in 2019 and 2020, respectively, arising from the realization of the investment income upon disposal of certain wealth management products, which caused a decrease in the fair value of the remaining unrealized financial assets.

### ***Finance Costs***

Our finance costs increased by approximately 16.3% from RMB466.5 million in 2019 to RMB542.5 million (US\$83.1 million) in 2020, primarily due to the increase our bank and other borrowings, partially offset by the decrease in weighted average cost of indebtedness.

### ***Share of Profits/Losses of Joint Ventures***

We recorded share of profits of joint ventures accounted for using the equity method of RMB979.4 million in 2019 and RMB467.9 million (US\$71.7 million) in 2020, primarily due to an increase in our relevant expenses shared resulting from the increased property projects held by our new joint ventures.

### ***Share of Profits of Associates***

Our share of profits of associates increased by approximately 94.7% from RMB255.4 million in 2019 to RMB497.2 million (US\$76.2 million) in 2020, primarily due to the increase in delivery of property projects held by our associates during the first half of 2020.

### ***Profit Before Tax***

As a result of the aforementioned reasons, our profit before tax increased by approximately 4.7% from RMB9,898.1 million in 2019 to RMB10,364.8 million (US\$1,588.5 million) in 2020.

### *Income Tax Expense*

Our income tax expense increased by approximately 4.3% from RMB3,642.2 million in 2019 to RMB3,798.4 million (US\$582.1 million) in 2020.

### *Profit for the Period*

As a result of the foregoing, our net profit increased by 5.0% from RMB6,255.9 million in 2019 to RMB6,566.4 million (US\$1,006.3 million) in 2020.

### *Profit Attributable to Non-controlling Interests*

Profit attributable to non-controlling interests increased from RMB2,422.2 million in 2019 to RMB2,823.0 million (US\$432.6 million) in 2020, primarily because the total GFA delivered by the project companies with non-controlling interests increased significantly.

## **Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

### *Revenue*

Our revenue increased by approximately 87.5% from RMB30,214.7 million in 2018 to RMB56,639.6 million in 2019, primarily due to the increase in revenue derived from our sales of properties.

The table below sets forth a summary of revenues derived from each of our business lines:

	Year Ended December 31,			
	2018		2019	
	RMB	%	RMB	%
	(In thousands, except for percentages)			
Sales of properties . . . . .	29,992,092	99.3%	56,383,676	99.5%
Management consulting services . . . . .	211,845	0.7%	244,044	0.4%
Property management services . . . . .	6,321	0.0%	—	—
Property lease . . . . .	4,430	0.0%	11,876	0.0%
<b>Total</b> . . . . .	<b>30,214,688</b>	<b>100.0%</b>	<b>8,016,814</b>	<b>100.0%</b>

*Revenue from sales of properties.* Revenue derived from sales of properties increased by approximately 88.0% from RMB29,992.1 million in 2018 to RMB56,383.7 million in 2019, primarily due to an increase in the total recognized GFA from 2,696,799 sq.m. in 2018 to 5,621,427 sq.m. in 2019, partially offset by the decrease in the recognized ASP of properties we delivered from RMB11,121 per sq.m. in 2018 to RMB10,030 per sq.m. in 2019 as a result of the decrease in proportion of recognized revenue contributed by Yangtze River Delta Economic Region where generally have higher ASP.

*Management consulting services.* Revenue derived from management consulting services increased from RMB211.8 million in 2018 to RMB244.0 million in 2019.

*Property management services.* Revenue derived from property management services decreased from RMB6.3 million in 2018 to nil in 2019 as a result of the disposal of such ancillary business upon Reorganization in the process of the initial public offering.

*Property lease.* Revenue derived from property lease increased from RMB4.4 million in 2018 to RMB11.9 million in 2019, mainly contributed by the investment properties located in Wenzhou.

### *Cost of Sales*

Our cost of sales increased by approximately 86.5% from RMB23,303.8 million in 2018 to RMB43,457.3 million in 2019, which was in line with the increase in the our total revenue.

### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit increased by approximately 90.7% from RMB6,910.8 million in 2018 to RMB13,182.3 million in 2019. Our gross profit margin increased from 22.9% in 2018 to 23.3% in 2019, which was primarily because of the higher profitability of the projects delivered in 2019.

### ***Finance Income***

Finance income increased by approximately 45.8% from RMB353.7 million in 2018 to RMB515.6 million in 2019, primarily due to the increase in bank balances and cash.

### ***Other Income and Gains***

Other income and gains increased by approximately 146.1% from RMB95.0 million in 2018 to RMB233.9 million in 2019.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by approximately 52.2% from RMB1,333.9 million in 2018 to RMB2,030.1 million in 2019, primarily attributable to the increase in marketing expenses incurred for the promotion of property projects available for pre-sale in 2019.

### ***Administrative Expenses***

Our administrative expenses increased by approximately 54.7% from RMB1,648.3 million in 2018 to RMB2,549.7 million in 2019, primarily due to an increase in administrative and staff costs as a result of the our business expansion in 2019.

### ***Impairment Losses on Financial Assets***

We made prudent general provisions for losses arising from potential bad debts in respect of our receivables. Impairment losses on financial assets decreased from approximately RMB11.0 million in 2018 to RMB9.9 million in 2019.

### ***Other Expenses***

Our other expenses increased from RMB197.8 million in 2018 to RMB255.2 million in 2019.

### ***Fair Value Gains on Investment Properties***

Fair value gains on investment properties decreased by approximately 30.7% from RMB72.0 million in 2018 to RMB49.9 million in 2019.

### ***Fair Value Losses on Financial Assets at Fair Value through Profit or Loss***

Fair value losses on financial assets at fair value through profit or loss primarily related to the wealth management products we purchased from domestic commercial banks. We recorded a fair value loss on financial assets of RMB4.0 million and RMB6.9 million in 2018 and 2019, respectively.

### ***Finance Costs***

Our finance costs increased by approximately 7.6% from RMB433.5 million in 2018 to RMB466.5 million in 2019, primarily due to the increase in interest on our bank and other borrowings and senior notes as a result of the increase in amount of borrowings and interest rates, partially offset by the increase in interest capitalized in properties under development.



### ***Share of Profits/Losses of Joint Ventures***

We recorded share of losses of joint ventures of RMB82.2 million in 2018 and share of profits of joint ventures of RMB979.4 million in 2019, primarily due to the delivery of property projects held by our joint ventures which generated profit in 2019.

### ***Share of Profits of Associates***

Our share of profits of associates decreased by approximately 64.4% from RMB717.5 million in 2018 to RMB255.4 million in 2019, primarily due to the increase in delivery of property projects held by our associates in 2019.

### ***Profit Before Tax***

As a result of the aforementioned reasons, our profit before tax increased by approximately 123.0% from RMB4,438.5 million in 2018 to RMB9,898.1 million in 2019.

### ***Income Tax Expense***

Our income tax expense increased by approximately 90.5% from RMB1,912.2 million in 2018 to RMB3,642.2 million in 2019, primarily due to an increase in the profit before tax.

### ***Profit for the Year***

As a result of the foregoing, our net profit increased by 147.6% from RMB2,526.3 million in 2018 to RMB6,255.9 million in 2019. Our net profit margin increased from 8.4% in 2018 to 11.0% in 2019.

### ***Profit Attributable to Non-controlling Interests***

Profit attributable to non-controlling interests increased from RMB595.0 million in 2018 to RMB2,422.2 million in 2019, primarily because the total GFA delivered by the project companies with non-controlling interests increased significantly.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Source of Liquidity**

We operated in a capital intensive industry and have financed our working capital, capital expenditure and other capital requirements primarily through cash generated from operations including proceeds from the sales and pre-sales of our properties, bank loans, which include entrusted bank loans provided by ultimate third-party lenders through commercial banks as an intermediary, loans from independent third parties (excluding from financial institutions and private placement asset management plans), trust financing and asset management arrangements, capital contribution from non-controlling shareholders and other financings. We may also look for additional financing opportunities, such as the issuance of corporate bonds, asset-backed securities programs and other debt offerings, to fund our property development operations. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

As of December 31, 2018, 2019 and 2020, we had cash and bank balances of RMB23,080.4 million, RMB26,495.3 million and RMB34,232.4 million (US\$5,246.3 million), respectively, which consisted of cash and cash equivalents, pledged deposits and restricted cash.

## Cash Flows Analysis

The following table sets forth our cash flows for the periods indicated:

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(Unaudited)
		(In thousands)		
Operating cash flows before movements in working capital . . . . .	3,940,354	8,791,034	9,651,809	1,479,204
Net cash flows (used in)/generated from operating activities . . . . .	8,036,946	(20,329,026)	440,560	67,519
Net cash flows generated from/(used in) investing activities . . . . .	(11,506,643)	(5,012,134)	(13,299,942)	(2,038,305)
Net cash flows generated from financing activities . . . . .	7,273,193	25,750,826	23,792,933	3,646,427
Net increase in cash and cash equivalents . . . . .	3,803,496	409,666	10,933,551	1,675,640
Cash and cash equivalents at the beginning of the year . . . . .	10,748,022	14,551,518	14,955,756	2,292,070
Cash and cash equivalents at the end of the year . . . . .	14,551,518	14,955,756	25,910,244	3,970,919

### *Net Cash Flows (Used in)/Generated from Operating Activities*

Our primary source of cash generated from operating activities is proceeds we receive from the sales of our properties, including pre-sales of properties under development. Our primary uses of cash in operating activities are the payments we make for our property development activities, including land acquisitions.

For the year ended December 31, 2020, our net cash generated from operating activities was RMB0.4 million (US\$0.07 million), which was the result of the cash used in operations of RMB8,747.2 million (US\$1,340.6 million), tax paid of RMB3,489.7 million (US\$534.8 million) and interest paid of RMB5,225.4 million (US\$800.8 million), partially offset by interests received of RMB408.5 million (US\$62.6 million). Cash used in operations prior to changes in working capital was RMB9,651.8 million (US\$1,479.2 million), consisting of profit before tax of RMB10,364.8 million (US\$1,588.5 million), adjusted primarily for share of profits and losses of joint ventures of RMB467.9 million (US\$71.7 million), finance costs of RMB542.5 million (US\$83.1 million), finance income of RMB408.1 million (US\$62.5 million), impairment losses recognized for properties under development of RMB366.0 million (US\$56.1 million) and gain on disposal of associates of RMB116.2 million (US\$17.8 million). Changes in working capital contributed to a net cash outflow of RMB0.9 million (US\$0.1 million), primarily comprising an increase in properties under development and completed properties held for sale of RMB27,623.4 million (US\$4,233.5 million), an increase in prepayments and other receivables of RMB4,606.6 million (US\$706.0 million) and an increase in restricted cash of RMB4,008.0 million (US\$614.3 million), partially offset by an increase in contract liabilities of RMB8,077.7 million (US\$1,238.0 million), an increase in other payables and accruals of RMB13,331.3 million (US\$2,043.1 million) and an increase in trade and bills payables of RMB5,111.6 million (US\$783.4 million).

For the year ended December 31, 2019, our net cash used in operating activities was RMB20,329.0 million, which was the result of the cash used in operations of RMB13,529.2 million, tax paid of RMB3,536.9 million and interest paid of RMB3,721.3 million, partially offset by interests received of RMB458.4 million. Cash used in operations prior to changes in working capital was RMB8,791.0 million, consisting of profit before tax of RMB9,898.1 million, adjusted primarily for share of profits and losses of joint ventures of RMB979.4 million, finance income of RMB515.6 million and finance costs of RMB466.5 million. Changes in working capital contributed to a net cash outflow of RMB22,320.2 million, primarily comprising an increase in properties under development and completed properties held for sale of RMB28,384.1 million, an increase in prepayments and other receivables of RMB18,080.6 million and an increase in restricted cash of RMB2,302.6 million, partially offset by an increase in contract liabilities of RMB21,811.7 million, an increase in trade and bills payables of RMB3,778.1 million and an increase in other payables and accruals of RMB1,571.6 million.

For the year ended December 31, 2018, our net cash generated from operating activities was RMB8,036.9 million, which was the result of the cash generated from operations of RMB13,026.7 million, partially offset by tax paid of RMB2,879.4 million and interest paid of RMB2,395.5 million. Cash generated from operations prior to changes in working capital was RMB3,940.4 million, consisting of profit before tax of RMB4,438.5 million, adjusted primarily for share of profits and losses of joint

ventures of RMB717.5 million, finance costs of RMB433.5 million and finance income of RMB353.7 million. Changes in working capital contributed to a net cash inflow of RMB9,086.4 million, primarily comprising an increase in contract liabilities of RMB43,590.0 million, an increase in other payables and accruals of RMB15,181.5 million, partially offset by an increase in properties under development and completed properties held for sale of RMB39,480.7 million and an increase in prepayments and other receivables of RMB11,242.8 million.

#### ***Net Cash Flows Generated from/(Used in) Investing Activities***

Net cash used in our investing activities is primarily related to cash outflow in connection with advances to related companies, acquisition of subsidiaries, investments in joint ventures and associates, and purchases of investment properties. Net cash generated from our investing activities is primarily related to cash inflow in connection with repayments of advances to related companies, disposal of investment in associates and joint ventures.

For the year ended December 31, 2020, our net cash flows used in investment activities amounted to RMB13.3 million (US\$2.0 million), primarily consisted of advances to related companies of RMB16,645.2 million (US\$2,551.0 million), investments in joint ventures and associates of RMB7,705.0 million (US\$1,180.8 million) and purchase of investment properties of RMB554.6 million (US\$85.0 million), partially offset by repayments of advance to related companies of RMB12,672.5 million (US\$1,942.1 million).

For the year ended December 31, 2019, our net cash flows used in investment activities amounted to RMB5,012.1 million, primarily consisted of advances to related companies of RMB18,126.2 million, investments in joint ventures and associates of RMB4,654.5 million and disposal of investments in subsidiaries of RMB320.9 million, partially offset by repayments of advance to related companies of RMB18,522.6 million.

For the year ended December 31, 2018, our net cash flows used in investment activities amounted to RMB11,506.6 million, primarily consisted of advances to related companies of RMB37,936.1 million, investments in joint ventures and associates of RMB3,467.8 million and acquisitions of subsidiaries of RMB405.7 million, partially offset by repayments of advance to related companies of RMB30,251.5 million.

#### ***Net Cash Flows Generated from Financing Activities***

Cash generated from financing activities is primarily related to proceeds from interest-bearing bank and other borrowings, advances from related companies, and capital contributions from non-controlling shareholders of subsidiaries. Cash used in financing activities is primarily related to repayment of interest-bearing bank and other borrowings, repayments of advances from related companies, and payments for acquisitions of subsidiaries by our Group from then equity holder of subsidiaries.

For the year ended December 31, 2020, net cash flows generated from financing activities amounted to RMB23.8 million (US\$3.6 million), primarily consisted of (i) proceeds from interest-bearing bank and other borrowings of RMB35,845.1 million (US\$5,493.5 million); (ii) advances from related companies of RMB17,780.0 million (US\$2,725.0 million); (iii) proceeds from issue of senior notes of RMB6,410.9 million (US\$982.5 million); and (iv) capital contribution from noncontrolling shareholders of subsidiaries of RMB4,117.3 million (US\$631.0 million), partially offset by (i) the repayments of interest-bearing bank and other borrowings of RMB23,792.9 million (US\$3,646.4 million); and (ii) the repayments of advances from related companies of RMB11,743.0 million (US\$1,799.7 million).

For the year ended December 31, 2019, net cash flows generated from financing activities amounted to RMB25,750.8 million, primarily consisted of (i) proceeds from interest-bearing bank and other borrowings of RMB39,567.6 million, (ii) advances from related companies of RMB15,310.1 million, (iii) capital contribution from non-controlling shareholders of subsidiaries of RMB5,660.4 million, (iv) proceeds from issue of senior notes of RMB4,096.0 million, and (v) proceeds from issue of

shares of RMB2,815.5 million, partially offset by (i) the repayments of interest-bearing bank and other borrowings of RMB30,322.6 million and (ii) the repayments of advances from related companies of RMB10,829.9 million.

For the year ended December 31, 2018, net cash flows generated from financing activities amounted to RMB7,273.2 million, primarily consisted of (i) proceeds from interest-bearing bank and other borrowings of RMB31,288.0 million, and (ii) advances from related companies of RMB18,675.9 million, partially offset by (i) the repayments of interest-bearing bank and other borrowings of RMB28,577.8 million and (ii) the repayments of advances from related companies of RMB15,958.0 million.

## Contingent Liabilities

### Guarantees

We provide mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees to our customers are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, we are typically required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

The following table sets forth our total guarantees as of the dates indicated.

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(In thousands)			
	(Unaudited)			
Guarantees given to banks in connection with facilities granted to purchasers of our properties . . . . .	28,897,294	51,717,760	56,769,400	8,700,291
Guarantees given to banks and other institutions in connection with facilities granted to related parties . . . . .	<u>6,594,169</u>	<u>10,228,866</u>	<u>12,193,500</u>	<u>1,868,736</u>
<b>Total</b> . . . . .	<b><u>21,251,265</u></b>	<b><u>61,946,626</u></b>	<b><u>68,962,900</u></b>	<b><u>10,569,027</u></b>

### Legal Contingents

We are involved in lawsuits and other proceedings in the ordinary course of business. We believe that no liabilities resulting from these proceedings will have a material adverse effect on our business, financial condition or operating results. See “Business — Legal Proceedings” for more details.

We have assessed the claims and considered that the ultimate outcome of these legal proceedings will not have a material adverse effect on our financial position.

## COMMITMENTS

### Expenditure Commitments

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(Unaudited)
(In thousands)				
Contracted but not provided for:				
— Property development activities . . . . .	40,652,123	68,331,392	46,002,582	7,050,204
— Acquisition of land use rights . . . . .	1,930,992	2,887,197	1,565,689	239,952
— Capital contributions payable to joint ventures and associates . . . . .	1,464,253	3,999,720	4,324,605	662,775
<b>Total</b> . . . . .	<b>44,047,368</b>	<b>75,218,309</b>	<b>51,892,876</b>	<b>7,952,931</b>

We intend to fund our expenditure commitments by using our cash flow generated from pre-sales/sales, bank and other financings and the net proceeds received from the initial public offering.

## INDEBTEDNESS

### General

The following table sets forth our total indebtedness as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(Unaudited)
(In thousands)				
<b>Current</b>				
Bank loans — secured . . . . .	490,000	2,193,310	1,402,958	215,013
— unsecured . . . . .	232,000	—	63,710	9,764
Other loans — secured . . . . .	5,854,621	10,378,095	6,537,022	1,001,842
— unsecured . . . . .	673,201	890,550	2,064,473	316,394
Current portion of long-term bank loans				
— secured . . . . .	4,593,900	4,786,982	4,136,130	633,890
— unsecured . . . . .	—	—	1,050,000	160,920
Current portion of long-term other loans				
— secured . . . . .	2,624,950	1,876,376	888,450	136,161
— unsecured . . . . .	—	—	335,154	51,365
Senior notes . . . . .	—	1,378,045	7,306,141	1,119,715
<b>Total current</b> . . . . .	<b>14,468,672</b>	<b>21,503,358</b>	<b>23,784,038</b>	<b>3,645,063</b>
<b>Non-current</b>				
Bank loans — secured . . . . .	5,211,318	11,991,707	20,890,568	3,201,620
— unsecured . . . . .	820,000	1,150,000	—	—
Other loans — secured . . . . .	4,844,927	2,718,849	3,603,520	552,264
— unsecured . . . . .	1,660,000	—	3,925,768	601,650
Senior notes . . . . .	—	2,817,326	1,570,623	240,709
Asset-backed securities . . . . .	—	—	317,709	48,691
<b>Total non-current</b> . . . . .	<b>12,536,245</b>	<b>18,677,882</b>	<b>30,308,188</b>	<b>4,644,933</b>
<b>Total</b> . . . . .	<b>27,004,917</b>	<b>40,181,240</b>	<b>54,092,226</b>	<b>8,289,996</b>

As of December 31, 2020, we provided guarantees amounting to RMB12,193.5 million (US\$1,868.7 million) for certain bank and other borrowings extended to our joint ventures and associates.

Our total outstanding borrowings may fluctuate with the changes in financial needs for our business expansion and cash flow planning. Our total outstanding borrowings increased from RMB27,004.9 million as of December 31, 2018 to RMB40,181.2 million as of December 31, 2019 to RMB54,092.2 million (US\$8,290.0 million) as of December 31, 2020, primarily due to the continuous increase in the construction activities resulting from our business expansion.

Our borrowings may be secured by our asset portfolio which includes investment properties, properties under development, equity in our subsidiaries, bank deposits and restricted cash. In addition, our borrowings may also be guaranteed by our subsidiaries. Moreover, our controlling shareholders and one of their associates have guaranteed certain of our borrowings up to RMB14,940.6 million and RMB9,638.8 million as of December 31, 2018 and 2019, respectively, which have been released as of December 31, 2020.

We are subject to certain customary restrictive covenants under our credit facilities with commercial banks. For example, the relevant subsidiaries are generally not allowed to grant guarantees in favor of any third parties that are expected to materially affect their financial position or their ability to perform the loan agreements. Certain of our subsidiaries are prohibited from merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration of dividends and incurring further indebtedness without the prior consent of the relevant banks. Certain of our banking facilities also contain cross-default provisions that if the relevant subsidiary defaults on the borrowing with the commercial banks, its affiliated commercial institutions, and/or other commercial financial institutions, as provided under the loan agreement, it may constitute an event of default and the relevant commercial banks would be entitled to accelerate payment of all or any part of the outstanding indebtedness and may terminate all commitments to extend further credit. These cross-default provisions typically only apply to the specific borrowing subsidiaries under the relevant loan agreements, with a very limited number of exceptions that the affiliated companies of the borrowing subsidiaries shall be subject to such cross-default provisions as well. Under certain real estate project loan agreements, the relevant subsidiaries are typically only allowed to apply the proceeds for the development of projects as specified in the agreements and are not allowed to adjust the proposed project development schedules without the prior consent of the relevant banks. In addition, a small number of our current loan agreements contain certain covenants of specific financial ratio requirements for the borrowing subsidiaries. For example, some of the loan agreements required the borrowing subsidiary to maintain the owners' equity or capital reserve to be not less than a certain amount. Some others required the borrowing subsidiary to maintain the debt to asset ratio or current ratio under a certain level, which vary from bank to bank. However, we do not expect that such covenants would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our current business plans. We are not aware of any breach of any of the covenants, including the financial ratio requirements, contained in our banking and other loan facilities constituting any event of default for the years ended December 31, 2018, 2019 and 2020, nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities.

The weighted average effective interest rates on our total borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that are outstanding as of December 31, 2018, 2019 and 2020 were 9.9%, 9.4% and 8.5%, respectively. The decrease in weighted average effective interest rates on our borrowings from 2019 to 2020 was primarily a consolidated result of recent decrease in the bank loan interest rates, our strategy to reduce the proportion of trust financings which usually have a higher interest rates, and our increasing bargaining power due to our rapid business growth. The increase in weighted average interest rates in 2018 and 2019 was primarily because we borrowed more external borrowings to support our fast business growth.

As of December 31, 2020, our borrowings are dominated in Renminbi and U.S. dollars.

Our bank borrowings include entrusted bank loans provided by ultimate third-party lenders through commercial banks as an intermediary. Our other borrowings include loans from independent third parties (excluding from financial institutions and private placement asset management plans), trust financing and asset management arrangements.

Our approved unutilized credit facilities are covered by loan agreements which we entered into with the banks and other financial institutions. Our directors have confirmed that we do not currently have any concrete and material external financing plans outside our ordinary course of business. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although there is no assurance that we will be able to access bank financing on favorable terms or at all.

The following table sets forth the maturity profiles of our total borrowings as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(In thousands)			
	(Unaudited)			
<b>Bank loans repayable:</b>				
Within one year or on demand . . . . .	5,315,900	6,980,292	6,652,798	1,019,586
In the second year . . . . .	3,979,318	11,251,174	9,916,429	1,519,759
In the third to fifth years, inclusive . . . . .	2,052,000	1,890,533	10,974,139	1,681,860
	<u>11,347,218</u>	<u>20,121,999</u>	<u>27,543,366</u>	<u>4,221,206</u>
<b>Other borrowings repayable:</b>				
Within one year or on demand . . . . .	9,152,772	13,145,021	9,825,099	1,505,762
In the second year . . . . .	6,104,927	2,718,849	6,299,288	965,408
In the third to fifth years, inclusive . . . . .	400,000	—	1,230,000	188,506
	<u>15,657,699</u>	<u>15,863,870</u>	<u>17,354,387</u>	<u>2,659,676</u>
<b>Senior notes repayable:</b>				
— Within one year . . . . .	—	1,378,045	7,306,141	1,119,715
— In the second year . . . . .	—	2,817,326	1,570,623	240,709
	<u>—</u>	<u>4,195,371</u>	<u>8,876,764</u>	<u>1,360,424</u>
<b>Asset-backed securities repayable:</b>				
— In the second year . . . . .	—	—	317,709	48,691
	<u>—</u>	<u>—</u>	<u>317,709</u>	<u>48,691</u>
<b>Total . . . . .</b>	<u><b>27,004,917</b></u>	<u><b>40,181,240</b></u>	<u><b>54,092,226</b></u>	<u><b>8,289,996</b></u>

### Trust Financing and Asset Management Arrangements

Similar to many other real estate developers in the PRC, we also enter into financing arrangements with trust companies, asset management companies and their financing vehicles in the ordinary course of business to finance our property development and other related operations. Compared with bank borrowings, such financing arrangements usually offer greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for some of our project developments, particularly during the tightened banking credit environments. For more information, see the section entitled “Description of Other Material Indebtedness — Trust Financing and Asset Management Arrangements.”

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of December 31, 2020, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

### MARKET RISK

We are exposed to various types of market risks, including changes in prices of our raw materials, interest rate risks, foreign exchange risks, credit risks and inflation risks in the normal course of business.

### Commodities Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of contractors’ fees pursuant to our arrangements with the relevant contractors. Rising prices for construction materials will therefore affect our development costs in the form of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials could have a significant impact on our results of operations.

## **Interest Rate Risk**

Our interest rate risk arises from interest-bearing bank and other borrowings. Borrowings at variable rates expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed rates expose us to fair value interest rate risk. We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently do not use any derivative financial instruments but will consider hedging interest rate risk should the need arise.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our operating income, gross profits and profits. The one-year PBOC loan prime rate in China (which affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2018, 2019 and 2020 were 4.31%, 4.15% and 3.85%, respectively.

## **Foreign Exchange Risk**

We conduct our sales and purchases in Renminbi. We recognize foreign exchange gain or loss on our statement of comprehensive income due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. As of December 31, 2020, our non-Renminbi assets and liabilities are mainly cash and cash equivalents and senior notes denominated in U.S. dollars or H.K. dollars. We did not entered into any foreign currency hedging arrangement. However, we will closely monitor our exposure to exchange rates in order to best preserve our cash value.

## **Credit Risk**

We have no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. We divide financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, we have policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and our management performs ongoing credit evaluations of our counterparties. The credit period granted to the customers is generally six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, we regularly review the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. Our management makes periodic collective assessments for financial assets included in prepayments and other receivables and amounts due from related companies as well as individual assessments on the recoverability of other receivables and amounts due from related companies based on historical settlement records and past experience. We closely monitor financial assets included in prepayments and other receivables and amounts due from related companies. Our director believe that there is no material credit risk inherent in our outstanding balance of financial assets included in prepayments and other receivables and amounts due from related companies.

## **Inflation**

According to the China Statistical Bureau, China's overall national rate, as represented by the general consumer price index, was approximately 2.1%, 2.9% and 2.5% in 2018, 2019 and 2020, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase.



## Non-GAAP Financial Measures

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

- fair value gains on investment properties;
- fair value losses on financial assets at fair value through profit or loss;
- share of profits and losses of joint ventures;
- share of profits and loss of associates;
- finance costs;
- depreciation; and
- amortization.

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

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

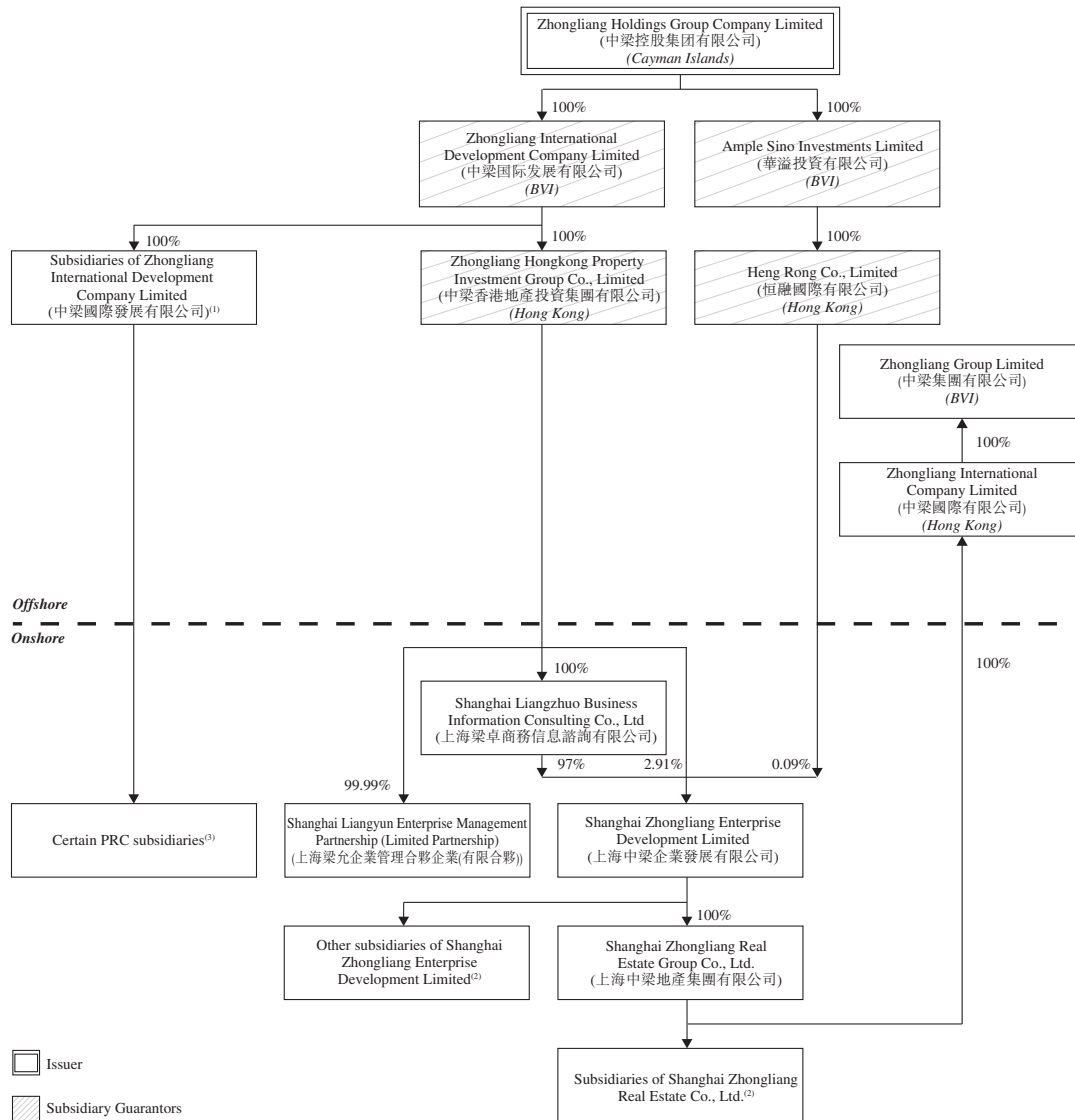
The following table reconciles our profit before tax under HKFRS to our definition of EBITDA for the years/period indicated.

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(In thousands)			
	(Unaudited)			
<b>Profit before tax</b>	4,438,476	9,898,111	10,364,822	1,588,478
<b>Adjustments:</b>				
Fair value gains on investment properties	(71,971)	(49,855)	(88,365)	(13,543)
Fair value losses on financial assets				
at fair value through profit or loss	4,039	6,880	30,929	4,740
Listing expenses	34,838	60,273	—	—
Finance costs	433,466	466,533	542,494	83,141
Depreciation	42,922	72,852	107,405	16,461
Amortization	259	789	3,238	496
Interest capitalized in cost of sales	1,381,790	1,654,787	3,125,259	478,967
<b>EBITDA</b>	<b>6,263,819</b>	<b>12,110,370</b>	<b>14,085,782</b>	<b>2,158,740</b>

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for taxes and other nonoperating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. You should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See “Description of the Notes” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

## CORPORATE STRUCTURE

The following chart illustrates our simplified corporate structure as of the date of this offering memorandum:



**Notes:**

- (1) As of the date of this offering memorandum, these included 30 offshore subsidiaries incorporated in Hong Kong and BVI respectively, both with no substantial business operations.
- (2) As of the date of this offering memorandum, these included 1,358 subsidiaries (including two offshore subsidiaries incorporated in Hong Kong and BVI respectively, both with no substantial business operations) and 191 joint ventures and associates.
- (3) As of the date of this offering memorandum, these included 20 PRC subsidiaries, all with no substantial business operations. Please see the section headed “Index to Financial Information” in this offering memorandum for further details and particulars of our major subsidiaries and joint ventures and associates.

## BUSINESS

### OVERVIEW

We are a large-scale comprehensive real estate developer in China, based in the Yangtze River Delta Economic Region with a national footprint. We were recognized as a top 20 real estate developer in China by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center in 2019 and 2020.

We conduct our businesses based on various standardized modules, covering the entire value chain of property development from land acquisition, construction and development to marketing and sales, which aims to ensure high operating efficiency while maintaining relatively low operating costs and expenses. Our standardized land acquisition modules provide detailed land acquisition criteria and disciplined procedural guidance, taking various factors into consideration and applicable for various product types in different locations. We adopt multiple land acquisition methods to expand our land bank. We also implement standardized operating modules for design and development of our products. We currently offer three main series of residential properties, namely, the Star and Sea series (星海系), the Mansion series (拾光系) and the Metropolis series (鎏金系), targeting, first-time home purchasers, first-time home upgraders and second-time home upgraders, respectively. Under each residential property series, we further fine-tune the products into two or three separate product lines. First-time home purchasers usually refer to those who buy their residential properties for the first time and are more concerned about the property's functionality, space efficient floor plan and purchase price. To cater to these purchasers, we develop properties, mainly the Star and Sea series, which are featured with well designed living spaces, basic community facilities and other amenities as well as an affordable price. First-time home upgraders usually refer to those who are already home owners and expect to improve their existing living environment. These purchasers are concerned about the upgraded and comprehensive living spaces and utilities, community landscape, community reputation and ancillary facilities. To cater to these purchasers, we develop properties, mainly the Mansion series, which are featured with multi-functional interior utilities, elegant building facade designs, and comfortable and secured community facilities. Second-time home upgraders usually refer to those who already own multiple residential properties. Such purchasers are looking not only for functionality, but also to use their homes to socialize with others to enhance their overall living experience. To cater to these purchasers, we develop properties, mainly the Metropolis series, which are featured with high quality construction materials and tasteful interior and exterior designs, large living spaces, grand and leisure community facilities that can accommodate various activities for different groups of residents.

We have established a valuable product database with over 70 sets of standardized product design models. We formulate and implement standardized marketing modules which are embedded with multiple standardized key performance indicators to evaluate and improve effectiveness of our marketing efforts. We believe our comprehensive standardized operational modules and procedures are the key to our success in rapid replication and expansion.

Our management system divides large business groups into a number of small business units which enjoys certain operational autonomy and adopts a result-oriented evaluation and incentive approach, thus encouraging each employee to be actively involved in the management and to share responsibilities and benefits. Such character enables quick horizontal replication and expansion which works well with property development business due to its highly replicable nature. Our management system enjoys flexibility in daily operation and management, which motivates well-adapted and competent employees and inherently eliminates the incompetent ones. We believe this enhances our competitiveness and vitality. It also enables our senior management to promptly react to ever changing market trends, capturing the emerging opportunities or minimizing the potential risks arising therefrom.

We strive to develop quality residential properties targeting first-time home purchasers, first-time home upgraders and second-time home upgraders. Our residential property projects have also been well recognized. We also engage in the development, operation and management of commercial properties and hold a portion of such commercial properties for future investment purpose. We intend to continue to enhance and expand our product portfolio by developing new products catering to the needs of our target customers in different locations. We also plan to prudently pursue new growth opportunities by

expanding into new operations that are complementary to our current business. We believe a balanced product mix will help diversify our revenue streams, generate recurring income, optimize our resources and assets allocation, and enhance the value and attractiveness of our properties located in the neighboring regions, thus making us less susceptible to any particular market segment.

As of December 31, 2020:

- we had established presence in 153 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone;
- we had 480 projects, including 342 projects developed by our subsidiaries and 138 projects developed by our joint ventures and associates, at various development stages; and
- total land bank attributable to us amounted to 51.8 million sq.m., including:
  - approximately 44.2 million sq.m. for property projects developed by our subsidiaries, comprising completed properties available for sale, lease or investment with an aggregate GFA of approximately 6.6 million sq.m., properties under development with an aggregate planned GFA of approximately 34.5 million sq.m. and properties held for future development with an aggregate estimated GFA of approximately 3.1 million sq.m.; and
  - approximately 7.6 million sq.m. attributable to us for property projects developed by our joint ventures and associates, comprising completed properties available for sale, lease or investment with an aggregate GFA of approximately 0.8 million sq.m., properties under development with an aggregate planned GFA of approximately 5.6 million sq.m. and properties held for future development with an aggregate estimated GFA of approximately 1.2 million sq.m.

The aggregate contracted sales of our Group, taking into account the entire contracted sales by our joint ventures and associates, were approximately RMB101.5 billion, RMB152.5 billion and RMB168.8 billion, respectively, for the years ended December 31, 2018, 2019 and 2020. For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB30,214.7 million, RMB56,639.6 million and RMB65,940.6 million (US\$10,105.8 million), respectively. We recorded a net profit of RMB2,526.3 million, RMB6,255.9 million and RMB6,566.4 million (US\$1,006.3 million) in 2018, 2019 and 2020, respectively.

## OUR STRENGTHS

We believe our primary competitive strengths are:

### **Large Real Estate Development Scale with National Footprint and an Established Brand Name in China**

#### *Large-scale with National Footprint*

We are a large-scale comprehensive real estate developer in China, based in the Yangtze River Delta Economic Region with a national footprint. We focus on the development of residential properties and have recently expanded into the development, operation and management of commercial properties.

We were recognized as a top 20 real estate developer in China by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center in 2019 and 2020. We were also ranked first among the top 10 real estate developers in China in terms of growth rate in 2018 and development potential in 2019, respectively, by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center. We have experienced a significant growth in recent years. Our revenue increased from RMB30,214.7 million in 2018 to RMB56,639.6 million in 2019, and further to RMB63,940.6 million (US\$10,105.8 million) in 2020. Total land bank attributable to us increased from 36.4 million sq.m. as of December 31, 2018 to 45.6 million sq.m. as of December 31, 2019 and further to 51.8 million sq.m. as of December 31, 2020.

With approximately 19 years of experience in the real estate industry in China, we have developed from a regional residential real estate developer focusing on the Yangtze River Delta Economic Region to a comprehensive real estate developer with national footprint. As of December 31, 2020, we had developed a portfolio of 480 projects, comprising 342 projects developed by our subsidiaries and 138 projects developed by our joint ventures and associates and had established presence in 153 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone. We plan to further capitalize on the emerging opportunities and growth potentials in those regions.

#### *Well-recognized Brand Name*

Leveraging our product development capability and quality real estate projects, we have well established our “Zhongliang” brand name nationwide. Our strong reputation, brand name and proven track record have won us numerous prizes and awards. Our “Zhongliang” brand has been recognized as a top three most valuable real estate brand in eastern China for four consecutive years from 2015 to 2018 by PRC Real Estate Top 10 Research Team. Our projects have also been well recognized in the market. In 2017, our Jiaxing Zhongliang Wuyue Capital Park (嘉興中梁吳越首府) was accredited with the WELL-CS platinum pre-certification, being the first real estate project to receive such award in China, and the LEED-CS platinum pre-certification for LEED Building Design and Construction by the International WELL Building Institute and the U.S. Green Building Council, respectively.

We believe our established reputation and existing market position in China will help us achieve a sustainable long-term growth.

### **Quality Land Bank Secured by Efficient Expansion Strategy and Strong Land Acquisition Capabilities**

Our success largely depends on our ability to accumulate quality land bank which is supported by our market foresights, strong land acquisition capabilities and multi-folded land acquisition methods. We believe such competitiveness will drive our future growth.

### *Standardized Land Acquisition Decision-making Process and Strong Execution Capability*

Our market insights, in-depth understanding of property market dynamics and diversified land acquisition methods have enabled us to take advantage of the opportunities in the regional market cycles. We are able to reduce risk exposure to any particular region by expanding our operations into various regions. Our land acquisition strategy also enables us to expand our land bank in target locations with relatively lower costs during the market downturn. For instance, we implement multi-folded land acquisition methods to expand our land reserves. In addition to public tender, auction or listing-for-sale, we also acquire land parcels by cooperating with third-party business partners through joint ventures and associates, or by acquiring target projects or target project companies or through urban redevelopment opportunities.

Our efficient land acquisition decisions are assured by standardized land acquisition models, which set forth detailed land acquisition criteria and disciplined procedural guidance, based on various factors, such as product types, city levels and land acquisition methods. Among others, each potential project shall meet three sets of project screening and evaluation criteria, namely, development strategy criteria, market criteria and financial criteria. As part of our standardized operating process, our investment team follows detailed and standardized internal review procedures to complete the land acquisition process. Each potential project, from market accessibility to completion of land acquisition, is subject to 11 internal review sessions, and to a three-layered approval procedures jointly conducted by our headquarters, relevant regional group company and relevant regional company.

### *Sizeable Quality Land Bank Supporting Future Development*

Our strong land acquisition capabilities have enabled us to quickly increase our land bank. We have expanded into 153 cities across five strategic economic zones in China as of December 31, 2020. As of December 31, 2020, the total land bank attributable to us amounted to approximately 51.8 million sq.m., including 44.2 million sq.m. for property projects developed by our subsidiaries and 7.3 million sq.m. for property projects developed by our joint ventures and associates.

### **Established Standardized Real Estate Development Processes Ensuring Execution Capability**

We have established standardized real estate development processes, covering the entire value chain of property development from land acquisition, general operations, to product development as well as sales and marketing, which enable us to swiftly replicate our property development success into new regions in a cost-effective manner. Standardization also facilitates our rapid-asset-turnover model by minimizing development costs and optimizing investment returns. We have formulated a number of standardized operational manuals based on our experience which set forth detailed guidance for our project companies located in different cities with respect to all material aspects of their daily operation.

### *Overall Standardized Operating Process*

Our standardized operating procedures cover the entire real estate development cycle, which allow us to enhance asset turnover and operating efficiency while maintain consistent product quality, thus, enabling us to quickly expand into new regions. Leveraging our historical project development experience, we formulate and constantly modify our standardized operational manuals, which are essential for our execution proficiency and risk control. Guided by our efficient and standardized operational procedures, we usually require our project companies, from the date of land acquisition of a particular project, to complete the master project planning within five days, to complete the standard interior floor planning within eight days, to complete the application procedures for construction work planning permits in principal within three months, and to commence the pre-sales within six months. Such standardized operating procedures have enabled us to efficiently complete periodical preparation work beforehand at each stage and improve our operating efficiency.

### *Standardized and Appealing Product Design and Development*

We implement standardized product design and development processes to develop a diversified product portfolio, catering to the needs of various targeting customer groups in different regional markets. We offer three main series of residential properties, namely, the Star and Sea series (星海系), the Mansion series (拾光系) and the Metropolis series (鑾金系), targeting first-time home purchasers, first-time home upgraders and second-time home upgraders, respectively. Under each residential property series, we further fine-tune the products into two or three separate product lines. We have established a valuable product database with over 70 sets of standardized product design models, covering various aspects of floor planning, building elevation, demonstration area, decorated model homes, landscaping and other elements, which are applicable for different cities.

In addition, we have recently diversified our product mix by introducing the product lines of fully-fitted apartments. Based on our studies and analysis on the potential target customers and comparable competing products in the same location, we have developed four standardized lines of fully-fitted apartments, catering to diversified customer demands for properties with different spaces, functions and decoration as well as cost concerns.

Leveraging our established project construction and decoration standards backed up by our selected raw material suppliers, we are able to deliver property projects with consistent quality and to effectively control our construction costs at the same time. We have also built stable relationships with certain architectural and design firms. The quality of our projects is further assured by our strict execution, monitor and review procedures of product planning and design blueprints.

Moreover, we apply advanced equipment and facilities to our property projects, aiming to enhance the overall living experience of our customers. For example, some of our projects have been equipped with smart parking management systems, entrance guard systems and smart-home in-door security and lighting systems.

### *Standardized and Effective Marketing Capability*

The success of our rapid-asset-turnover model is largely dependent on our effective marketing strategy and our standardized marketing modules and procedures.

We have accumulated extensive experience and in-depth understanding about the needs of our potential customers. We formulate and implement multiple standardized key performance indicators to evaluate and improve effectiveness of our marketing efforts. Our standardized operational modules for sales and marketing provide an efficient and consistent guidance on product position, promotional events, demonstration areas, pricing practice, marketing expenses control, third-party sales agents supervision and other aspects. We specify detailed periodical sales targets at the initial development stage based on the scale of the relevant project and other factors. Our marketing and sales teams are required to accomplish the pre-determined sales target within the required time period. For example, generally, a project is required to be contracted for over 70% of total units to be sold in the initial pre-sales within seven days from the launch of such pre-sale.

We perform extensive market studies on our target locations and customer groups. We carefully design localized marketing campaigns for each property project based on our market studies and adjust our marketing plans based on the market feedback we collect throughout the project development process. With respect to each property project, we design and launch various marketing activities suitable for property development operations at different stages. To facilitate our marketing and promotion, we from time to time organize high-key promotional events, such as inviting public figures, to promote awareness of and interests in our projects among local residents. At the initial stage of pre-sales, we focus on delivering high quality demonstration areas, including decorated model homes, sales offices and their neighboring landscape, which we believe will attract potential customers. Our sales and marketing teams are involved from the early stage of product design and development to provide professional advice which also help us to improve product offerings based on market trends and local customer preferences.



## **Efficient Management System**

We have established and implemented our distinctive management system.

### *Rapid Replication and Expansion Differentiating Us from PRC Competitors*

The highly replicable character of our management system enables quick horizontal replication and expansion which works well with real estate development business due to its highly replicable nature. The flexibility and competitiveness of our management system assists us in addressing the three bottlenecks which real estate developers in China typically encounter, thus differentiating us from our competitors in China.

### *Systematic Organization Advocating Self-fulfillment*

We consider our employees as our cooperative partners. Under our management system, rewards for our employees are linked with the performance of their business units, which aligns their interest with ours. It fosters an environment in which each member remains efficient and responsive, and stays cooperative and works toward the common business goals of our Group, which in turn, helps propel the growth of our Group. Our management system provides capable and motivated employees with opportunities for career development. As such, we are able to attract and retain a sufficient number of well-trained management talents to support our corporate development.

### *Scalable Management System with Competitiveness and Vitality*

The scalability of our management system with strong competitiveness and vitality serves as a foundation of our growth in the recent years. Under our management system, each of our smaller units enjoys sufficient operational autonomy and flexibility and the employees are motivated to pursue the maximized value of their units which they belong to. As a result, the implementation of this ecosystem (i) enables the creation of a corporate culture which motivates well-adapted and competent employees and inherently eliminates those incompetent ones; (ii) promotes the competitiveness and vitality of each business unit and enhances the overall competitiveness and growth of our Group; (iii) enables our senior management to promptly react to evolving market trends, capturing the emerging opportunities or minimizing the potential risks. The effective implementation of our management system is underpinned by our fair evaluation and incentive plans, which are supported by our transparent systematic divisional accounting mechanism and information technologies.

## **Visionary and Experienced Management Team**

Our success has been, and will continue to be, dependent on the continuous service of our visionary and experienced senior management team with an in-depth understanding of the real estate industry in China. Our founder and chairman, Mr. Yang Jian (楊劍), has over 25 years of industry experience and is currently the executive vice president of the Zhejiang Chamber of Commerce, Shanghai, the executive vice president of Shanghai Federation of Industry and Commerce and the executive vice president of Wenzhou Chamber of Commerce, Suzhou, Jiangsu Province. Mr. Yang Jian has great market insights and strategically relocated our headquarters from Wenzhou to Shanghai in early 2016, which expedited the expansion of our nationwide footprint as we were able to attract more capital, human and other resources in Shanghai.

Our senior management team consists of experienced professional managers, who have an average of over ten years of experience in the real estate industry in China, including project development and management, and sales and marketing. We believe our experienced management team is capable of executing our business development plans and continuously developing products that meet the needs of our targeting customers. Visionary and highly motivated management team is also key to our sustainable growth. On the other hand, we have also recruited experienced and dedicated employees with extensive industry experience in project development, product design, sales and marketing, financing and other areas in connection with our operations. Through our “Zhongliang Academy,” we offer systematic training programs tailor-made for various positions to improve their industrial specialties and managerial skills.

We believe with the leadership of our visionary and experienced management team supported by our dedicated employees, we will achieve sustainable long-term growth and add value to our shareholders and other stakeholders.

## **OUR STRATEGIES**

We strive to become a leading comprehensive real estate developer in the PRC. To achieve our goal, we intend to implement the following strategies:

### **Leverage Favorable Government Policies and Enhance Leadership in Existing Markets and Strategically Expand into New Regions with High-growth Potentials**

We will continue our expansion strategies nationwide. We expect to solidify our current market positions by continuing our focus on the Yangtze River Delta Economic Region and further penetrate into the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone.

Taking advantage of our established brand name, extensive industry experience and strong property development capabilities, we expect to continue our penetration, enhance our investments and other resources and increase our market position and market share in our existing markets. We will also selectively expand our presence into other second-tier cities, such as Nanjing, Jinan and Fuzhou, and, subject to market conditions, to prudently tap into first-tier cities.

We will continue to focus on economically prosperous areas in China, such as the Yangtze River Delta Economic Region. Meanwhile, we also expect to explore emerging opportunities in regions supported by recent favorable government's development and planning policies, such as the midwest China area. Our past success was partly attributable to favorable government policies. Looking forward, we expect to continue to observe and adjust our strategies to take advantage of various government policies that are favorable to real estate market in China, so as to effectively adopt our procyclical sales strategy to strengthen the marketing and sales of our property projects during market upturns when the prevailing housing prices are typically higher and adopt countercyclical land acquisition strategy during the market downturns, which can expand our land bank in target locations at relatively lower costs.

### **Identify New Growth Opportunities by Utilizing Diversified Investment Strategies**

We intend to adopt diversified investment strategies to improve our operational and financial performances. We intend to enhance our land acquisition strategies by increasing the cooperation with business partners in acquiring land parcels and the acquisition of third parties who have land use rights. We believe the combination of these land acquisition methods, together with public tender, auction or listing-for-sale, will help us to mitigate our investment risks and increase our economy of scale and profitability.

We also plan to prudently pursue new business opportunities that are complementary to our current business. In particular, we intend to expand our investment property portfolio from commercial to industrial, mixed-use properties and other types of properties. We intend to hold a portion of our investment properties for long-term operation and management. We expect to increase such investment properties in the future in response to the changing market conditions and customer demands. We believe these investment properties and potential new businesses will help reduce volatility of our revenue, diversify our revenue stream, optimize our resource and asset allocation, and enhance the value and attractiveness of our residential properties in the vicinity.

### **Continue to Optimize Our Product Portfolio and Enhance Product Quality**

We will continue to develop and offer quality property projects. We will optimize our product portfolio to meet the needs and expectations of our various target customer groups and accommodate our long-term development strategies, aiming at improving our customers' living experience. We also intend to optimize our product portfolio within a specific regions or city to attract various customer groups with different interests and purchasing power. We are also in the process of developing standardized

product design and development modules for such new product types which will accelerate the future development process. In addition, as we expand into new regions in China, we aim to develop and upgrade our product portfolio that will best suit such new locations and new target customers.

Moreover, as part of our development strategy to identify and develop industrial properties and urban renewal and redevelopment projects, we have been actively conducting feasibility studies and distinguishing the property development processes that are suitable for such new projects.

We will continue to review and improve our standardized product quality control to ensure that our future products will maintain a consistent quality. We have established and expect to continue to improve the comprehensive set of stringent standardized technical and quality control and inspection guidelines. We plan to enhance our brand image and recognition among potential customer base by continuing to develop and deliver quality real estate properties.

### **Continue to Enhance Operating Efficiency by Increasing Standardization and Intelligent Management and Operation**

We will uphold our rapid-asset-turnover model and continue to enhance our operating efficiency. We plan to further streamline, standardize, visualize and digitize our operation processes, so as to improve our comprehensive capacities ranging from property development, project investment, financing, product design, sales and marketing, cost control as well as overall execution capability. We will enhance our standardized modules to cover more operating processes, products and services. We also expect to establish strategic supply chains to cover all product types and geographic regions. We will deepen market studies to collect information from our peers and markets and adapt to evolving environments. Despite the target rapid-asset-turnover, we will continue to periodically organize internal conferences to increase the awareness of safety and quality among our employees.

We will also constantly improve our operating efficiency by enhancing intelligent management and operation. We have established a dedicated IT department and have digitized comprehensive operating data, such as land acquisition, operating, construction, marketing and finance, to enable real-time online data tracking. Moreover, digitized operating data also helps improve the transparency during our daily operation through the real-time visualization of information collected from operating entities across the country. We intend to further upgrade our IT systems to streamline our quality control standards and specifications and ensure such standards and specifications of each projects are met. In the future, we expect to continue to enhance our intelligent management and operation and further extend our standardized operating modules by adding more data matrix, covering more procedures, and empowering big-data mining and analysis capabilities.

As such, our senior management will be able to make decisions and monitor our operations in a more effective and efficient way, which can further increase the economic returns from our property development.

### **Continue to Attract, Retain and Motivate Long-term Dedicated Employees**

We believe high-quality employees, particularly high-quality management talents, who value our corporate culture and respect our management philosophies, are essential to our future success. We intend to continue to attract and retain skilled and talented employees through various initiatives, including valuable training programs, competitive compensation packages and effective performance-based evaluation and incentive system.

Our “Zhongliang Academy” aims to offer systematic training programs tailor-made for various positions to support employees’ career plans. It offers training designed for newly recruited employees and training of specialized managerial skills for middle- to high-level management team members. We expect to leverage our “Zhongliang Academy” to enhance our employees’ proficiency and deepen the awareness of our management philosophies, and to reinforce our corporate values among the employees so as to foster greater loyalty, engagement and commitment to their work.

## **Remain Dedicated to Prudent Financial Policies to Optimize Our Capital Structure**

The real estate development industry is capital intensive. To sustain a long-term and healthy growth, we intend to adhere to our internal and industry financial policies and prudent cost management practices to control development costs and monitor our cash flow. Particularly, we will continue our prudent policies of cost control relating to our land acquisitions and construction activities. We will also continue our centralized procurement policy and adopt financial measures to monitor our administrative and sales and marketing expenses. We will strive to further utilize our working capital more efficiently. To this end, we will proactively consider multiple opportunities available to us in order to control risks of concentration of a particular type of property projects or in a particular location.

We will also adhere to our established dynamic realizable-market value-based inventory management approach to our operation to ensure flexibility in the pricing of our properties while maintaining appropriate level of cash flow and return from our property projects. We will also ensure sufficient level of cash flow while pursuing land acquisition opportunities prudently. Additionally, we endeavor to shorten our project development cycle and improve our operating efficiency by following our standardized property development modules, which we believe will expedite our asset turnover and enhance our liquidity position.

Furthermore, we will closely monitor our capital and indebtedness level by reviewing our gearing ratio and leverage ratio on a regular basis. We periodically monitor and analyze the maturity profiles of our borrowings and manage our liquidity level to maintain sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We have established long-term relationship with various large state-owned and joint-stock banks, such as Bank of China, China Construction bank, Agricultural Bank of China, China CITIC Bank, Bank of Communications, Shanghai Pudong Bank, Ping An Bank, China Minsheng Bank, China Merchants Bank, Bank of Shanghai and China Bohai Bank.

We will continue to carefully review any leverage that we use when we acquire new assets to expand our business with reference to cost, equity size and profit impact.

In addition to the issuance of the Notes, we will continue to explore various financing opportunities to improve our capital structure and reduce our cost of capital, such as the issuance of corporate bonds or other debt financings. We expect to reduce trust and asset management loans. We may seek investments from strategic equity investors to reduce our capital commitments. We will also continue to actively explore co-development opportunities with other reputable real estate developers to reduce the capital commitments in connection with land acquisitions and relevant project construction activities.

## **RECENT DEVELOPMENTS**

### **Issuance of Senior Notes**

On January 13, 2021, we issued an additional July 2022 Notes in the aggregate principal amount of US\$200.0 million. See “Description of Other Material Indebtedness — July 2022 Notes.”

On February 1, 2021, we issued the January 2022 Notes in the aggregate principal amount of US\$250.0 million. “Description of Other Material Indebtedness — January 2022 Notes.”

### **Repurchase and Cancellation of Senior Notes**

The Company repurchased the February 2021 Notes in an aggregate amount of US\$105,480,000 (the “Repurchased Notes”) on January 15, 2021. Upon completion of the repurchase, the Company cancelled the Repurchased Notes. As of the date of the offering memorandum, we have fully repaid the February 2021 Notes upon maturity.

## **Change of Address of Registered Office and Principal Share Registrar and Transfer Office in the Cayman Island**

Effective from February 1, 2021, our address of the registered office and the principal share registrar and transfer office was changed to 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

## **Execution of Facility Letter with Specific Performance Covenants**

On February 23, 2021, we, as borrower, accepted a facility letter issued by Hang Seng Bank Limited, as lender, of up to US\$20,000,000. The facility will be available for drawdown within 6 months from February 23, 2021. The maturity date will be 12 months from the date of drawdown. Our controlling shareholders are subject to certain covenants under the facility letter.

On March 16, 2021, we, as borrower, accepted a facility agreement issued by BOCI Leveraged and Structured Finance Limited, as lender, of up to US\$50,000,000. We are obligated to repay the loan under the facility agreement on the date falling 364 days from the utilization date of the facility.

## **Establishment of Environmental, Social and Governance Committee (“ESG Committee”)**

Effective from March 23, 2021, we established an ESG Committee, to assist our board to review and monitor the environmental, social and governance policies and practices of the Group. Mr. Chen Hongliang, Mr. Li Heli, Mr. Yau Sze Ka (Albert) and Mr. Au Yeung Po Fung have been appointed as the members of the ESG Committee and Mr. Chen Hongliang has been appointed as the chairman of the ESG Committee.

## **Change of Address of Principal Place of Business in Hong Kong**

Effective from April 1, 2021, our principal place of business in Hong Kong was changed to 27/F., Queen’s Road Centre, 152 Queen’s Road Central, Central, Hong Kong.

## **The Coronavirus Pandemic**

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The COVID-19 pandemic has adversely affected the livelihood of many people in and the economy of the PRC. The pandemic has had negative impacts on the global economy and the real estate sector in China. The pandemic has had significant impacts, especially in the first half of 2020, on sales, delivery and cashflow of real estate developers in China. The PRC central and local governments have taken various measures, including travel restrictions, to manage cases and reduce potential spread and impact of infection, and to boost the economy and stimulate the local property markets. As a result of the timely and effective implementation of these measures, the PRC government has controlled the COVID-19 pandemic since late March 2020, allowing businesses and factories to gradually reopen.

Since the outbreak of COVID-19 pandemic in January 2020, we kept a vigilant watch of developments and continued to formulate plans to respond to possible risks and changes. With early effective prevention and control plans put in place, we managed to minimize the impact of the COVID-19 pandemic on our operations, financial management and future performance in 2020. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See “Risk Factors — Risks Relating to Doing Business in the PRC — The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.”

## OUR PROPERTY PROJECTS

### Overview

With approximately 19 years of experience in the real estate industry in China, we have developed into a comprehensive real estate developer with national footprint. During the period from 2002 to 2009, we were at the early stage of development and primarily operated in Wenzhou through the property development platform of Zhejiang Tianjian. By establishing Shanghai Zhongliang Real Estate Co., Ltd. (上海中梁地產集團有限公司) (“Shanghai Zhongliang”) in 2009, we laid the strategic focus of our property development operations in Shanghai. We commenced to shift the focus of our operations from the property development platform of Zhejiang Tianjian to that of Shanghai Zhongliang. We relocated our headquarters from Wenzhou to Shanghai in 2016. Leveraging our cumulated expertise and experience in the industry, our distinctive management system and established standardized development processes, we had experienced a rapid growth since then. We acquired 221, 139 and 117 land parcels in 2018, 2019 and 2020, respectively. Over the same years, our recognized GFA increased from 2,696,799 sq.m. in 2018 to 5,621,427 sq.m. in 2019, and further to 7,670,277 sq.m. in 2020.

We specialize in developing quality residential properties, which primarily include high-rise, mid-rise and low-rise apartment buildings and townhouses. We have adopted standardized models to develop a diversified product portfolio with three main series of residential properties, namely, the Star and Sea series (星海系), the Mansion series (拾光系) and the Metropolis series (鑾金系), targeting first-time home purchasers, first-time home upgraders and second-time home upgraders, respectively. Under each standardized residential property series, we further fine-tune the products into two or three separate product lines. Furthermore, we have recently established standardized product lines for fully-fitted apartments, which further amplifies our product mix.

We have also recently commenced the development of commercial properties. Currently, our commercial properties primarily consist of retail spaces adjacent to our residential properties, and we hold certain such commercial spaces as investment properties. As of December 31, 2020, the majority of our project are located in third- and fourth-tier cities and areas adjacent to first- and second-tier cities. In recent years, we have entered into several second-tier cities and intend to selectively expand our presence in second-tier cities, and, subject to market conditions, to prudently tap into first-tier cities.

As of December 31, 2020, our property projects at various stages of development were located in 153 cities across five core economic regions in China namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone. As of the same date, we had a project portfolio of 480 projects, including 342 projects developed by our subsidiaries and 153 projects developed by our joint ventures and associates, at various development stages.

### Classification of Our Property Projects

We generally classify our property projects into the following three categories:

- completed projects or project phases;
- projects or project phases under development; and
- projects or project phases held for future development.

A project or project phase is classified as completed when the required land use right certificates issued by the relevant government authorities and the completed construction works certified reports/ completion certificates have been obtained from the relevant government construction authorities. A project or a project phase is classified as under development when the required construction work commencement permits have been obtained but a completion certificate has not been obtained for all phases of the project. A project or a project phase is considered to be held for future development when (i) we have obtained the land use right certificates, but have not obtained the requisite construction work commencement permits or (ii) we have signed a land grant contract for the underlying parcel of land

with relevant government authorities, but have not obtained the relevant land use right certificates. As some of our projects comprise multiple-phase developments that are completed on a rolling basis, a project may fall into one or more of the above categories.

Detailed descriptions of each of our projects as set forth in this offering memorandum are as of December 31, 2020, unless otherwise dated. The completion date set out in the descriptions of our completed projects or project phases refers to the date on which the last completed construction works certified report/completion certificate was obtained for each project or each project phase of a multi-phase project.

Total GFA as used in this offering memorandum is comprised of saleable GFA and non-saleable GFA. Non-saleable GFA refers to certain communal facilities and ancillary facilities, such as certain underground GFA and spaces for security offices, for which pre-sales permits will not be issued. Saleable GFA refers to the internal floor areas exclusive of non-saleable GFA.

Total saleable GFA is calculated as follows:

- for projects and project phases that are completed, based on the relevant property ownership certificate or property inspection report;
- for projects and project phases under development, based upon the relevant pre-sales permit, or based on other construction work planning documentation issued by relevant government authorities if the pre-sales permit is not available; and
- for projects and project phases that are held for future development, based upon our internal records and development plans. The total estimated GFA we intend to sell does not exceed the multiple of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project.

Our classification of our properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project or project phase may require multiple land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sales permits and other permits and certificates, which may be issued at different times throughout the development process.

### **Land Bank and Property Portfolio**

Our land bank represents the sum of (i) total GFA available for sale or lease by us for completed properties, which also includes completed GFA that have been pre-sold but yet delivered, (ii) total planned GFA for properties under development, and (iii) total estimated GFA for properties held for future development. The total land bank attributable to us represents the total land bank of projects developed by our subsidiaries and the land bank of projects developed by our joint ventures and associates attributable to us. As of December 31, 2020, the total land bank attributable to us was approximately 51.8 million sq.m.

## Our Property Projects

The following table sets forth the breakdown of the total land bank attributable to us developed by our subsidiaries in terms of geographic location as of December 31, 2020:

	Number of projects	Completed GFA available for sale/leasable GFA <sup>(1)</sup> (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to us <sup>(2)</sup> (sq.m.)	% of total land bank attributable to us (%)	Total land bank <sup>(3)</sup> (sq.m.)
Jiangsu Province	44	775,958	5,573,965	21,719	6,371,642	12.3	6,371,642
Zhejiang Province	57	1,631,737	3,876,021	105,166	5,612,924	10.8	5,612,924
Anhui Province	27	121,882	3,426,246	152,613	3,700,741	7.1	3,700,741
<b>Yangtze River Delta</b>	<b>128</b>	<b>2,529,577</b>	<b>12,876,232</b>	<b>279,498</b>	<b>15,685,307</b>	<b>30.2</b>	<b>15,685,307</b>
Hunan Province	18	192,374	2,529,082	706,013	3,427,469	6.6	3,427,469
Henan Province	24	573,425	2,567,950	273,838	3,415,213	6.6	3,415,213
Yunnan Province	12	197,288	1,675,245	345,492	2,218,025	4.3	2,218,025
Hubei Province	13	509,485	1,552,443	80,169	2,142,097	4.1	2,142,097
Shaanxi Province	10	251,002	965,570	349,263	1,565,835	3.0	1,565,835
Sichuan Province	12	176,822	989,960	—	1,166,782	2.3	1,166,782
Chongqing	6	91,511	865,407	198,686	1,155,604	2.2	1,155,604
Guangxi Zhuang Autonomous Region	9	48,087	819,779	147,695	1,015,561	2.0	1,015,561
Inner Mongolia Autonomous Region	6	287,605	508,279	80,008	875,892	1.7	875,892
Ningxia Hui Autonomous Region	3	27,905	384,950	—	412,855	0.8	412,855
Guizhou Province	3	46,361	215,124	—	261,485	0.5	261,485
Shanxi Province	2	—	213,473	—	213,473	0.4	213,473
Gansu Province	2	105,167	62,129	—	167,296	0.3	167,296
<b>Midwest China</b>	<b>120</b>	<b>2,507,032</b>	<b>13,349,391</b>	<b>2,181,164</b>	<b>18,037,587</b>	<b>34.8</b>	<b>18,037,587</b>
Shandong Province	25	33,629	2,448,351	447,482	2,929,462	5.7	2,929,462
Hebei Province	5	—	787,931	56,904	844,835	1.6	844,835
Liaoning Province	4	418	329,718	—	330,136	0.6	330,136
Tianjin	2	—	240,822	—	240,822	0.5	240,822
<b>Pan-Bohai Rim</b>	<b>36</b>	<b>34,047</b>	<b>3,806,822</b>	<b>504,386</b>	<b>4,345,255</b>	<b>8.4</b>	<b>4,345,255</b>
Jiangxi Province	30	1,006,766	2,198,839	23,646	3,229,251	6.2	3,229,251
Fujian Province	15	285,530	1,329,327	—	1,614,857	3.1	1,614,857
<b>Western Taiwan Straits</b>	<b>45</b>	<b>1,292,296</b>	<b>3,528,166</b>	<b>23,646</b>	<b>4,844,108</b>	<b>9.3</b>	<b>4,844,108</b>
Guangdong Province	13	291,074	960,746	76,332	1,328,152	2.6	1,328,152
<b>Pearl River Delta</b>	<b>13</b>	<b>291,074</b>	<b>960,746</b>	<b>76,332</b>	<b>1,328,152</b>	<b>2.6</b>	<b>1,328,152</b>
<b>Subtotal</b>	<b>342</b>	<b>6,654,026</b>	<b>34,521,357</b>	<b>3,065,026</b>	<b>44,240,409</b>	<b>85.3</b>	<b>44,240,409</b>



The following table sets forth the breakdown of the total land bank attributable to us developed by our joint ventures and associates in terms of geographic location as of December 31, 2020:

	Number of projects	Completed GFA available for sale/leasable GFA <sup>(1)</sup> (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to us <sup>(2)(3)</sup> (sq.m.)	% of total land bank attributable to us (%)	Total land bank <sup>(3)</sup> (sq.m.)
Zhejiang Province	39	281,759	1,604,330	—	1,886,089	3.6	5,915,035
Anhui Province	14	29,214	1,140,359	—	1,169,573	2.3	3,134,788
Jiangsu Province	24	113,036	605,684	275,632	994,352	1.9	2,763,307
<b>Yangtze River Delta</b>	<b>77</b>	<b>424,009</b>	<b>3,350,373</b>	<b>275,632</b>	<b>4,050,014</b>	<b>7.8</b>	<b>11,813,130</b>
Henan Province	6	—	299,288	188,307	487,595	0.9	1,345,002
Yunnan Province	4	—	272,381	134,351	406,732	0.8	822,464
Chongqing	7	140,132	238,699	—	378,831	0.7	1,076,309
Hunan Province	4	25,711	226,302	—	252,013	0.5	521,081
Hubei Province	3	—	147,397	40,272	187,669	0.4	427,526
Sichuan Province	2	—	98,084	—	98,084	0.2	275,033
Guangxi Zhuang Autonomous Region	2	25,107	67,332	—	92,439	0.2	342,051
Inner Mongolia Autonomous Region	1	—	—	46,599	46,599	0.1	155,329
<b>Midwest China</b>	<b>29</b>	<b>190,950</b>	<b>1,349,483</b>	<b>409,529</b>	<b>1,949,962</b>	<b>3.8</b>	<b>4,964,795</b>
Shandong Province	8	5,556	182,169	134,484	322,209	0.6	1,114,696
Tianjin	2	—	172,593	29,658	202,251	0.4	409,156
Hebei Province	1	—	33,767	—	33,767	0.1	102,325
Liaoning Province	1	—	13,150	—	13,150	*	25,785
<b>Pan-Bohai Rim</b>	<b>12</b>	<b>5,556</b>	<b>401,679</b>	<b>164,142</b>	<b>571,377</b>	<b>1.1</b>	<b>1,651,962</b>
Fujian Province	13	109,019	402,970	38,370	550,359	1.1	1,496,144
Jiangxi Province	5	55,921	114,044	48,833	218,798	0.4	559,535
<b>Western Taiwan Straits</b>	<b>18</b>	<b>164,940</b>	<b>517,014</b>	<b>87,203</b>	<b>769,157</b>	<b>1.5</b>	<b>2,055,679</b>
Guangdong Province	2	—	—	259,652	259,652	0.5	417,401
<b>Pearl River Delta</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>259,652</b>	<b>259,652</b>	<b>0.5</b>	<b>417,401</b>
<b>Subtotal</b>	<b>138</b>	<b>785,455</b>	<b>5,618,549</b>	<b>1,196,158</b>	<b>7,600,162</b>	<b>14.7</b>	<b>20,902,967</b>
<b>Total</b>	<b>480</b>	<b>7,439,481</b>	<b>40,139,906</b>	<b>4,261,184</b>	<b>51,840,571</b>	<b>100.0</b>	<b>65,143,376</b>

The following table sets forth a breakdown of the total land bank attributable to us developed by our subsidiaries, joint ventures and associate in terms of geographical location as of December 31, 2020:

	Number of projects	Completed GFA available for sale/leasable GFA <sup>(1)</sup> (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to us <sup>(2)</sup> (sq.m.)	% of total land bank attributable to us (%)	Total land bank <sup>(3)</sup> (sq.m.)
<b>By City tiers</b>							
Second-tier cities	155	1,678,507	11,297,482	1,266,190	14,242,179	27.5	20,512,781
Third-tier cities	245	4,285,522	20,266,967	2,597,325	27,149,814	52.4	32,886,446
Fourth-tier cities	80	1,475,452	8,575,457	397,669	10,448,578	20.1	11,744,149
<b>Total</b>	<b>480</b>	<b>7,439,481</b>	<b>40,139,906</b>	<b>4,261,184</b>	<b>51,840,571</b>	<b>100.0</b>	<b>65,143,376</b>
<b>By Region</b>							
Yangtze River Delta	205	2,953,586	16,226,605	555,130	19,735,321	38.0	27,498,437
Midwest China	149	2,697,982	14,698,874	2,590,693	19,987,549	38.6	23,002,382
Pan-Bohai Rim	48	39,603	4,208,501	668,528	4,916,632	9.5	5,997,217
Western Taiwan Straits	63	1,457,236	4,045,180	110,849	5,613,265	10.8	6,899,787
Pearl River Delta	15	291,074	960,746	335,984	1,587,804	3.1	1,745,553
<b>Total</b>	<b>480</b>	<b>7,439,481</b>	<b>40,139,906</b>	<b>4,261,184</b>	<b>51,840,571</b>	<b>100.0</b>	<b>65,143,376</b>

Notes:

(1) Includes saleable GFA remaining unsold, leasable GFA and completed GFA that have been pre-sold but yet delivered.

- (2) Total land bank attributable to the Group equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development, adjusted by the equity interest held by the Group in respect of the projects held by the Group's joint ventures and associates.
- (3) Total land bank equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development without adjusting the equity interest held by the Group in respect of the projects held by the Group's joint ventures or associates.

## **OUR PROJECT OPERATION AND MANAGEMENT**

### **Our Project Development Process**

Our successful duplication of property development experience into new regions is attributable to our standardized operating procedures, which facilitate us to complete periodical preparation work beforehand at each stage and improve our operating efficiency. Our standardized operating procedures cover the entire real estate development cycle, including land acquisition, product design, construction, sales and marketing and delivery. Leveraging our historical project development experience and proven track record, we formulate and constantly modify our standardized operational manuals that consolidate our best practice and provide detailed guidance for our employees located in different cities with respect to all material aspects of their daily operation.

In terms of each potential project under consideration, we adopt three sets of project evaluation and screening criteria:

- Strategy criteria: we prudently pursue opportunities that are in line with our current and long-term development strategies, which requires us to evaluate the project location and contemplated project size, as well as macroeconomic factors such as the general economic conditions and local population for each potential opportunity;
- Market criteria: we collect local market intelligence to analyze the accessibility of a regional market, including its existing property inventory, average housing prices, historical inventory turnover rate of competitors; and
- Financial criteria: finally, we utilize our standardized modules to review detailed financial estimates of a potential project, including estimated selling prices, anticipated economic returns and profitability, time schedule for project development processes.

Other than the above, with respect to a land parcel or a property project to be acquired from other third parties, we may also involve our legal department to evaluate the associated legal risks. We will only proceed with the development of the project if each set of project screening and evaluation criteria is met.

The diagram below sets forth the major stages typically involved in our development of a property project:

**Site Selection and Land Acquisition**

- Market access studies with comprehensive information to identify potential qualified markets, including geography, city-size, economy, population, competition level, culture and city planning
- Preliminary field studies and analysis to evaluate local property market, including housing supply and demand conditions, general property prices, growth potential and local property policies
- Further in-depth studies and to screen land related information in accordance with our standardized investment modules and procedures



**Product Design, Research and Development**

- Develop standardized product lines suitable for various locations and target customer groups
- Establish standardized floor plans, interior and exterior designs for each product line
- Design standardized main themes, including architectural themes and landscape styles
- Focus on the improvement of community atmosphere



**Procurement**

- Standardized procedures for the selection, management and evaluation of contractors and suppliers form contracts with standardized terms and conditions
- Strategic general construction contractor and subcontractor network
- Strategic supplier network for raw materials with standardized specifications
- Standardized operating guidelines for cooperation with contractors and subcontractors



**Project Construction and Quality Control**

- Engage quality construction contractors
- Detailed requirements, including quality, time, cost and safety, for each milestone during the project construction process
- Periodical inspection and reporting procedures with standardized evaluation procedures



**Project Promotion and Marketing**

- Detailed sales schedules with long-term and short-term sales targets, including prices and transaction volumes
- Engage advertising firms to establish promotional plans for each project
- Set up on-site demonstration areas
- Deploy professional in-house sales and marketing teams or engage third-party agencies
- Standardized sales procedures to ensure smooth transaction and delivery



**After-sales Service**

- Specific convenience services upon request
- National customer service hot line

## Site Selection

The majority of our property projects are located in third- and fourth-tier cities and areas adjacent to first- and second-tier cities in China. We are able to take advantage of the relatively lower land acquisition costs in such areas, less intensified competition, and the demands driven by the surrounding affluent areas. In recent years, we have selectively expanded our presence in second-tier cities and, subject to market conditions, intend to prudently tap into first-tier cities.

Prior to acquiring a parcel of land, our management will consider key factors that influence the growth of the local property market and make an informed decision based on a feasibility analysis and research. The key factors we consider in site selection include, among others:

- general local economic conditions;
- population, income level and purchasing power of local target customers;
- competition level of local real estate market;
- infrastructure, urban planning and future development plans of local government;
- growth trend of local property market, including housing supply and demand conditions, growth potential and local property policies;
- location of the land parcel in the city;
- suitability of the land parcel for our established product positioning strategy; and
- estimated development costs and time and expected income returns.

Our market research and feasibility studies shall follow our standardized market analysis modules and investment procedures.

## Land Acquisition

Under current PRC laws and regulations, land use rights for the purpose of industrial use, commercial use, tourism, entertainment and commodity housing developments must be granted by the government through public tender, auction or listing-for-sale. We primarily acquire land for our projects through the listing-for-sale process organized by the relevant government authorities. When deciding to whom the land use rights should be granted, the relevant authorities may consider not only the bidding price, but also the bidder's real estate development experience, development track record, credit history, qualifications and development proposal in connection with their local zoning, urbanization and development plans. In addition, we also acquire land through auctions and public tenders.

Moreover, we have employed land acquisition strategies to acquire target land parcels by cooperating with third-party business partners through joint ventures and associates in which we do not have controlling stake. With majority of initial capital contributed by the third-party business partners, we can invest in property projects with relatively lower capital outlay. We may also acquire land parcels from third parties by acquiring target project companies or target projects.

We decide on whether to develop by ourselves or to partner with third-party business partners through joint ventures or associates, by taking into account various factors, such as the estimated land acquisition costs, the development scale of the potential project, the specialty and resources possessed by the potential business partner, as well as the expected commercial terms available to us upon negotiation.

In conjunction with the acquisition of land use rights from the PRC government, real estate developers in the PRC are required to pay a land grant premium to the relevant government authority and apply for a land use right certificates (if applicable, a real estate rights certificate) conferring land

use rights. In general, upon the payment of the land grant premium to the relevant land authorities, land use rights are granted for a term of 70 years for residential properties, 40 years for commercial, tourism and recreation purposes and 50 years for industrial or other purposes.

## **Product Design and Development**

Our headquarters have an in-house product design and development team. We strive to develop products that best suit the needs of our target customers. In addition, to avoid over competition, we dedicate to offering projects that differentiate from projects in close proximity.

We have established standardized designs, main themes and modules for our projects to ensure efficiency and cost control. Such standard designs could be further adjusted, taking into account local esthetic preferences, government policies, product positioning and market conditions.

When developing a project, we first determine which product line the planned project belongs to, based on the features of the land parcel and our preliminary market research. Our product research and development department formulates a master planning and design specifications for the project under development by following the applicable standardized design module. The master planning and design specifications shall meet our product design philosophy and standards and conform to our cost control and operational requirements. In addition, based on our product database, the project research and development department further collaborates with our regional companies, other relevant departments at our headquarters, and third-party architectural and design firms during the planning and design process to prepare more detailed architectural plans and design drawings.

We typically use a tender process on a project-by-project basis in selecting third-party architecture and design firms and request such potential firms to provide a proposal with a service fee quote. When selecting an architecture and design firm, we consider their proposed design concepts, former experience with major real estate developers, innovation capability, reputation for reliability and quality as well as our previous experience working with them and the price of their proposed services. We currently maintain strategic relationships with several leading third-party architecture and design firms that are familiar with our product requirements and have illustrated strong design capabilities, and expect to deepen our cooperation with such firms in the future. As such, we believe these firms will be able to assist us to reduce the overall timeframe required for product design and development. We currently maintain an average over four years of business relationship with our strategic third-party architecture and design firms. Such design firms have been involved in the development of our standardized products and have established frequent communication with our Group. Their deep understanding of our project planning, property design requirements, cost controls and overall development strategies allows a smooth cooperation which significantly improve the quality and efficiency of the product design process.

## **Procurement and Contractors**

### ***Third-Party General Contractors and Subcontractors***

We outsource all of the construction work of our property development projects to qualified general contractors. We usually engage a general contractor for the major construction of a project, including main structure construction, equipment installation and engineering work. Certain of the general contractors we have worked with hold the Premium Grade Constructor Qualification in China. In addition, subject to the detailed construction requirements of the projects, we also involve specialized contractors in specific areas, such as landscaping and foundation works. We believe that outsourcing our construction work could allow us to leverage the expertise of the construction contractors so that we can focus on our principal business of property development.

We identify and establish strategic relationships with certain quality general contractors who can meet our quality and time requirements and are familiar with our business model and corporate culture, so that we are able to better control development costs, improve operating efficiency and enhance standardized product implementation. The strategic general contractors we worked with have an

established relationship with us for approximately two years. We typically re-evaluate the contracts with such strategic contractors based on their performance and assess whether to renew the contracts every six months.

We initially select our general construction contractors and subcontractors through a tender process in accordance with the relevant PRC laws and regulations. The tender process is managed by the cost management department at our headquarters, regional management and project company levels. In selecting the winning bid, we typically consider the contractors' professional qualifications, technical capabilities, industry reputation, construction team in charge of the potential project, track record and price.

General contractors and subcontractors will enter into a construction agreement based on the standard template provided by the relevant government authority. Pursuant to such agreements, the general contractors and subcontractors are obliged to undertake the entire construction work in strict compliance with laws and regulations as well as our design specifications and time schedules. Payments to such contractors are made in stages upon the completion of each construction milestones pursuant to the relevant contracts. In general, we pay the contractor 70% to 75% of the full contract price during the construction process by installments and usually pay up to approximately 90% to 95% of the total contract price upon the completion of the project, while holding back the remaining approximately 5% to 10% as retention fee for quality warranties purpose. The contractors are generally required to provide us with a warranty period typically ranging from two to five years, for any losses we may incur as a result of not being able to meet contractually specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period has expired. We may also agree to settle the retention fee by installments over the warranty period. However, we will also be able to reclaim the differences from the contractors to cover any losses that we may incur that is greater than the retained retention fee, even after certain retention fee has been remitted. In addition, under circumstances where the construction schedules are delayed for more than the period of time as stipulated in the agreements, we are entitled to a pre-determined amount as a penalty payment and, in some cases, we will have the right to terminate the agreements. We believe that the amount of retention fee we withhold under our construction contracts is in line with the industry practice in the PRC and is sufficient to cover the construction warranties we provide to our customers under the sale and purchase agreements.

### ***Procurement***

Certain building construction materials, such as steel and concrete, and equipment are procured by the third-party construction contractors we engage, although we typically designate the brands and quality requirements of these construction materials as part of our construction agreements, and identifies the suppliers in which such materials and equipment should be purchased.

For certain other specialized building materials and equipment, such as air conditioning systems, elevators and wall bricks, we are generally responsible for purchasing directly from suppliers through tender processes on an as-needed-basis. We adopt centralized procurement policy for such specialized building materials and equipment in order to take advance of the competitive costs due to large scales procurement.

Our construction management teams oversee the quality of each project development, conduct on-site inspection and pre-examine the construction materials before they are used in the projects. Our construction materials are primarily purchased from suppliers in the PRC.

### **Project Construction**

To comply with relevant PRC laws and regulations, before construction can commence, we must first obtain the land use rights to the relevant land parcel and the necessary permits and certificates, which include the construction land planning permits, the construction work planning permits and the construction work commencement permits (which will only be issued after the land use right certificates, the construction land planning permits and the construction work planning permits are obtained).

Moreover, we are also required to commence construction of our projects within the time prescribed by the relevant PRC laws and regulations. Otherwise our lands may be regarded as “idle land” and as a result we may be subject to certain penalties and the idle land might be resumed without any compensation. Under the Measures on Disposing of Idle Land (《閒置土地處置辦法》) promulgated by the MLR on April 28, 1999 and revised on June 1, 2012, “idle land” is defined as the granted state-owned construction land that (i) failed to commence construction within one year from the construction date undertaken in its land grant contract; or (ii) its construction has been suspended for over one year and the area under construction is less than one third of the total area ought to be under construction or the invested capital is less than 25% of the total amount of capital ought to be invested.

## **Project Monitoring and Control**

### ***Quality Control***

High quality properties are critical to our reputation and business success. We have placed, and will continue to place, significant emphasis on quality control over our project development to ensure regulatory compliance and high quality residential products. We periodically organize internal conferences increasing the awareness of safety and quality among all of our employees.

We implement systematic quality control through various aspects of our operations. Quality control starts with the selection of qualified construction contractors. See “— Our Project Operation and Management — Procurement and Contractors — Third-Party General Contractors and Subcontractors.” We inspect and review the qualification and performances of these contractors regularly to ensure they are performing up to our standards. We also perform extensive due diligence in the selection of other service providers as well, including external architecture and design firms, and raw material suppliers, based on factors such as their quality, reputation and track record. The selected general contractor and the relevant raw material suppliers shall provide raw material samples for our inspection and obtain approval before they can be used for our projects.

Based on the quality and technical standards stipulated by the national authorities, we have established a comprehensive set of stringent standardized technical and quality control and inspection guidelines that provide our employees located in various cities with the standardized and detailed requirements as to quality control standards and specifications for all major aspects of our construction processes. Our quality inspection guidelines call for regular inspection of all our construction sites to ensure quality and safety at the project company level. We utilize our IT systems to streamline such quality control standards and specifications and ensure such standards and specifications of each of our projects are fully satisfied. We have also developed the standardized construction review and assessment system which allows us to constantly understand and manage the quality and safety status of the construction work of our projects.

As of December 31, 2020, we had 1,271 employees dedicated to construction management and quality control. Our construction management and quality control teams at our project company, regional management and headquarters level are comprised of qualified engineers and construction technicians.

In compliance with relevant PRC laws and regulations, we also engage qualified construction supervision companies to monitor certain aspects of our project construction, who shall report the progress and the quality conditions of the projects on a regular basis.

In 2018, 2019 and 2020, we had not encountered any material quality problems nor received any material complaints about the quality of our projects which had material adverse impact on our business or results of operations. On August 1, 2017, there was a work safety accident in the construction site of our project Xuzhou Zhongliang Shanti Mansion which caused the death of five construction workers and injury to another one, which was determined as a major work safety incident by the investigation team of the relevant local government authorities. One of our project companies, Xuzhou Xuxin, was found, jointly with the relevant general contractor, Changye Construction, and the project supervisory company as well as the relevant local government authorities, liable for such accident. As of the date of this offering memorandum we have fully paid the administrative penalties imposed by the relevant

government authority. Furthermore, we have adopted necessary remedial measures, such as appointing new chairman of Xuzhou Xuxin and replacing Changye Construction with two new general contractors. In addition, we had entered into settlement agreements with the family representatives of those five deceased construction workers and agreed to make one-off compensatory payments in the aggregate amount of RMB6.2 million, which was fully settled. We believe we are entitled to and are in the process of seeking indemnification from Changye Construction for the amount of compensatory payments that they are responsible for. As part of the settlement agreements, the family representatives of the five deceased workers have agreed not to file any additional claims against us. We have paid to the injured worker, who is still under medical treatment, the medical compensatory payment on behalf of Changye Construction. Neither Changye Construction nor us has entered into a settlement agreement with him as of the date of this offering memorandum. Other than the slight delay in the online pre-sale filing process for the 965 units of this project under initial pre-sales, we experienced no obstacle in obtaining additional pre-sales permits and proceeding with the online pre-sales filing procedures for the remaining residential units of this project after the accident. Construction of the remaining portion of this project that was not affected by the accident was resumed in September 2017. With regard to the land parcel that was affected by the accident, construction was resumed in December 2017. We believe there is no material adverse impact on the sales of this project due to the accident. See the section entitled “Risk Factors — Risks Relating to Our Business — We rely on third parties in certain key aspects of our business and if any of such third parties fails to perform their contractual liabilities or to comply with the relevant laws and regulations, or if our relationships with any of them deteriorate, our reputation or business operation may be adversely affected.” In 2018, 2019 and 2020, except for the safety matters in connection Xuzhou Xuxin disclosed above, there were (i) no non-compliance incidents relating to safety or accidents during the construction of our property projects that resulted in material injuries or fatalities of the construction workers, (ii) no material violation of currently applicable PRC labor and safety regulations, and (iii) no material employee safety issues involving our Group.

### ***Progress Control***

Achieving a rapid asset-turnover requires significant operating efficiency and project execution capability during our property development process. We have established a project schedule management system that specifies the timeframe in which each check point needs to be achieved during the project development process. Our IT systems integrate and visualize the project schedule management procedures, which automatically alerts the relevant departments and responsible staff and officers of the timeliness of their performance for each task. Any delay to a check point will draw the immediate attention of our management at our headquarters, so that our management are able to track and adjust such schedule in accordance with market conditions. Such project schedule management system enables us to monitor the pace of each project development in a timely manner and to quickly identify any potential delays to the final schedule. Once a delay to a check point is identified, our regional companies and our construction management department at our headquarters will aim to implement remedial measures to shorten the time frame for future milestones to ensure that the overall project timeline will not be compromised or to reduce the impact of such delay. In addition, we provide detailed project construction timelines in our agreements with third-party construction contractors and will closely monitor to ensure that such timeline is met.

### ***Cost Control***

We have established a comprehensive cost management system to set the relevant budget for our projects, including how to assess the different cost components. For each project, the relevant regional company, as approved by its general manager, shall prepare a master budget, which will be submitted to the cost management department and finance management center at the headquarters level and then ultimately approved by the president of our Group. If any amendment to the original budget plan is needed, such amendment shall be reviewed and approved by our senior management.

We have established a dedicated cost management department at our headquarters to approve and monitor all construction and supplier agreements. The cost management department is responsible to review and ensure the relevant contract value and payment schedule is in accordance with those set forth in our master budget. Our finance management center and cost management department review and verify the actual costs incurred in detail and compare such costs with the master budget and with similar



expenses incurred at our other projects on a monthly basis. We believe such cost control procedures enable our management to identify and anticipate situations where actual cost may exceed the initially approved budget and to take the appropriate remedial measure in a timely manner. In the event that the master budget for a project needs to be revised, approval from our senior management must be obtained. In addition to our cost control procedures, our centralized procurement of certain specified construction materials and equipment also contribute to our ability to control development cost.

## **Promotion and Marketing**

### ***Sales, Promotion and Marketing Efforts***

We have adopted a precision marketing strategy by carefully designing marketing campaigns for each property project after market studies on the targeted customers as well as the local regions. We take advantage of word-of-mouth marketing and usually organize high-key promotional events, such as inviting public figures, to promote awareness of and interests in our projects among local residents. We have accumulated significant experience and formulated standardized operating modules for sales and marketing process. Our standardized operational modules for sales and marketing provide an efficient and consistent guidance on product position, promotional events, demonstration areas, pricing practice, controls on marketing expenses, monitor of third-party sales agents and other aspects. With respect to each property project, we design and launch various marketing activities that best interact with then property development operations at different stage. For instance, we typically hold media conferences shortly prior to the launch of temporary demonstration areas, and organize product explanation and presentation meetings upon open of the demonstration units.

Our in-house sales and marketing teams were established at both headquarters and the regional management levels. The marketing and customer service center at our headquarters is in charge of formulating the standardized marketing procedures and setting marketing goals, controlling project marketing control and budget and evaluating the performance of the local sales and marketing team. The sales and marketing teams designated by our regional management teams are responsible for the formulation and execution of detailed project marketing strategies and plans. To ensure better management and quality control, the regional management teams, instead of the project companies, manage the sales and marketing of individual property projects. We will establish a comprehensive progress list for each property project, systematically presenting all sales targets with major time schedules.

We primarily rely on the efforts of our own marketing and customer service center for the sale of most of our properties. We believe by establishing and strengthening our own sales and marketing team, and leveraging the supports of our other departments, we are better positioned to gain deeper understanding of the market in order to improve our marketing and pricing efforts, and better able to identify industry trends and customer demands that can benefit in optimizing our products. Furthermore, we believe the interest of our own sales and marketing team are better aligned with our Group as compared to external real estate sales agencies. Our sales and marketing personnel are incentivized by performance-based compensation packages. We believe we provide relatively competitive incentives to our sales and marketing staff, which are based on the performance evaluation of the individual sales and marketing personnel and their marketing teams. Our marketing and customer service center is generally involved from the early stage of project development to ensure that our property developments are well positioned and priced by providing valuable information relating to our target market, local pricing information, pricing of competitive projects, customers and estimated sales velocity. We implement traditional marketing efforts, including outdoor billboards, advertisements on television and internet. We also take advantage of various new marketing channels to expand our reach to potential customers. In 2018, 2019 and 2020, our selling and distribution expenses were approximately RMB1,333.9 million, RMB2,030.1 million and RMB2,254.3 million (US\$345.5 million), respectively.

In new regional markets where we have limited resources, we may engage third-party real estate sales agents to facilitate the marketing and sales of our projects, depending on market conditions and our overall sales condition of the particular project to facilitate our sales and marketing efforts. These

real estate sales agents promote our property projects through their own marketing networks and bring in potential customers in their database to our project sites. In consideration of their services, we typically pay a commission depending on the total sales amount they make.

### ***Pricing***

Prior to the launch of pre-sale for each project, our marketing and customer services center at our headquarters, in consultation with our other departments, will review the overall marketing budget and target selling prices based on the feasibility study conducted for the project. Marketing budget plans and target prices are then reviewed and modified at the end of each year by our marketing and customer services center, based on the then market conditions and actual pre-sale activities of each project. The relevant regional company shall follow the price guidance provided by our headquarters and establish the detailed sales schedule and the target selling prices.

We price our properties primarily based on the estimated total costs and target profit, while also taking into account the prices of comparable projects in neighboring communities and recent prevailing market price trends. Our sales and marketing team at the project company level will closely monitor and analyze the pricing strategies and promotion campaigns of other competing properties and propose adjustment to our marketing and pricing strategies as appropriate.

Due to the highly competitive and evolving nature of real estate industry in China, we are required to constantly monitor the changing market conditions and adjust the selling prices of our projects as appropriate. We may adjust the prices during the sales process based on market responses we experience, especially when we experience favorable response. We occasionally make temporary downward adjustments to the prices to accelerate the turnover rate.

### ***Pre-Sale***

We generally commence the pre-sale of our properties prior to completion of construction. Prior to starting pre-sale, we will complete and stage select demonstration units and display areas in order to provide visual presentations to our customers as to the quality of our products. We launch pre-sale upon the receipt of pre-sales permits in accordance with the PRC laws and regulations. Amongst others, we must fulfill the following conditions before we can obtain the pre-sales permits:

- the land premium is paid in full and the land use right certificates must have been obtained;
- the construction work planning permits and the construction work commencement permits must have been obtained;
- in terms of the properties put into pre-sale, at least 25% of the total amount of the investment fund has been injected into the development and the progress of construction and the expected completion and delivery dates have been ascertained;
- the progress of the construction should meet the local government's requirements for pre-sale; and
- the pre-sale has been registered.

In 2018, 2019 and 2020, we did not experience any significant delays in obtaining the pre-sales permits. In addition, real estate developers are also required to use a standard pre-sale contract prescribed by the relevant local authorities. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sales with the relevant local authorities and provide warranties on the quality of properties we sell to our customers for periods no shorter than that for the quality warranties we receive from our construction contractors under the relevant construction contracts.

Canceled contracted sales are sales transactions canceled after the down-payment and signing of pre-sale contracts. Canceled contracted sales in 2018, 2019 and 2020 were primarily due to personal reasons of the purchasers under exceptional circumstances and did not have a material adverse effect on our financial condition.

Moreover, pursuant to the relevant laws and regulations, pre-sale proceeds from the sales of commodity properties shall be supervised and managed by relevant authorities so as to ensure that the proceeds to be used for the construction of the relevant properties. Please refer to “Regulation — Real Estate Transactions — Pre-sale of commodity properties” for more details. In 2018, 2019 and 2020, we had not been subject to any administrative penalties for non-compliance incident in connection with the management and usage of pre-sale proceeds.

### ***Branding***

We pay substantial attention to build our reputation and brand recognition in the real estate industry in China. We established a dedicated branding and culture department at our headquarters level in 2016 to design and execute brand promotion campaigns.

We participate in various industry conferences to enhance our presence and influence among real estate industry in China. We also leverage social media to promote our brand image.

### **Payment Arrangements**

Our customers can make the payment in one lump sum by cash, or by installment payments with mortgage financing. After we obtain the pre-sale permits, we commence the pre-sales and typically ask our customers to enter into the pre-sale or sale contracts. The deposit will be forfeited if the customer decides not to sign the formal pre-sale or sale contract. The deposit will be deducted from the purchase price if the customer later opts to settle the payment in full. If a purchaser chooses to make a lump-sum payment, the balance of the purchase price is to be paid no later than the date specified in the sale and purchase agreement. We usually require customers to pay 30% of the total purchase price within seven days from the contract date and to settle the remaining 70% within two months after entering into the sales or pre-sale contracts.

Customers may also choose to fund their purchases using mortgage loans provided by commercial banks. In this case, they will be required to pay a non-refundable down payment of approximately 30% of the purchase price within seven days from the contract date in accordance with the terms stipulated in the contract, depending on whether it is their first mortgage for residential properties. The mortgage bank will normally pay the remainder of the purchase price within two months, depending on the approval process of relevant mortgage banks. Under the relevant PRC laws and regulations, our customers may obtain mortgage loans with a repayment period of up to 30 years. If the remainder of the purchase price is not covered by the mortgage banks, these customers must pay to us the outstanding balance of the purchase price.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and when required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the transfer of the building ownership certificate to the purchaser and the certificate is registered in favor of the bank. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan. We do not conduct credit checks on our customers but rely on the credit checks conducted by relevant banks.

As of December 31, 2018, 2019 and 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB28,897.3 million, RMB51,717.8 million and RMB56,769.4 million (US\$8,700.3 million), respectively. In case our customers default under the formal sale and purchase agreement entered into at pre-sale for properties pre-sold which were financed by bank mortgages, we, as the guarantor for the purchasers’ mortgaged loan, are required to repay all amounts due under the mortgages owed by the purchaser to the mortgage bank. Generally, upon the defaults of the purchaser, the mortgagee bank would initiate legal proceedings against the purchaser for the mortgage loan and

apply the proceeds from sale of the mortgaged property by auction in the payment of amounts due under the mortgage. Accordingly, if the proceeds of the sale of the mortgaged property by auction are not enough to cover the amounts due under the mortgage, we, as the guarantor for the purchasers, would need to pay any short-fall to the mortgage bank.

In the case of a customer default, we are entitled to forfeit the deposits paid by the purchaser and foreclose on the relevant property. Moreover, if a customer defaults on payment of its mortgage, the mortgagee bank may deduct the payment due from the deposited sum and require us to repay the entire outstanding balance of the mortgage pursuant to the guarantee and we also have the right to terminate the sale and purchase agreement with the defaulting customer. Upon fulfillment of our obligations under the guarantee, the mortgagee bank would then assign its rights under the mortgage to us and we would then have full recourse to the property. We believe that our guarantees on the mortgage loans of our purchasers are over-secured as we believe the aggregate fair value of the underlying properties exceeds the aggregate amount of outstanding guarantees.

In 2018, 2019 and 2020, we had encountered several incidents of default by purchasers which resulted in our Group having to repay all outstanding amounts owed by the purchaser to the mortgagee banks under the loan. See “Risk Factors — Risks Relating to Our Business — We guarantee the mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments.”

### ***Project Completion and Delivery***

We strive to deliver completed properties to our customers within the time frame prescribed in the respective pre-sale or sale and purchase contracts. Before delivery of properties to our customers, we may obtain the relevant completion certificate (房屋建築工程竣工驗收備案表) or other certificates as required under the respective sales contracts as well as the local laws and regulations. See “Regulatory — Real Estate Transactions — Sale of commodity properties” for further details. It typically takes approximately one to two years from the commencement of pre-sale to the date of the completion certificate, depending on the scale of the properties. In 2018, 2019 and 2020, we had not experienced any significant delays in the completion of our projects or delivery of relevant title documents after sales.

To help ensure timely delivery of our properties, we closely monitor the progress of construction of our projects and conduct pre-delivery property inspections. Our construction management department and customer relationship department jointly inspect the properties prior to delivery to ensure that our quality standard has been met. Our staff will notify our customers in writing before the delivery date stipulated in the sale and purchase agreements to arrange the delivery procedures.

We will assist our customers in obtaining their individual property ownership certificates by providing all requisite information to the local authorities for registration. The local authorities will then grant an individual property ownership certificate or a real estate rights certificate for each property unit afterwards.

We do not conduct independent credit checks and due diligences as to our purchasers when providing guarantees but instead rely on the credit checks conducted by the mortgagee banks, and will typically require a higher initial payments to purchasers with less than ideal credit histories or purchasers whose mortgage is considered too high as compared to their income. In addition, for certain purchasers that have been delinquent in their other financing obligations, we may refuse to provide guarantees for their mortgage loans. In 2018, 2019 and 2020, we only encountered a limited number of incidents of default by purchasers under the formal sale and purchase agreement entered into at the pre-sale stage. In accordance with the sale and purchase agreements, we have taken measures including negotiation and litigation to recover damages due to the buyer’s breach of the formal sale and purchase agreements. Upon executing the formal sale and purchase agreements, customers are required to pay in full the total purchase price.

According to our accounting policies, our revenue is recognized at a point in time or over time, depending on the terms of the pre-sale/sales contracts and the applicable laws and regulations. The recognition of our revenue from sales of properties is not subject to the grant of the property ownership certificates or real estate certificates to our customers.

Our customer relationship department and the property management companies the customers engage are responsible for after-sales services. We aim to resolve our customers' queries in relation to property construction in a timely manner.

## **After-sales Services**

### ***Warranties***

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (《商品房銷售管理辦法》) and Regulations for the Operations of Urban Property Development (《城市房地產開發經營管理條例》) and Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》). In addition, we also provide quality warranties for certain fittings and fixtures, if applicable, usually for a period of two years, according to the published national standards.

In particular, we provide the following warranties, amongst others, for our residential properties:

- warranty as to the foundation and main structure of the properties for the period designed for reasonable use of the relevant properties;
- five-year warranty for defects relating to the waterproofing of property surfaces;
- five-year warranty for defects relating to the waterproofing of bathrooms, rooms and walls;
- two-year warranty with respect to the heater and air conditioner systems;
- two-year warranty with respect to the electricity, sewage pipes and equipment installment; and
- two-year warranty with respect to the refined decoration work.

All warranty periods commence on the day of actual delivery of the relevant properties, or the day the properties are deemed as delivered in accordance with relevant contracts. We do not provide warranties with respect to defects that are caused by third parties or improper use and defects resulting from natural disasters. We usually provide quality warranties for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts. Our construction contractors are responsible for warranties in respect of the relevant quality standards and for the costs incurred for the relevant maintenance work. We do not maintain provisions with respect to warranties.

We may receive customer claims in relation to the quality of real estate properties that we developed from time to time. Generally, we coordinate with the relevant third-party contractors to respond to such customer claims. Relevant third-party contractors shall be responsible for the repair or maintenance at their own costs subject to the warranties provided in the agreements that they entered with us. In 2018, 2019 and 2020, we had not been involved in any material claims or received any material complaints with respect to the quality of our building structures or other fittings which cannot be rectified by the relevant contractors in accordance with their warranty provisions of the relevant contracts.

## ***After-Sales Services***

We rely on our marketing and customer service center to provide after-sale services. Our customer service team is responsible for collecting and analyzing customer evaluations and feedback through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedbacks to the construction management team to further improve our operation, including project design and marketing strategies. In addition, we established our national customer service hot line in late 2017 in order to provide a more convenient and efficient way to respond and serve our customers. Our customers select property management companies to provide property management services. We from time to time receive repair and maintenance requests and advisory enquiries, including a limited number of customer complaints about the quality of our properties, primarily due to minor construction and installation defects.

In addition, we are also subject to a limited number of customer complaints in relation to the delay in delivery of property title documents subject to the purchase agreements entered into with our customers and mortgage agreements entered into with our customers, the commercial banks and us, due to various reasons, including longer time required for completing the relevant procedures than expected or delay in commencing the relevant procedures, such as the examining procedure by the relevant land use right authorities and the registration, approval and certificate production procedures by the relevant property right authorities. We have increased our communication with the relevant government authorities to actively follow up on the status of certificate applications, aiming to speed up the registration and approval process. Except as otherwise disclosed in the offering memorandum, we believe that we are able to timely apply for and deliver the property title documents to our customers pursuant to relevant purchase agreements and mortgage agreements, which in turn efficiently reduces the number of customer complaints relating to the delay in delivery of property title documents.

## **Project Financing**

The real estate development industry is capital intensive and financing is an important source of funding for property development. In 2018, 2019 and 2020, we employed diversified financing channels to finance our operations primarily through internally generated cash flows including proceeds from the pre-sale/sale of our properties, as well as external financings, such as borrowings from commercial banks, trust loans, asset management arrangements, other borrowings from third parties (other than banks and financial institutions), and capital contribution from non-controlling shareholders.

## **MANAGEMENT OF COMMERCIAL PROPERTIES**

### **Our Commercial Properties**

We have commenced the development of commercial properties. Currently, our commercial properties primarily consist of retail spaces adjacent to our residential properties and shopping malls.

We hold and operate a portion of our commercial properties for long-term investment purpose, which enables us to diversify our investment portfolio, generate a stable revenue stream and leverage the potential asset value appreciation. We determine whether our properties will be sold or retained for investment purpose at the early stages of development. Our preferred property types include shopping malls, long-term rental apartments and hotels, which are typically associated with long-term stable revenue. We will also consider various other factors, such as primary location in a city, land use plans, regional market conditions, supporting commercial facilities and our commercial interests. Although we currently focus on the development of residential properties for sale, we will in the future increase our investment property portfolio in response to changing market conditions and customer demand.

As part of our standardized real estate development process, we are also in the process of developing and optimizing our standardized modules and procedures for the investment decision, product design, construction and operation standards for commercial properties.

As of December 31, 2020 we had 14 projects with investment properties with an aggregate GFA of approximately 314,025 sq.m., including nine with completed investment properties and remaining five with investment properties under development for future development. The following table sets forth our investment properties as of December 31, 2020.

<u>City</u>	<u>Project Name</u>	<u>Status</u>	<u>Actual/Planned Total GFA Held for Investment (in sq.m.)</u>
Wenzhou	Wenzhou Longwan Dragon Grand Court (溫州龍灣首府)	Completed	32,309
Wenzhou	Pingyang Zhongliang Glory Mansion (平陽中梁國賓天下)	Completed	12,044
Ganzhou	Ganzhou Zhongliang Jiangdu Mansion (贛州中梁江督府)	Completed	1,739
Ganzhou	Ruijin Zhongliang Fortune Garden (瑞金中梁瑞園)	Completed	7,618
Changsha	Ningxiang Zhongliang Capital Park (寧鄉中梁首府)	Completed	8,360
Dazhou	Dazhou Zhongliang Capital Park (達洲中梁首府)	Completed	13,986
Yancheng	Dongtai Zhongliang Royal Park (東台中梁國賓府)	Completed	6,418
Lishui	Qingtian Zhongliang Joy Plaza (青田中梁百悅城)	Completed	8,620
Jinhua	Lanxi Zhongliang Joy International Park (蘭溪中梁百悅國際)	Completed	1,055
Changzhou	Changzhou Zhongliang Joy Plaza (常州中梁百悅城)	Under development	33,321
Fuzhou	Fuzhou Zhongliang Joy Plaza (福州中梁百悅城)	Under development	11,240
Wuxi	Wuxi Zhongliang Joy International Plaza (無錫百悅國際)	Under development	12,000
Xuzhou	Xuzhou Zhongliang Royal Park (徐州中梁百悅城)	Under development	150,250
Lingbo	Lingbo Jiangbei project (寧波江北項目)	For future development	15,065
<b>Total</b>			<b><u><u>314,025</u></u></b>

### Lease Agreements

We have commenced the development of our investment properties and entered into lease agreements with potential tenants. As of December 31, 2020, construction of nine of our investment properties have been completed and two of them have officially commenced operation. We have entered into long-term lease agreements with two supermarkets and a cinema operator. Our leases are at a fixed rate subject to periodic adjustments with performance premium component. Leases are generally calculated as the higher of (i) fixed rates during a pre-determined period and then escalates based on an agreed upon rate through the remainder of the lease term, generally through an annual percentage increase; or (ii) performance premiums calculated based on a pre-determined percentage of the retail gross revenue of the tenants. We started to generate revenue from such leases from the second half of 2018 and recorded revenues generated from property lease of approximately RMB4.4 million, RMB11.9 million (US\$1.7 million) and RMB11.5 million (US\$1.8 million) in 2018, 2019 and 2020, respectively.

### MANAGEMENT CONSULTING

Leveraging our established experience and expertise in developing property projects, since October 2016, we commenced to provide management consulting services to certain of our related parties and a limited number of third-party real estate developers. Our consulting services primarily are in connection

with construction, sales and marketing, and overall management during the development of their property projects. Such real estate developers are primarily small-scale start-up entities lack of sufficient real estate development experience, and generally are not able to compete with us. On the contrary, through providing management consulting services, we intend to identify potential business partners and establish strategic cooperation relationship with them to acquire land parcels and/or jointly development property projects in the future.

We do not expect this business line to grow significantly in the near future. In addition, we have been focusing on, and expect to continue to focus on providing such services mainly to our related parties, including our joint ventures and associates.

## **PROPERTY MANAGEMENT**

Historically, we were involved in certain ancillary businesses including in property management services mainly to demonstration areas and decorated model homes of projects developed by us and our related parties. We excluded such ancillary businesses from our Group upon our Reorganization since April 2018.

## **SUPPLIERS AND CUSTOMERS**

Our major suppliers are construction material suppliers and construction contractors. In 2018, 2019 and 2020, we engaged a large number of major suppliers to operate our businesses. Some of our general contractors and subcontractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted the relevant group companies as our major suppliers.

We believe construction industry in China is generally competitive and fragmented and construction contractors are readily available. In 2018, 2019 and 2020, we engaged a large number of general contractors and subcontractors and we believe we are able to secure sufficient supplies in a timely manner at comparable cost if one or several of current suppliers fail to provide us with satisfactory contractor service and raw materials in either quantity or quality.

Our customers are mainly individual and corporate purchasers of our residential or commercial properties. Due to the nature of our business, revenue contributed by our five largest customers accounted for less than 4.0% of our total revenue in each of the years ended December 31, 2018, 2019 and 2020, respectively.

None of our directors, their associates or any shareholders that, to the knowledge of our directors, owns more than 5% of our share capital as of the date of this offering memorandum, has any interest in any of our five largest suppliers or five largest customers in 2018, 2019 and 2020.

## **COMPETITION**

The property market in China is highly fragmented and competitive. We face increasing competition from domestic national comprehensive developers, regional developers as well as other developers with strategies similar to ours, who have business operations in cities where we operate or intend to expand into. We compete with them in many aspects, including land acquisition, brand recognition, financial resources, prices, product quality, service quality and other factors. Some of these competitors may have better track records, greater financial, human and other resources, larger sales networks and stronger brand recognition. In particular, due to our current geographic presence, we compete with national leading real estate developers that also establish presence in regions where we operate.

We believe that the major competitive factors in the residential property development industry include the geographic location, management expertise, financing, access to transportation infrastructure, size of land bank, product quality, brand recognition by customers, customer services and support and pricing and design quality. There is no assurance that we will be able to continue to compete effectively



in our industry. See “Risk Factors — Risks Relating to Our Industry — The PRC property market industry is highly competitive” and “Risk Factors — Risks Relating to Our Business — We may not be successful in managing our growth and expansion into new cities and regions or new businesses.”

## **INTELLECTUAL PROPERTY**

We place emphasis on developing our brand and have extensive trademark registrations to protect all respects of our brand. We conduct our business in the PRC under our “Zhongliang” brand name and have had a number of registered trademarks in the PRC and a few registered trademarks in Hong Kong. We are in the process of registering our trademark in Hong Kong. In addition, we have registered the domain name of [www.zldcgroup.com](http://www.zldcgroup.com) for the website of our Group on the Internet.

## **INSURANCE**

There are no national mandatory provisions under the relevant PRC laws and regulations requiring real estate developers to maintain insurance coverage with respect to their property development operations. We do not maintain any insurance policies for our property development projects. We require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements.

## **OWNED PROPERTIES FOR SELF-USE**

As of the date of this offering memorandum, we did not own properties for self-use.

## **LEASED PROPERTIES FOR SELF-USE**

As of December 31, 2020, we leased 75 properties in 38 cities in mainland China and Hong Kong mainly for our office premises and our product research and development base. Our leases generally have a term ranging from six months to six years, and we expect to renew the leases upon their expiry. All of the landlords are independent third parties from us. As of December 31, 2020, we failed to register certain lease agreements mainly for our office premises. See “Risk Factors — Risks Relating to Our Business — We may be subject to fines due to the lack of registration of our leases.”

## **INFORMATION TECHNOLOGY**

We rely on the effective operation of our IT systems for our business operations. We have a dedicated intelligent information management team which is responsible for developing and maintaining our IT systems in order to keep pace with the expansion of our business. The centralized IT systems is controlled and operated from our headquarters.

Our IT systems facilitate efficient online management. We have implemented ERP system and OA system to facilitate, which are embedded multiple specialized modules that cover all major aspects of our operations, from product design, procurement, property development, human resources, financial and accounting to customer services. Our standardized operating metrics, such as site selection and land acquisition criteria, are built in the centralized IT systems, which is linked to our office automation online approval function, ensuring that only procedures following our standardized modules can be approved and proceeded. Our streamlined and centralized IT systems reduce processing time and labor costs and increase efficiencies and productivity and broaden inter-departmental coordination.

We face increasing security risks and threats from cyber-attacks with respect to our IT systems. We require our staff to follow our management guidelines on our IT systems and safeguard information in the system. To help combat such attacks, we have also established emergency recovery systems, keep regular backups of all the data in the system and are equipped with efficient anti-virus software. As of the date of this offering memorandum, we had not experienced any disruptions to our IT systems that materially impacted our business operations.

We are currently in the process of upgrading our IT systems by further streamlining more functions to support our new business lines.

## EMPLOYEES

As of December 31, 2020, we had 13,285 full-time employees, respectively, substantially all of whom were based in China. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2020:

<u>Function</u>	<u>Number of Employees</u>
Management	976
Construction management/quality control	1,271
Finance	1,102
Product design and development	690
Sales, marketing and customer services	4,808
General administrative and human resources	846
Operational management	1,359
Legal affairs	147
Investment	733
Others	1,353
<b>Total</b>	<b>13,285</b>

We actively recruit skilled and qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the Internet. We particularly value employees who demonstrate loyalty to their work and who values our corporate culture, as well as those with relevant working experience. We have also established systematic training programs for our employees, such as management as well as marketing and sales personnel, based on their positions and expertise. We established our “Zhongliang Academy” in 2017, which aims to offer systematic training programs tailor-made for various positions, including training designed for newly recruited employees and training of specialized managerial skills for middle- to high-level management team members. We expect to leverage our “Zhongliang Academy” to deepen our employees’ awareness of our management philosophies, and to reinforce our corporate values among the employees so as to foster greater loyalty, job satisfaction, engagement and commitment to their work. Among the total of 13,285 employees as of December 31, 2020, approximately 59.7% have obtained a bachelor’s degree or above.

We offer our employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. In addition, employees who participate in our Co-investment Schemes may also be entitled to receive the benefit distribution derived from the relevant projects pursuant to the Co-investment Scheme and may also be rewarded additional bonuses when the project he or she belongs to has achieved certain performance targets.

We also contribute to social insurance for our employees, including basic medical insurance, work-related injury insurance, basic retirement insurance, maternity insurance, unemployment insurance and housing funds. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. There were no material labor disputes or labor-related legal proceedings against us in 2018, 2019 and 2020. In 2018, 2019 and 2020, we complied with the applicable PRC labor regulations in all material respects and did not encounter any incident or complaint which had a material adverse effect on our operations.

## ENVIRONMENTAL MATTERS

We are subject to certain environmental protection laws and regulations, including those relating to air pollution, noise emissions and water and waste discharge. Each of our property development projects is required under PRC law to undergo environmental impact procedures. We must submit the relevant environmental impact study report, environmental impact report form or environmental impact registration form to the authorized environmental protection administrations. The approval from the relevant government authorities will specify the standards applicable to the implementation of the construction project with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of

the particular project. Upon the completion of each project which requires approval from the relevant environmental authorities, the relevant government authorities will also inspect the site to ensure that all applicable environmental standards have been complied with before the property can be delivered to the purchaser.

We take specific measures to ensure our compliance with the applicable environmental laws and regulations, including: (i) strictly selecting construction contractors and supervising the process of construction; (ii) going through procedures with the environmental authority as required by the laws and regulations, including applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also take voluntary actions with respect to environmental protection and make energy conservation and emission reduction top considerations when designing our property projects.

None of our properties had received any fines or penalties associated with the breach of any environmental laws or regulations that would have a material adverse impact on our business operations or financial position since the commencement of their operations and as of the date of this offering memorandum.

## **LEGAL PROCEEDINGS**

We have been involved in legal proceedings or disputes from time to time in the ordinary course of business, including claims primarily relating to disputes arising from agreements with third party contractors and suppliers, property purchase agreements with our customers and our guarantee of mortgage agreements entered into between our customers and mortgage banks, or other third parties. As of the date of this offering memorandum, there were no legal proceedings or claims currently existing, pending or threatened against any member of our Group that we consider will have a material impact on us.

## REGULATION

Set below is the summary of the PRC laws and regulations in relation to the business and operation of our Company, including the establishment of real estate development enterprises, acquisition of land use rights, property development, sales/pre-sales of commodity buildings, and environment protection, etc.

### ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

#### General provisions

In accordance with the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the "Urban Real Estate Law") (promulgated on July 5, 1994, revised on August 30, 2007 and amended on August 27, 2009 and January 1, 2020), real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of seeking profits. In accordance with the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) (the "Development Regulations") (promulgated and implemented on July 20, 1998 by the State Council, revised on January 8, 2011 and further amended on March 19, 2018, March 24, 2019 and March 27, 2020), the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfill the following conditions: (i) the registered capital shall be RMB1 million or above ; (ii) the enterprise shall employ no less than 4 full-time technical personnel with certificates of qualifications of real estate specialty and construction engineering specialty and no less than 2 full-time accountants with certificates of qualifications. People's governments of provinces, autonomous regions and centrally-administered municipalities may, based on the actual conditions of the locality, set out more stringent requirements in respect of registered capital and technical professionals.

#### Foreign investment in real estate development

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which came into effect on January 1, 2020 and replace the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, and become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively the "foreign investors") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

Under the Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the "Catalog") promulgated by MOFCOM and NDRC on March 10, 2015 and became effective on April 10, 2015, the construction of golf courses and villas falls within the category of industries in which foreign investment is prohibited; and other real estate development falls within the category of industries in which foreign investment is permitted. Pursuant to the amended Catalog which was amended on June 28, 2017, June 28, 2018, June 30, 2019 and June 23, 2020 by MOFCOM and NDRC, the real estate development does not fall within the Special Administrative Measure for Access of Foreign Investments (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) and the restrictive measures for construction of golf courses and villas are equally applicable to domestic and foreign investment.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the State Administration of Market Regulation and the SAFE jointly issued the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》), amended on August 19, 2015, which provides that: (i) foreign organizations and individuals who have established foreign-invested enterprises are allowed to invest in and purchase non-owner-occupied real estate in China; while branches of foreign organizations established in China are eligible to purchase commercial houses which match their actual needs for self-use under their names; (ii) the registered capital of foreign-invested real estate enterprises with the total investment amount exceeding or equal to US\$10 million shall be no less than 50% of their total investment; (iii) foreign-invested real estate enterprises can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operation term of one year only. After they have paid back all the land premium the enterprises shall apply to the land administration department for the state-owned land use right certificate; (iv) with respect to equity transfer and project transfer of a foreign-invested real estate enterprise and the merger and acquisition of a domestic real estate enterprise by an overseas investor, the department in charge of commerce and other departments shall conduct examination and approval in strict compliance with the provisions of the relevant laws, regulations, and policies. The investor concerned shall submit a letter of guarantee on its promise to perform the Contract on the Transfer of State-owned Land Use Right (國有土地使用權出讓合同), the License for the Planning of Construction Land (建設用地規劃許可證), the License for the Planning of Construction Projects (建設工程規劃許可證) etc., and shall submit the Certificate for the Use of State-owned Land (國有土地使用證), the documents certifying that the change of registration has been filed with the relevant department in charge of construction (real estate) for record, and the certification materials issued by the relevant taxation authority on the tax payment in relevance; foreign investors shall pay off all considerations for the transfer in a lump sum with their own funds if they acquire Chinese real estate enterprises or any equity interest held by Chinese parties in Sino-foreign Equity Joint Venture engaged in real estate industry.

On August 19, 2015, MOFCOM, NDRC, PBOC, State Administration of Market Regulation and SAFE jointly promulgated the Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》), which amended certain policies on foreign-invested real estate enterprises and property purchased by overseas organizations and individuals as stated in the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) as follows, the requirements for the registered capital of foreign-invested real estate enterprises shall follow the provisions in the Provisional Regulations of the State Administration for Industry and Commerce on the Proportion of Registered Capital to Total Amount of Investment of a Sino-foreign Equity Joint Ventures (《國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定》) promulgated and became effective on February 17, 1987; the requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for domestic or foreign loans or foreign exchange loan settlement is canceled.

## **QUALIFICATIONS OF REAL ESTATE DEVELOPERS**

In accordance with the Development Regulations, a real estate development enterprise shall, within 30 days starting from the date of receipt of the business license, file the relevant documents for record to the real estate development authorities located at its place of registration. The real estate development authorities shall, on the basis of the assets, specialized technical personnel and business achievements, verify the class of qualification of the real estate development enterprise in question. The real estate development enterprise shall undertake real estate development projects in compliance with the verified class of qualification. Relevant detailed rules shall be formulated by the department of the construction administrative of the State Council.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (《房地產開發企業資質管理規定》) (the “Circular 77”) which was promulgated on March 29, 2000 and amended on May 4, 2015 and December 22, 2018, an enterprises engaged in real estate development shall apply for the approval in accordance with the provisions of application for the enterprise qualification classification. Enterprises that fail to obtain certificates of real estate investments shall not engage in the real estate development business. Enterprises engaged in real estate development

are classified into four qualification classes: Class I, Class II, Class III and Class IV on the basis of their financial conditions, experience of real estate development business, construction quality, the professional personnel and quality control system etc.

Pursuant to the Circular 77, enterprises of various qualification classes shall engage in real estate development and management projects within the approved scope of business and shall not undertake any tasks which fall outside the approved scope of their own qualification classes.

## **LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT**

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. Where land in rural areas and suburban areas are legally owned by the State, the State holds ownership rights. The State has the right to take its ownership of land or the land use rights in accordance with laws for the reasons of public interest protection. In that event, compensation shall be paid by the State.

Although all land in the PRC is either state-owned or collectively-owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important ways are obtaining land grants from local land authorities and land which is transferred from land users who have already obtained land use rights.

### **Land grants**

#### *National legislation*

In April 1988, the National People's Congress (the "NPC") passed an amendment to the Constitution of the PRC (《中華人民共和國憲法》). The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC also amended the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) to permit the transfer of land use rights for value.

In May 1990, the State Council enacted the Provisional Regulations of the People's Republic of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》). These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for value.

Upon paying in full the land premium pursuant to the terms of the contract, a land-grantee may apply to the relevant land bureau for the land use right certificate. In accordance with the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (the "Civil Code"), which was approved by the National People's Congress on May 28, 2020 and comes into effect on January 1, 2021, the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current relevant laws. In addition, if the State requests for the possession of land for public interest during the term of the relevant land use rights, compensation shall be paid to the owners of residential properties and other real estate on the land and the relevant land premium shall be refunded to them by the State.

### **Ways of land grant**

Pursuant to PRC laws and the stipulations of the State Council, except for land use rights which may be obtained through allocation, land use rights for property development are obtained through the grant from government. There are two ways by which land use rights may be granted, namely by private agreement or competitive processes (i.e., tender, auction or listing at a land exchange administered by the local government).

As of July 1, 2002, the grant of land use rights by way of competitive processes is governed by the Regulations on the Grant of Use Right of State-Owned Land by Bidding, Auction or Listing (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the Ministry of Land and Resources of the PRC on May 9, 2002 and revised as of September 28, 2007 with the name of Regulations on Granting State-Owned Construction Land Use Right through Bidding, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the “Land Grant Regulations”) which became effective on November 1, 2007. The Land Grant Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for the certain piece of land, shall be granted by way of competitive processes. A number of measures are provided by the Land Grant Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly.

On May 13, 2011, the Ministry of Land and Resources promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Bidding, Auction and Listing (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》), which provides stipulations to improve policies on the supply of land through public bidding, auction and listing, and strengthen the active role of land transfer policy in the control of the real estate market.

In June 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》) (the “2003 Regulations”), to regulate granting of land use rights by agreement when there is only one land use applicant and the designated uses of which are other than for commercial purposes as described above.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (《關於發佈實施〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》) promulgated by the Ministry of Land and Resources and NDRC in May 2012, the granted area of the residential housing projects shall not exceed (i) 7 hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) and 20 hectares for large cities and plot ratio which shall not be lower than 1.0.

### **Land transfer from current land users**

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract with such land users.

For real estate development projects, the Urban Real Estate Law requires that at least 25% of total amount of investment or development must have been carried out before assignment can be realized. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee. Relevant local governments may acquire the land use rights from a land user in the event of a readjustment of the use of land for renovating the old urban area according to city planning. The land user will then be compensated for the loss of land use rights.

## **DEVELOPMENT OF REAL ESTATE PROJECTS**

### **Commencement of real estate development projects**

According to the Urban Real Estate Law, those who have obtained the right of land use by the way of grant for real estate development must develop the land in accordance with the land use and within the construction period as prescribed in the grant contract. When the land user fails to commence development after one year since the date of starting the development as prescribed by the grant contract, an idle land fee no more than 20% of the land grant premium may be collected and when the land user fails to commence development after two years, the right to use the land may be confiscated without any compensation, except that the delays are caused by *force majeure*, the activities of government, or the delay in the necessary preliminary work for starting the development.

Pursuant to the Measures on Disposal of Idle Land (《閒置土地處置辦法》), which was promulgated on April 28, 1999 by the Ministry of Land and Resources and revised on June 1, 2012, land can be defined as idle land under any of the following circumstances:

- development and construction of the state-owned idle land is not commenced after one year of the prescribed time prescribed in the land use right grant contract or allocation decision; or
- the development and construction of the state-owned idle land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

Where the delay of commencement of development is caused by the government's behavior or due to the *force majeure* of natural disasters, the land administrative authorities shall discuss with the holder of state-owned construction land use rights and select the methods for disposal in accordance with the Measures on Disposal of Idle Land.

### **Planning of real estate projects**

Under the Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a real estate developer shall apply for a License for the Planning of Construction Land (建設用地規劃許可證) from the municipal planning authority. After obtaining the License for the Planning of Construction Land, the real estate developer shall conduct all necessary planning and design works in accordance with relevant planning and design requirements. A planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority in compliance with the requirements and procedures under the Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》), which was issued on October 28, 2007 and amended on April 24, 2015 and April 23, 2019, and a License for the Planning of Construction Projects (建設工程規劃許可證) from the municipal planning authority should be obtained by the real estate developer.

### **Construction Work Commencement License**

The real estate developer shall apply for a Construction Work Commencement License (建築工程施工許可證) from the relevant construction authority in accordance with the Regulations on Administration Regarding Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction on October 15, 1999 and amended on July 4, 2001 and June 25, 2014 and newly amended on September 28, 2018 by MOHURD.

### **Acceptance and examination upon completion of real estate projects**

Pursuant to the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council on July 20, 1998 and amended on January 8, 2011 and further amended on March 19, 2018, March 24, 2019 and March 27, 2020, the Administrative Measures for the Registration Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of real estate development project, the real estate development enterprise shall submit an application to the competent department of real estate development of local government at or above the county level, where the project is located, for examination upon completion of building and for filing purposes; and to obtain the Filing Form for Acceptance and Examination upon Completion of Construction Project. A real estate project shall not be delivered before passing the acceptance examination.



## **INSURANCE OF REAL ESTATE PROJECTS**

There are no nationwide mandatory requirements in the PRC laws, regulations and government rules requiring a real estate developer to maintain insurance for its real estate projects. According to the Construction Law of the People's Republic of China (《中華人民共和國建築法》) promulgated by the Standing Committee of the NPC on November 1, 1997 and became effective on March 1, 1998 and amended on April 22, 2011 and April 23, 2019, construction enterprises shall maintain work injury insurance and pay the insurance premium, while enterprises are encouraged to take up accident liability insurance for employees engaged in dangerous operations and pay the insurance premium. In the Opinions of the Ministry of Opinions on Strengthening the Insurance of Accidental Injury in the Construction Work (《建設部關於加強建築意外傷害保險工作的指導意見》) promulgated by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

## **REAL ESTATE TRANSACTIONS**

### **Sale of commodity properties**

Under the Measures for Administration of Sale of Commercial Properties (《商品房銷售管理辦法》) (the "Sale Measures") promulgated by the Ministry of Construction on April 4, 2001 and became effective on June 1, 2001, the sale of commercial properties includes both sales prior to and after the completion of the properties.

### **Pre-sale of commodity properties**

Any pre-sales of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sales of Commercial Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on November 15, 1994, as amended on August 15, 2001 and July 20, 2004 (the "Pre-sales Measures"). The Pre-sales Measures provides that any pre-sales of commercial properties is subject to specified procedures. If a real estate developer intends to sell commercial properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sales license.

Pursuant to the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated on July 5, 1994 and recently amended on August 26, 2019 and the Pre-sales Measures, the proceeds from the pre-sales of commercial properties shall be used for the development and construction of the corresponding projects.

Furthermore, under the Circular on Issues Concerning Further Strengthening the Supervision and Administration of the Real Estate Market and Improving the Pre-sale System of Commodity Properties (《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》) issued by the Ministry of Housing and Urban-Rural Development on April 13, 2010, all proceeds from the pre-sales of commodity properties shall be supervised and managed by relevant authorities so as to ensure that the proceeds to be used for the development and construction of the corresponding projects. The proceeds from the pre-sales would be allocated according to the construction progress, provided that adequate fund has been reserved to ensure the completion and delivery of the projects.

### **Sales after completion of commodity properties**

Under the Sale Measures, commodity properties may be put to post-completion sale only when the following conditions have been satisfied: (1) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of real estate development; (2) the enterprise has obtained land use right certificates or other approval documents of land use; (3) the enterprise has obtained the construction project planning license and the construction work commencement license; (4) the commercial properties have been completed and been inspected and accepted as qualified; (5) the relocation of the original residents has been well settled; (6) the supplementary essential facilities for supplying water, electricity, heating, gas and

communication have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; and (7) the property management proposal has been completed.

The Provisions on Sales of Commodity Properties at Clearly Marked Price (《商品房銷售明碼標價規定》) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency is required to mark the selling price explicitly and clearly for both newly-built and second-hand commercial properties.

On February 26, 2013, the General Office of the State Council issued the Notice on Continuing the Regulation of Real Estate Market (《關於繼續做好房地產市場調控工作的通知》) which is intended to cool down the property market and emphasize the government's determination to strictly enforce regulatory and macro-economic measures, which include, among other things, (i) restrictions on purchasing the real estate, (ii) increased down payment requirement for second residential properties purchase, (iii) suspending mortgage financing for second or more residential-properties purchase and (iv) 20% individual income tax rate applied to the gain from the sales of properties.

### **Mortgage of properties**

The mortgage of real estate in the PRC is mainly governed by the Civil Code of the People's Republic of China (《中華人民共和國民法典》), and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》). According to these laws and regulations, land use rights, the buildings and other real fixtures may be mortgaged. When a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the use right of the land on which the building is located. The mortgagor and the mortgagee shall enter into a mortgage contract in writing. A system has been adopted to register the mortgages of real estate. After a real estate mortgage contract has been signed, the contract parties shall register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and issue a Certificate of Third Party Rights to a Building (房屋他項權證) to the mortgagee.

### **Lease of properties**

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On December 1, 2010, MOHURD promulgated the Administrative Measures for Commercial House Leasing (《商品房屋租賃管理辦法》) (the "New Lease Measures"), which became effective on February 1, 2011, and replaces the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB1,000 (individuals) and RMB1,000 to 10,000 (enterprises) provided that they fail to rectify within required time limits. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land where the land use rights have been obtained through allocation, shall be turned over to the State.

Under the Civil Code of the People's Republic of China (《中華人民共和國民法典》), which was approved by the National People's Congress on May 28, 2020 and comes into effect on January 1, 2021, the term of a leasing contract shall not exceed 20 years.

## REAL ESTATE REGISTRATION

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on November 24, 2014 and amended on March 24, 2019, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on January 1, 2016 and amended on July 24, 2019, provide that, among other things, the State implements a uniform real estate registration system and the registration of real estate shall be strictly managed and shall be carried out in a stable and continuous manner that provides convenience for the people.

## REAL ESTATE FINANCING

### Loans to real estate development enterprises

On August 30, 2004, the CBRC issued a Guideline for Commercial Banks on Risks of Real Estate Loans (《商業銀行房地產貸款風險管理指引》). According to this guideline, no loans shall be granted to projects which have not obtained requisite land use right certificates, construction land planning licenses, construction work planning permits and construction work commencement permits. The guideline also stipulates that bank loans shall only be extended to real estate developer who applied for loans and contributed not less than 35% of the total investment of the property development project by its own capital. In addition, the guideline provides that commercial banks shall set up strict approval systems for granting loans.

On July 29, 2008, the PBOC and the CBRC issued the Notice on Financially Promoting the Land Saving and Efficient Use (《關於金融促進節約集約用地的通知》), which, among other things,

- restricts from granting loans to real estate developers for the purpose of paying land grant premiums;
- provides that, for secured loans for land reserve, legal land use right certificates shall be obtained and the loan on mortgage shall not exceed 70% of the appraised value of the collateral, and the term of loan shall be no more than two years in principle;
- provides that for the real estate developer who (i) delays the commencement of development date specified in the land grant agreement for more than one year, (ii) has not completed one-third of the intended project, or (iii) has not invested one-fourth of the intended total project investment, loans shall be granted or extended prudently;
- restricts granting loans to the real estate developer whose land has been idle for more than two years; and
- prohibits taking idle land as a security for loans.

On December 28, 2020, PBOC and CBRC jointly promulgated the Notice of PBOC and CBRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會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 CBRC 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.

## **Trust loan**

On March 1, 2007, The Measures for Administration of Trust Companies (《信託公司管理辦法》), which was promulgated by the CBRC on January 23, 2007, came into effect. For the purposes of these measures, “Trust Company” shall mean any financial institution established pursuant to the PRC Company Law and the Measures for Administration of Trust Companies, and that primarily engages in trust activities.

From October 2008 to November 2010, the CBRC issued several regulatory notices in relation to real estate activities conducted by Trust Companies, including a Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》), promulgated by the CBRC on October 28, 2008 and became effective on the same date, pursuant to which Trust Companies are restricted from providing trust loans, in form or in nature, to property projects that have not obtained the requisite land use right certificates, construction land planning licenses, construction work planning licenses and construction work commencement licenses and the property projects of which less than 35% of the total investment is funded by the real estate developers’ own capital (the 35% requirement was changed to 20% for affordable housing and ordinary commodity apartments, and to 30% for other property projects as provided by the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》) issued by the State Council on May 25, 2009), then the 30% requirement was changed to 25% for other property projects as provided by the Notice of the State Council on Adjusting and Improving the Capital System for Fixed Assets 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》) issued by the State Council and became effective on September 9, 2015.

## **Housing loans to individual buyers**

On April 17, 2010, the State Council issued the Notice on Strictly Restraining the Excessive Growth of the Property Prices in Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》), pursuant to which, a stricter differential housing credit policy shall be enforced. It provides that, among other things, (i) for a family member who is a first-time house buyer (including the debtors, their spouses and their juvenile children, similarly hereinafter) of the apartment with a GFA more than 90 sq.m., a minimum 30% down payment shall be paid; (ii) for a family who applies loans for its second house, the down payment requirement is raised to at least 50% from 30% and also provides that the applicable interest rate must be at least 1.1 times of that of the corresponding benchmark interest rate over the same corresponding period published by the PBOC; and (iii) for those who purchase three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks may suspend housing loans to third or more home buyers in places where house prices rise excessively, the prices are rapidly high and housing supply is insufficient.

The Notice on Certain Matters Concerning Individual Housing Loan Policies (《關於個人住房貸款政策有關問題的通知》) promulgated by PBOC, MOHURD and CBRC on March 30, 2015 and became effective on the same date provides that where a household, which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 40% of the property price. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower’s credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first house, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price.

The Notice of the People’s Bank of China and the China Banking Regulatory Commission on Further Improving Differentiated Housing Credit Lending Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》) issued by PBOC and CBRC on September 24, 2015, provides that in cities that

control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase his/her first ordinary housing property, the minimum down payment shall be adjusted to 25% of the house price. The minimum down payment ratio for the commercial personal housing loan of each city will be independently determined by each provincial pricing self-disciplinary mechanism of market interest based on the actual situation of each city under the guidance of PBOC and the CBRC local office.

The Notice on Adjustments in Respect of Certain 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》), promulgated by PBOC and CBRC on February 1, 2016, provides that in the cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment, in principle, shall be 25% of the property price and each city could adjust such ratio downwards by 5%; and where a household which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 30% of the property price. In the cities that control measures on property purchase are imposed, the individual housing loan policies shall be adopted in accordance with the original regulations. The actual down payment ratio and loan interest rate shall be determined reasonably by the banking financial institutions based on the requirements of minimum down payment ratio determined by provincial pricing self-disciplinary mechanism of market interest, the loan-issuance policies and the risk control for commercial personal housing loan adopted by such banking financial institutions and other factors such as the borrower's credit record and capacity of repayment.

## **ENVIRONMENTAL PROTECTION**

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law of the People's Republic of China (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (《建設項目竣工環境保護驗收管理辦法》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

## **CIVIL AIR DEFENSE PROPERTY**

Pursuant to the PRC Law on National Defense (《中華人民共和國國防法》) promulgated by the NPC on March 14, 1997, as amended on August 27, 2009, national defense assets are owned by the state. Pursuant to the PRC Law on Civil Air Defense (《中華人民共和國人民防空法》) (the "Civil Air Defense Law"), promulgated by the NPC on October 29, 1996, as amended on August 27, 2009, civil air defense is an integral part of national defense. The Civil Air Defense Law encourages the public to invest in the construction of civil air defense property and investors in civil air defense are permitted to use, manage the civil air defense property in time of peace and profit therefrom. However, such use must not impair their functions as air defense property. The design, construction and quality of the civil air defense properties must conform to the protection and quality standards established by the State. On November 1, 2001, the National Civil Air Defense Office issued the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (《人民防空工程平時開發利用管理辦法》) and the Administrative Measures for Maintaining the Civil Air Defense Property (《人民防空工程維護管理辦法》), which specify how to use, manage and maintain the civil air defense property.

## MEASURES ON STABILIZING HOUSING PRICES

The Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (《關於調整個人住房轉讓營業稅政策的通知》) promulgated by MOF and SAT on March 30, 2015 and became effective on March 31, 2015 provides that where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax.

The Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Housing and Urban-Rural Development on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions (《財政部、國家稅務總局、住房城鄉建設部關於調整房地產交易環節契稅、營業稅優惠政策的通知》) (“the Notice”) promulgated on February 17, 2016 and became effective on February 22, 2016 provides that : (1). the purchase of a property by an individual as the only house for his/her family (covering the purchaser and the spouse and minor children thereof) is subject to deed tax at a reduced rate of 1% if the area of the house is 90 square meters or less, or 1.5% if the area is over 90 square meters; and (2). the purchase of a second house by an individual for making house improvements for his/her family is subject to deed tax at a reduced rate of 1% if the area of the house is 90 square meters or less, or 2% if the area is over 90 square meters. Meanwhile, the Notice specifies that the sale of a house that has been purchased by an individual for less than two years is subject to business tax at a full rate; and the sale of a house that has been purchased by an individual for two years or more is exempted from business tax. In addition, the Notice stresses that certain preferential business tax policies shall not apply to Beijing Municipality, Shanghai Municipality, Guangzhou City and Shenzhen City for the time being.

In accordance with Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》) (promulgated and implemented on April 1, 2017 by Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development), In cities featuring obvious contradiction between the supply of and demand for housing or under pressure due to increasing housing prices and more housing land, in particular the land for ordinary commercial houses, shall be supplied to a reasonable extent, and the housing land supply shall be reduced or even suspended in cities requiring a lot of destocking of real estate. All the local authorities shall build a land purchase money inspection system to ensure that the real estate developers use their own legal funds to purchase land.

### Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administrative Regulations (《外匯管理條例》) (the “SAFE Regulations”) which was promulgated by the State Council and last amended on August 5, 2008. Under the SAFE Regulations, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

Pursuant to the SAFE Circular No. 37, promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident (“PRC Resident”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Overseas SPV”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “Circular 13”), which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

## **TAXES**

### **Corporate Income Tax**

Pursuant to the EIT Law which was promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and with effect from January 1, 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC laws, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

### **Value-added Tax**

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 revised on February 6, 2016 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, the sale services, intangible assets, immovables, and the importation of goods are required to pay value-added tax.

Pursuant to the Announcement of the SAT on Promulgating the Interim Administrative Measures for the Collection of Value-added Tax on the Sale of Self-developed Real Estate Projects by Real Estate Developers (《國家稅務總局關於發佈〈房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法〉的公告》) which was promulgated on March 31, 2016 and amended on June 15, 2018, real estate developer shall pay value-added tax for the sales of its self-developed real estate project.

### **Land Appreciation Tax (LAT)**

Under the Interim Regulations on Land Appreciation Tax of the PRC (《中華人民共和國土地增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended on January 8, 2011 as well as its implementation rules issued on January 27, 1995 (《中華人民共和國土地增值稅暫行條例實施細則》), land appreciation tax is payable on the appreciation value derived from the transfer of State-owned land use rights and buildings or other facilities on such land, after deducting the deductible items.

### **Labor Protection**

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which were separately with effect from January 1, 1995 (amended on December 29, 2018) and January 1, 2008 (amended on December 28, 2012), respectively, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011 and amended on December 29, 2018, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing provident fund and then, upon the examination by such administrative center of housing provident fund, undergo the procedures of opening the account of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.



## MANAGEMENT

### GENERAL

Our board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information in respect of our directors as of the date of this offering memorandum:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
YANG Jian (楊劍) . . . . .	49	Executive director and chairman of our Board
CHEN Hongliang (陳紅亮) . . . . .	39	Executive director, co-chief executive and co-president of the group
LI Heli (李和栗) . . . . .	33	Executive director, co-chief executive and co-president of the group
YAU Sze Ka (Albert) (游思嘉) . . . . .	49	Executive director, vice president and chief financial officer
WANG Kaiguo (王開國) . . . . .	62	Independent non-executive director
WU Xiaobo (吳曉波) . . . . .	61	Independent non-executive director
AU YEUNG Po Fung (歐陽寶豐) . . . . .	53	Independent non-executive director

### DIRECTORS

The Board currently consists of eight directors, comprising five executive directors and three independent non-executive directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations, including the Listing Rules.

#### Executive Directors

**Mr. YANG Jian (楊劍)**, aged 49, is the founder of the Group and was appointed as an executive Director and the chairman of the Board in March 2018. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Yang has more than 27 years of experience in the PRC real estate industry. Mr. Yang is principally responsible for the overall management and business operations of the Group, including coordinating board affairs, formulating strategies and operational plans, and making major business decisions. Since the establishment of the Group's PRC principal operating subsidiary Shanghai Zhongliang Real Estate Group Company Limited in 2009 until October 2019, Mr. Yang has been the chairman of the board at Shanghai Zhongliang Real Estate Group Company Limited, and has been in charge of coordinating board affairs, overseeing the company's development strategies and managing its daily operations, and Mr. Yang has been a director of Shanghai Zhongliang Real Estate Group Company Limited since October 2019. Mr. Yang has also taken various roles at Shanghai Zhongliang Enterprise Development Limited since its establishment in August 2016 to September 2019, including executive director, chairman of the board and managing director.

Mr. Yang received the Executive Education Program Certificate from Cheung Kong Graduate School of Business, the PRC, in May 2016 after completing a course in investment and financing in capital market.

**Mr. CHEN Hongliang (陳紅亮)**, aged 39, was appointed as an executive Director in December 2019. He is currently a co-president of the property business and a director of Shanghai Zhongliang Enterprise Development Limited, and various subsidiaries of the Group. He is primarily responsible for the governance and management of the Group, including strategies, human resources, mechanism accounting, legal, risk and financial management, real estate information management and brand building of the Group.

Mr. Chen has more than 15 years of experience in human resources. Since September 2009, Mr. Chen has worked for the subsidiaries of the Group holding different positions. He was the assistant president of the Group and was in charge of human resources center, legal affairs center and mechanism accounting center from August 2016 to August 2018, then he was promoted to vice president of the Company in August 2018 and subsequently promoted to the current position as a co-president of the property business in September 2019. Mr. Chen was the deputy general manager of human resources of the Group from March 2016 to August 2016, the director of human resources of the Group from March 2015 to March 2016 and as the deputy director of the Group from March 2013 to March 2015. He was the manager of corporate management department and head of office at Shanghai Zhongliang Real Estate Group Company Limited from September 2009 to March 2013.

Prior to joining the Group, Mr. Chen was the manager of human resources administration at Suzhou Shengshi Real Estate Investment Group Ltd.\*, which primarily engages in property development and sales, from January 2007 to October 2008. Mr. Chen graduated from Anhui University of Science and Technology in Anhui Province, the PRC, in July 2004, majoring in human resources management. In February 2010, he obtained the Human Resources Management Certificate (Intermediate level)\* granted by Jiangsu Province Human Resources and Social Security Bureau\*.

**Mr. LI Heli (李和栗)**, aged 33, was appointed as an executive Director in December 2019. He is currently a co-president of the property business and a director of Shanghai Zhongliang Real Estate Group Company Limited and various subsidiaries of the Group. Mr. Li is primarily responsible for the management operation of the Group, including investment, product research, sales and customer service and business operations.

Mr. Li joined the Group in March 2015 as head of project development and head of marketing before he served as the assistant president of the investment development center from November 2016 to August 2018, then he was promoted to vice president of the Company in August 2018 and subsequently promoted to his current position as a co-president of the property business in September 2019. From March 2013 to February 2015, Mr. Li joined a property sales agency Wenzhou Qiyuan Real Estate Consultant Co., Ltd.\*, where he served as the marketing director and provided real estate market research and project planning services. From June 2009 to March 2013, he worked at New Hongjia Investment Advisory Firm\* as a manager of market development department. Mr. Li obtained his bachelor's degree in social work from Suzhou University in Jiangsu Province, the PRC, in June 2009.

**Mr. YAU Sze Ka (游思嘉)**, also known as Albert Yau, aged 49, joined the Group in April 2019 and was appointed as an executive Director in December 2019. He is currently the vice president of the Group and a director of certain subsidiaries of the Group. Mr. Yau is primarily responsible for the overall financial management, fundraisings and capital market matters of the Group.

Mr. Yau has 27 years of experience in real estates, capital markets and corporate management. From July 2011 to March 2019, Mr. Yau was the chief financial officer of CIFI Holdings (Group) Co. Ltd., a company principally engaged in property development and property investment in the PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 884). From December 2005 to June 2011, Mr. Yau was the director of corporate affairs of Lai Sun Garment (International) Limited, a company principally engaged in property investment and development in Hong Kong, PRC and overseas as well as investment in and operation of hotels and restaurants and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 191), where he was responsible for corporate finance, business development and investor relations. From January 2003 to December 2005, Mr. Yau was a director of DBS Asia Capital Limited, a company principally engaged in corporate finance and investment banking. From September 1999 to January 2003, Mr. Yau worked for ICEA Capital Limited, a company principally engaged in corporate finance and investment banking,

and his last position held was an executive director of the investment banking division. From January 2017 to March 2019, Mr. Yau was an independent non-executive director of Wisdom Education International Holdings Company Limited, a company principally engaged in the provision of education services in the PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6068). Mr. Yau obtained a bachelor's degree of science from University of California at Berkeley, the United States in May 1994. He is also a holder of Chartered Financial Analyst.

### **Independent non-executive Directors**

**Mr. WANG Kaiguo (王開國)**, aged 62, was appointed as an independent non-executive Director in June 2019 and is currently a member of the audit committee and the nomination committee of the Company. Prior to joining the Group, Mr. Wang has served at Shanghai Zhongping Capital Co. Ltd., an asset management company, as the chairman of the board of directors since August 2016. Mr. Wang has more than 25 years of experience working in financial institutions. From February 1995 to July 2016, he served at a Chinese securities corporation Haitong Securities Co., Ltd. and held various positions, including the deputy general manager, general manager, Secretary of the Leading Party Members' Group, Secretary of Party Committee and chairman of the board, president and executive director, where he began to host the work of Haitong Securities Co., Ltd. in a comprehensive way and led it to become a leading securities in China. Mr. Wang received his doctor's degree in economics from Xiamen University in Fujian Province, the PRC in May 1990. Mr. Wang was certified as a senior economist by Bank of Communications in December 1997. Since May 2017, Mr. Wang has been an independent non-executive director of Shanghai Dazhong Public Utilities (Group) Co., Ltd., a supplier of piped gas and other public utilities listed on the Shanghai Stock Exchange (stock code: 600635). He has also served as an independent non-executive director of a corporate commercial bank Shanghai Rural Commercial Bank Co., Ltd. since March 2017. From December 2009 to December 2014, Mr. Wang was an independent non-executive director at Shanghai Chlor-Alkali Chemical Co., Ltd., a company which manufactures and markets chlorine and alkaline chemicals and is listed on the Shanghai Stock Exchange (stock code: 600618). Since November 2018, Mr. Wang has been an independent non-executive director of Anxin Trust Co., Ltd. (a company which engages in deposit and lending business, investment business and trust business and is listed on the Shanghai Stock Exchange (stock code: 600816)), as well as an independent non-executive director of Caitong Fund Management Co., Ltd., a company which engages in fund management business, fund establishment and other business as approved by the China Securities Regulatory Commission.

**Mr. WU Xiaobo (吳曉波)**, aged 61, was appointed as an independent non-executive Director in June 2019 and is currently the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company. Mr. Wu has extensive work experience acting as a strategy adviser in the manufacturing industry in terms of providing strategy, innovation, transnational development and management consulting services. Mr. Wu has served as an independent director of Hikvision Digital Technology Co., Ltd. (a video-centric IoT solution provider listed on the Shenzhen Stock Exchange, stock code: 002415) since March 2021. He also served as an independent director of Ucloud Technology Co., Ltd. (a neutral third-party cloud computing service provider listed on the Shanghai Stock Exchange, stock code: 688158), as well as an independent director of IKD Co., Ltd. (an auto parts manufacturer listed on the Shanghai Stock Exchange, stock code: 600933) since August 2018. From March 2010 to November 2015, Mr. Wu was a strategy adviser of Zhejiang Machinery and Electrical Group, which manufactures and distributes machinery products, and he was responsible for corporate strategy consultation. Mr. Wu graduated from Zhejiang University in Zhejiang Province, the PRC, with a doctor's degree in management science and engineering in July 1992, a master's degree in engineering in June 1989 and a bachelor's degree in electrical engineering in January 1982.

**Mr. AU YEUNG Po Fung (歐陽寶豐)**, aged 53, was appointed as an independent non-executive Director in June 2019 and is currently the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Au Yeung has extensive work experience in the real estate industry. He held various senior management positions in various real estate companies, including Beijing Huahong Group Co., Ltd., Sansheng Holdings (Group) Co. Ltd., Fujian Sansheng Property Development Company Limited, South China Assets Holdings Limited, Shenzhen Tianlai Tourism Property Group, Fosun Industrial Holdings Limited (a subsidiary of Fosun International Limited), Sun Hung Kai Properties Limited, Powerlong Real Estate Holdings Limited, Greenland Hong Kong Holdings

Limited, Landsea Green Group Co., Ltd., Fu Wah International Enterprises Group Ltd.. Mr. Au Yeung graduated from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in Hong Kong in November 1990 with a bachelor's degree in business studies. He was admitted as a fellow of The Association of Chartered Certified Accountants in November 2000, a fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants (HKICPA)) in May 2003, and a fellow of the Institute of Chartered Accountants in England and Wales in July 2015. Mr. Au Yeung was also certified as a chartered financial analyst (CFA) of the CFA Institute in September 2006.

## **COMPANY SECRETARY**

**Mr. YEUNG Tak Yip** (楊德業先生), aged 39, was appointed as the company secretary in July 2018. Mr. Yeung possesses over six years of experience in company secretarial practice and more than 15 years of experience in finance and administration. Prior to joining the Group, he was the company secretary, financial controller, director of investor relations and authorised representative of Modern Land (China) Co., Limited, which engages in property development and provision of real estate related services and is listed on the Stock Exchange (stock code: 1107), from April 2016 to April 2018. From October 2012 to April 2016, Mr. Yeung was the company secretary and group financial controller of China Water Property Group Limited (currently known as China City Infrastructure Group Limited), a property development group listed on the Stock Exchange (stock code: 2349). Mr. Yeung previously worked at Deloitte & Touche as an audit manager from April 2008 to February 2011 and as an auditor from September 2003 to April 2008. He received his bachelor's degree in professional accountancy from The Chinese University of Hong Kong in Hong Kong in May 2003. He has also been fellow member of the Association of Chartered Certified Accountants since March 2013 and Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2010.

## **BOARD COMMITTEES**

### **Audit Committee**

The primary duties of our audit committee are to review, supervise and approve our financial reporting process and internal control system and to provide advice and comments to our Board. Members of the audit committee are Mr. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo. Mr. Au Yeung Po Fung is the chairman of the audit committee.

### **Remuneration Committee**

The remuneration committee reviews and recommends to our Board the remuneration and other benefits paid by us to our directors and senior management. The remuneration of all our directors and senior management is subject to regular monitoring by our remuneration committee to ensure that levels of their remuneration and compensation are appropriate. Members of the remuneration committee are Mr. Wu Xiaobo, Mr. Yang Jian and Mr. Au Yeung Po Fung. Mr. Wu Xiaobo is the chairman of the remuneration committee.

### **Nomination Committee**

The primary responsibilities of the nomination committee are to consider and recommend to our Board suitable and qualified candidates of directors and to review the structure, size and composition of our Board and the board diversity policy adopted by our Company on a regular basis. Members of the nomination committee are Mr. Yang Jian, Mr. Wang Kaiguo and Mr. Wu Xiaobo. Mr. Yang Jian is the chairman of the nomination committee.

### **Environmental, Social and Governance Committee (“ESG Committee”)**

The ESG Committee assists our board to review and monitor the environmental, social and governance policies and practices of the Group. Mr. Chen Hongliang, Mr. Li Heli, Mr. Yau Sze Ka (Albert) and Mr. Au Yeung Po Fung have been appointed as the members of the ESG Committee and Mr. Chen Hongliang has been appointed as the chairman of the ESG Committee.

## **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

The aggregate amount of remuneration our directors have received (including fees, salaries, allowances and other benefits in kind, performance-related bonuses, pension scheme contribution and social welfare) for each of the years ended December 31, 2018, 2019 and 2020 was approximately RMB29.1 million, RMB78.4 million and RMB50.0 million (US\$7.6 million), respectively.

## **POST-IPO SHARE OPTION SCHEME**

In order to incentivize our directors, senior management, connected persons and other grantees for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted the post-IPO share option scheme conditionally adopted pursuant to the written resolutions passed by our shareholders on June 19, 2019.

## PRINCIPAL SHAREHOLDERS

As of December 31, 2020, so far as is known to our Company, as recorded in the register required to be kept by our Company under section 336 of the SFO, the following persons had an interest of 5% or more in the Shares or underlying Shares:

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Number of Shares or underlying Shares<sup>(1)</sup></u>	<u>Approximate percentage of shareholding<sup>(1)</sup></u>
Yang Jian	Founder of a discretionary trust <sup>(2)</sup>	2,822,167,839	78.79%
	Interest in controlled corporations <sup>(3)</sup>	89,121,090	2.49%
	Interest of spouse <sup>(4)</sup>	59,414,060	1.66%
Chen Hongliang	Beneficial owner	10,000,000	0.28%
Li Heli	Beneficial owner	8,000,000	0.22%

*Notes:*

- (1) As of December 31, 2020, our Company issued 3,581,791,500 Shares.
- (2) 2,822,167,839 Shares are held by Liangzhong International Co., Ltd., a company directly wholly-owned by Changxing International Co., Ltd., which is in turn wholly-owned by Changxing Pte. Ltd. Changxing Pte. Ltd. is the trustee of a discretionary trust set up by Mr. Yang Jian. By virtue of Part XV of the SFO, Mr. Yang Jian is deemed to be interested in the Shares held by Liangzhong International Co., Ltd.
- (3) Liangyi International Co., Ltd., a company directly wholly-owned by Mr. Yang Jian, directly holds 89,121,090 Shares of the Company. By virtue of the SFO, Mr. Yang Jian is deemed to be interested in 89,121,090 Shares held by Liangyi International Co., Ltd.
- (4) Liangtai International Co., Ltd., a company directly wholly owned by Ms. Xu Xiaoqun, the spouse of Mr. Yang Jian, directly holds 59,414,060 Shares of the Company. By virtue of Part XV of the SFO, Ms. Xu Xiaoqun is deemed to be interested in 59,414,060 Shares held by Liangtai International Co., Ltd. and Mr. Yang Jian, as the spouse of Ms. Xu Xiaoqun, is deemed to be interested in the same number of Shares in which Ms. Xu Xiaoqun is interested.

## RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be approved by a company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

### MAJOR RELATED PARTY TRANSACTIONS

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB (In thousands)	RMB (Unaudited)	US\$ (Unaudited)
Advance to related companies:				
Companies controlled by certain directors and/or their close family members . . . . .	879,640	653	—	—
Joint ventures and associates . . . . .	16,340,940	18,046,174	16,645,156	2,550,982
Companies controlled by the ultimate controlling shareholders . . . . .	20,715,480	79,352	—	—
Repayment of advances to related companies:				
Companies controlled by certain directors and/or their close family members . . . . .	1,116,338	14,591	—	—
Joint ventures and associates . . . . .	10,042,749	18,205,777	15,109,105	2,315,572
Companies controlled by the ultimate controlling shareholders . . . . .	19,092,375	302,243	—	—
Advance from related companies:				
Companies controlled by certain directors and/or their close family members . . . . .	547,304	—	—	—
Joint ventures and associates . . . . .	12,999,594	15,215,605	17,779,812	2,724,875
Companies controlled by the ultimate controlling shareholders . . . . .	5,128,989	94,494	—	—
Repayment of advances from related companies:				
Companies controlled by certain directors and/or their close family members . . . . .	616,639	119,458	—	—
Joint ventures and associates . . . . .	9,494,973	10,545,731	11,743,285	1,799,737
Companies controlled by the ultimate controlling shareholders . . . . .	5,846,406	164,757	—	—
Property management services to joint ventures and associates <sup>(1)</sup> . . . . .	1,199	—	—	—
Other services to joint ventures and associates <sup>(1)</sup> . . . . .	86,338	181,276	355,799	54,529
Interest income from companies controlled by certain directors and/or their close family members <sup>(1)</sup> . . . . .	133,411	—	—	—
Donation to a company controlled by certain directors and/or their close family members <sup>(2)</sup> . . . . .	—	—	7,000	1,073
Finance costs from a company significantly impacted by certain directors <sup>(1)</sup> . . . . .	—	3,750	—	—
Property management services from companies controlled by the ultimate controlling shareholders <sup>(1)</sup> . . . . .	98,734	221,575	296,012	45,366
Design, decoration and outfitting service from companies controlled by the ultimate controlling shareholders <sup>(1)</sup> . . . . .	—	8,238	268,189	41,102
Sales agency services and other ancillary services from companies controlled by the ultimate controlling shareholders . . . . .	—	—	4,187	642

*Notes:*

- (1) The transaction was carried out in accordance with the terms and conditions mutually agreed by the parties incurred.
- (2) As of December 31, 2020, we have donated up to RMB7,000,000 to 上海中梁公益基金會 (“hongliang Foundation”, the director of which is a close family member of our Controlling Shareholders.

## DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2020, our total outstanding external borrowings amounted to RMB54,092.2 million (US\$8,290.0 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

### PROJECT LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to Bank of China, China Construction bank, Agricultural Bank of China, China CITIC Bank, Bank of Communications, Shanghai Pudong Bank, Ping An Bank, China Minsheng Bank, China Merchants Bank, Bank of Shanghai and China Bohai Bank. These loans are typically project loans to finance the construction of our projects (the “project loans”) and have terms ranging from one to five years, which generally correspond to the construction periods of the particular projects. As of December 31, 2020, the aggregate outstanding amount under these project loans totaled approximately RMB27,412.9 million (US\$4,201.3 million), of which RMB6,522.3 million (US\$999.6 million) was due within one year, RMB9,916.4 million (US\$1,519.8 million) was due between one and two years and RMB10,974.1 million (US\$1,681.9 million) was due between three and five years. Our project loans are typically secured by land use rights and properties as well as guaranteed by our Company and certain of our PRC subsidiaries.

#### Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank’s benchmark interest rate per annum. Floating interest rates are generally subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2020, the weighted average interest rate on the aggregate outstanding amount of our project loans was 6.6% per annum.

#### Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders’ prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect their ability to repay the loans;
- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party

#### Events of Default

The project loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The financial institutions are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.



## **Guarantee and Security**

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of December 31, 2020, RMB27,194.0 million (US\$4,167.7 million) of the project loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries, including equity interests in certain of our PRC subsidiaries.

## **Dividend Restrictions**

Pursuant to the project loans with certain PRC financial institutions, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- if the borrower's after-tax profit is nil or negative;
- before the principal amount of and accrued interest on the relevant project loan have been fully paid; or
- before any principal amount of and accrued interest on the relevant project loan due within the period have been fully paid.

## **TRUST FINANCING AND ASSET MANAGEMENT ARRANGEMENTS**

We also enter into financing arrangements with trust companies, asset management companies, including but not limited to China Cinda Asset Management, CITIC Trust, Ping An Trust and China Mingsheng Trust, and their financing vehicles in the ordinary course of business to finance our property development and other related operations. These local trust institutions, security companies and asset management companies provide loans for purposes of our project development in return for interest payments, and have terms ranging from three to 36 months. Our trust financing and asset management arrangements are guaranteed by certain PRC subsidiaries or secured by the relevant PRC subsidiaries' shares (through share pledge or ownership of shares). Some of our trust financing and asset management arrangements may also be secured by other securities, including pledges of land use rights or properties under development of the relevant property projects. As of December 31, 2020, total outstanding principal of our trust financing and asset management arrangements amounted to RMB14,980.2 million (US\$2,295.9 million).

## **OFFSHORE FACILITIES**

### **Hang Seng 2021 Facility**

On March 23, 2021, we, as the borrower, accepted a facility letter ("**Hang Seng 2021 Facility Letter**") issued by Hang Seng Bank Limited, as lender, in connection with a term loan facility in the aggregate principal amount of US\$20.0 million (the "**Hang Seng 2021 Facility**").

#### *Interest*

Under the Hang Seng 2021 Facility Letter, the interest rate is at 2.75% per annum over HIBOR/LIBOR or the lenders' cost of fund, whichever is higher, payable at the end of each interest period or quarterly in arrears if six months period is selected.

#### *Covenants*

Pursuant to the Hang Seng 2021 Facility Letter, we agreed to the following financial covenants:

- the consolidated tangible net worth shall not at any time be less than RMB9,000,000,000;

- the ratio of consolidated net borrowings to consolidated tangible net worth shall not be more than 0.95x;
- the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) to consolidated interest expense shall not be less than 2.25x;
- the ratio of consolidated borrowings in the PRC to consolidated total assets shall not be more than 0.5x; and
- the value of any dividends and any other income distribution in cash to shareholder declared and paid by us in any financial year shall not exceed 40% of its net profit after tax for such year.

### **BOCI Facility**

On March 16, 2021, we, as the borrower, and certain of our subsidiaries, as guarantor, entered into a bilateral unsecured a facility Agreement (“**BOCI Facility Agreement**”) with BOCI Leveraged & Structured Finance Limited, as lender, in connection with a term loan facility in the aggregate principal amount of US\$50.0 million (the “**BOCI Facility**”).

#### *Interest*

Under the BOCI Facility Agreement, the interest rate is at 8.00% per annum.

#### *Covenants*

Pursuant to the BOCI Facility Agreement, we agreed to the following financial covenants:

- Consolidated EBITDA in respect of certain period shall be or shall exceed two times Consolidated Finance Charges of that period;
- Consolidated Adjusted Total Liabilities shall not at any time exceed 85% of Consolidated Adjusted Total Assets;
- Consolidated Total Net Debt shall not at any time exceed 95% of Consolidated Total Equity;
- the aggregate of Cash and Cash Equivalent shall not at any time be less than 100% of Consolidated Total Current Debt; and
- Consolidated Total Debt on the last day of certain period shall not increase by 10% or more compared to the Consolidated Total Debt on the 1st day of that period.

### **SENIOR NOTES**

#### **September 2021 Notes**

On September 26, 2019, we entered into an indenture (as amended or supplemented from time to time, the “September 2021 Indenture”). Pursuant to the September 2021 Indenture, we issued an aggregate principal amount of US\$400,000,000 of the September 2021 Notes on September 26, 2019 and October 10, 2019. The September 2021 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US\$400,000,000 principal amount of the September 2021 Notes is outstanding.

#### *Guarantee*

The obligations pursuant to the September 2021 Notes are guaranteed by our existing subsidiaries (the “September 2021 Subsidiary Guarantors”) other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the September 2021 Indenture. Each of the September

2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the September 2021 Notes.

### ***Interest***

The September 2021 Notes bear an interest rate of 11.50% per annum, payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the September 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of Default***

The September 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the September 2021 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the September 2021 Indenture or the holders of at least 25% of the outstanding September 2021 Notes may declare the principal of the September 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

### ***Change of Control Triggering Event***

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding September 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Maturity and Redemption***

The maturity date of the September 2021 Notes is September 26, 2021.

At any time prior to September 26, 2021, we may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to September 26, 2021, we may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock in an Equity Offering at a redemption price of 111.50% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the September 2021 Notes at a redemption price equal to 100% of the principal amount of the September 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

### **January 2022 Notes**

On February 1, 2021, we entered into an indenture (as amended or supplemented from time to time, the “January 2022 Indenture”). Pursuant to the January 2022 Indenture, we issued an aggregate principal amount of US\$250,000,000 of the January 2022 Notes on February 1, 2021. The January 2022 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US\$250,000,000 principal amount of the January 2022 Notes is outstanding.

#### ***Guarantee***

The obligations pursuant to the January 2022 Notes are guaranteed by our existing subsidiaries (the “January 2022 Subsidiary Guarantors”) other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the January 2022 Indenture. Each of the January 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the January 2022 Notes.

#### ***Interest***

The January 2022 Notes bear an interest rate of 7.5% per annum, payable in arrears.

#### ***Covenants***

Subject to certain conditions and exceptions, the January 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;

- entering into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of Default***

The January 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the January 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the January 2022 Indenture or the holders of at least 25% of the outstanding January 2022 Notes may declare the principal of the January 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

### ***Change of Control Triggering Event***

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding January 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Maturity and Redemption***

The maturity date of the January 2022 Notes is January 31, 2022.

At any time prior to January 31, 2022, we may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to January 31, 2022, we may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock in an Equity Offering at a redemption price of 107.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the January 2022 Notes at a redemption price equal to 100% of the principal amount of the January 2022 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

### **February 2021 Notes**

On February 18, 2020, we entered into an indenture (as amended or supplemented from time to time, the "February 2021 Indenture"). Pursuant to the February 2021 Indenture, we issued an aggregate principal amount of US\$250,000,000 of the February 2021 Notes on February 18, 2020. The September 2021 Notes are listed on the SEHK. As of the date of this offering memorandum, all outstanding amount has been settled.

### ***Guarantee***

The obligations pursuant to the February 2021 Notes are guaranteed by our existing subsidiaries (the "February 2021 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the February 2021 Indenture. Each of the February 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the February 2021 Notes.

### ***Interest***

The February 2021 Notes bear an interest rate of 8.75% per annum, payable in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the February 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of Default***

The February 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the February 2021 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the February 2021 Indenture or the holders of at least 25% of the outstanding February 2021 Notes may declare the principal of the February 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

### ***Change of Control Triggering Event***

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding February 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Maturity and Redemption***

The maturity date of the February 2021 Notes is February 16, 2021.

At any time prior to February 16, 2021, we may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to February 16, 2021, we may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock in an Equity Offering at a redemption price of 108.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the February 2021 Notes at a redemption price equal to 100% of the principal amount of the February 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

### **June 2021 Notes**

On June 29, 2020, we entered into an indenture (as amended or supplemented from time to time, the “June 2021 Indenture”). Pursuant to the June 2021 Indenture, we issued an aggregate principal amount of US\$250,000,000 of the June 2021 Notes on June 29, 2020. The June 2021 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US\$250,000,000 principal amount of the June 2021 Notes is outstanding.

### ***Guarantee***

The obligations pursuant to the June 2021 Notes are guaranteed by our existing subsidiaries (the “June 2021 Subsidiary Guarantors”) other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the June 2021 Indenture. Each of the June 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the June 2021 Notes.

### ***Interest***

The June 2021 Notes bear an interest rate of 8.75% per annum, payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the June 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of Default***

The June 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the June 2021 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the June 2021 Indenture or the holders of at least 25% of the outstanding June 2021 Notes may declare the principal of the June 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

### ***Change of Control Triggering Event***

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding June 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Maturity and Redemption***

The maturity date of the June 2021 Notes is June 27, 2021.

At any time prior to June 27, 2021, we may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to June 27, 2021, we may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock in an Equity Offering at a redemption price of 108.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the June 2021 Notes at a redemption price equal to 100% of the principal amount of the June 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

### ***July 2022 Notes***

On October 29, 2020, we entered into an indenture (as amended or supplemented from time to time, the “July 2022 Indenture”). Pursuant to the July 2022 Indenture, we issued an aggregate principal amount of US\$200,000,000 of the July 2022 Notes on October 29, 2020. We also issued an additional US\$50,000,000 of the July 2022 Notes on November 23, 2020 and an additional US\$200,000,000 of the July 2022 Notes on January 13, 2021. The July 2022 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US\$450,000,000 principal amount of the July 2022 Notes is outstanding.

### ***Guarantee***

The obligations pursuant to the July 2022 Notes are guaranteed by our existing subsidiaries (the “July 2022 Subsidiary Guarantors”) other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the July 2022 Indenture. Each of the July 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the July 2022 Notes.

### ***Interest***

The July 2022 Notes bear an interest rate of 9.5% per annum, payable semi-annually in arrears.



## ***Covenants***

Subject to certain conditions and exceptions, the July 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

## ***Events of Default***

The July 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the July 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the July 2022 Indenture or the holders of at least 25% of the outstanding July 2022 Notes may declare the principal of the July 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

## ***Change of Control Triggering Event***

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding July 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

## ***Maturity and Redemption***

The maturity date of the July 2022 Notes is July 29, 2022.

At any time prior to July 29, 2022, we may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to July 29, 2022, we may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock in an Equity Offering at a redemption price of 109.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the July 2022 Notes at a redemption price equal to 100% of the principal amount of the July 2022 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

### **November 2021 Notes**

On November 23, 2020, we entered into an indenture (as amended or supplemented from time to time, the “November 2021 Indenture”). Pursuant to the November 2021 Indenture, we issued an aggregate principal amount of US\$50,000,000 of the November 2021 Notes on November 23, 2020. We also issued an additional US\$150,000,000 of the November 2021 Notes on November 27, 2020. The November 2021 Notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). As of the date of this offering memorandum, a total of US\$200,000,000 principal amount of the November 2021 Notes is outstanding.

### ***Guarantee***

The obligations pursuant to the November 2021 Notes are guaranteed by our existing subsidiaries (the “November 2021 Subsidiary Guarantors”) other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the November 2021 Indenture. Each of the November 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the November 2021 Notes.

### ***Interest***

The November 2021 Notes bear an interest rate of 8.875% per annum, payable in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the November 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of Default***

The November 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the November 2021 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the November 2021 Indenture or the holders of at least 25% of the outstanding November 2021 Notes may declare the principal of the November 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

### ***Change of Control Triggering Event***

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding November 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Maturity and Redemption***

The maturity date of the November 2021 Notes is November 22, 2021.

At any time prior to November 22, 2021, we may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to November 22, 2021, we may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock in an Equity Offering at a redemption price of 108.875% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the November 2021 Notes at a redemption price equal to 100% of the principal amount of the November 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

## DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “**Company**” refers only to Zhongliang Holdings Group Company Limited, a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a “**Subsidiary Guarantor**,” and each such Guarantee is referred to as a “**Subsidiary Guarantee**.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “**JV Subsidiary Guarantor**.”

The Notes are to be issued under an indenture (the “**Indenture**”), to be dated on or about May 20, 2021, among the Company, the Subsidiary Guarantors and China Construction Bank (Asia) Corporation Limited, as trustee (the “**Trustee**”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to, all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon written request and proof of holding to the satisfaction of the Trustee, during usual business hours on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

### Brief Description of the Notes

The Notes:

- are general obligations of the Company;
- are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- rank at least *pari passu* in right of payment with the Existing Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- are guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees” of this offering memorandum;
- are effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on May 19, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 8.5% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrears on November 20, 2021 and May 19, 2022 (each an “**Interest Payment Date**”). Interest on the Notes will be paid to the Holders of record at the close of business on November 5, 2021 and May 4, 2022 (each, a “**Record Date**”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the

basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register (as defined below) at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under the captions “— Optional Redemption” and “— Redemption for Taxation Reasons” below and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium (if any) on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying and Transfer Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the “**Additional Notes**”), subject to certain limitations described under the caption “— Further Issues.” Unless the context requires otherwise, references to the “**Notes**” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company, the Paying and Transfer Agent or the Registrar may require indemnity or payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying and Transfer Agent currently located at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided that*, if the Notes are in certificated form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed (at the expense of the Company) to the address of the Holders as such address appears in a register of noteholders (the “**Register**”) maintained by the Registrar (as defined below) or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

### **The Subsidiary Guarantees and the JV Subsidiary Guarantees**

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of Heng Rong Co., Limited, Zhongliang Hongkong Property Investment Group Co., Limited, Zhongliang International Development Company Limited and Ample Sino Investments Limited (collectively, the “**Initial Subsidiary Guarantors**”). The Initial Subsidiary Guarantors are holding companies that do not have significant operations. Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the “**Initial Other Non-Guarantor Subsidiaries**”) nor those Restricted Subsidiaries organized under the laws of the PRC (the “**PRC Non-Guarantor Subsidiaries**”) will be a Subsidiary Guarantor on the Original Issue Date. In addition, none of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary or Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) (in the case of a Restricted Subsidiary) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) (in the case of any other entity) is proposing to

purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or the relevant Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from causing such JV Subsidiary Guarantee to be provided or (b) requiring the Company or such Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
  - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “**JV Subsidiary Guarantee**”) and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Holders and the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that, under New York law, each such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “**New Non-Guarantor Subsidiaries**,” and together with the Initial Other Non-Guarantor Subsidiaries, the “**Other Non-Guarantor Subsidiaries**”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided that* after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of Total Assets.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “**Future Subsidiary Guarantor**” and upon execution of the applicable supplemental indenture to the Indenture will be a “**Subsidiary Guarantor**.” The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, Exempted Subsidiaries and Listed Subsidiaries, are referred to herein as the “**Non-Guarantor Subsidiaries**.”

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (including Restricted Subsidiaries organized under the laws of the PRC) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of December 31, 2020, the Company and its consolidated Subsidiaries had total debt of approximately RMB54,092.2 million (US\$8,290.0 million), of which approximately RMB37,776.4 million (US\$5,789.5 million) was secured debt.

As of December 31, 2020, the Non-Guarantor Subsidiaries had total debt of approximately RMB7,439.1 million (US\$1,140.1 million), capital commitments of approximately RMB51,892.9 million (US\$7,953.1 million) and contingent liabilities of approximately RMB72.9 million (US\$11.2 million).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium (if any) on and interest on, and all other amounts payable under, the Notes and the Indenture; *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be Guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees" of this offering memorandum.



## Release of the Subsidiary Guarantees or JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under the caption “— Defeasance — Defeasance and Discharge”;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under the captions “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes a new Non-Guarantor Subsidiary.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries that is also a Subsidiary Guarantor, and upon such release such Subsidiary Guarantor and such Restricted Subsidiaries will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes); *provided that*, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such New Non-Guarantor Subsidiaries and excluding Exempted Subsidiaries and Listed Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such relevant Restricted Subsidiary from permitting the release of such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers’ Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

## Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided that* the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing a JV Subsidiary Guarantee as described below, or (c) requiring the Company or such relevant Restricted Subsidiary to cause to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;
- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Certain Covenants — Limitation on Restricted Payments.”

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales” to the extent required.

As of the date of the Indenture, all of the Company's Subsidiaries will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate

certain Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not Guarantee the Notes.

### **Further Issues**

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “**Further Issue**”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided that* the issuance of any such Additional Notes shall then be permitted under the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” below.

### **Optional Redemption**

At any time prior to May 19, 2022, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying and Transfer Agent is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to May 19, 2022, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

### **Selection and Notice**

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption to the Holders (which notice shall be irrevocable) and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any national securities exchange and/or being held through any clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or in compliance with the requirements of the clearing systems through which the Notes are held, as applicable; or
- (2) if the Notes are not listed on any national securities exchange or held through any clearing system, on a *pro rata* basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

## **Repurchase of Notes upon a Change of Control Triggering Event**

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “**Change of Control Offer**”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (see the definition of “**Offer to Purchase**”).

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s and the Subsidiary Guarantors’ then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event” of this offering memorandum.

The phrase “all or substantially all,” as used with respect to the assets of the Company in the definition of “Change of Control,” will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

## **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

## **Additional Amounts**

All payments of principal of, and premium (if any) on and interest on the Notes or under the Subsidiary Guarantees and the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a “**Relevant Jurisdiction**”), or any jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “**Taxing Jurisdiction**”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
  - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
    - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
    - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, on and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
    - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder’s or its beneficial owner’s nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
    - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;
  - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

- (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);
  - (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**FATCA**”), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
  - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium on or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

### **Redemption for Taxation Reasons**

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, in whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the “**Tax Redemption Date**”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any Initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further verification, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

### **Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

#### ***Limitation on Indebtedness and Preferred Stock***

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness or issuance of Preferred Stock and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.25 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“**Permitted Indebtedness**”):
  - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
  - (b) any *Pari Passu* Guarantee;
  - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) (together with refinancings thereof); *provided that* such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g), (m) and (o) below);
  - (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided that* (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted

Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided further that* any Preferred Stock issued by a Subsidiary Guarantor or JV Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;

- (e) Indebtedness (“**Permitted Refinancing Indebtedness**”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “**refinance**,” and “**refinances**” and “**refinanced**” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (p), (q), (r), (s), (t), (u) or (v) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness, the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Non-Guarantor Subsidiary, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or such Restricted Subsidiary, as applicable, to fluctuations in interest rates, currencies or the price of commodities;



- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided that*, in the case of sub-clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (p), (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided that* such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant described under the caption "— Limitation on Issuances of Guarantees by Restricted Subsidiaries";

- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement;
- (p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary, and Indebtedness of the Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Company or a Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary held by such Trust Company Investor, *provided that*, on the date of such Incurrence of all such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clause (h) above and clauses (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h) and (p) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (r) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (s) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

- (t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
  - (u) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties and Guarantees thereof by the Company or any Restricted Subsidiary, *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
  - (v) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (v) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets; and
  - (w) Indebtedness constituting a Subordinated Shareholder Loan.
- (3) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in the first paragraph of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock in one or more types of such Indebtedness or Preferred Stock described above.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “**Restricted Payments**”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of any Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date, and (2) payments made by the Company and the Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, but excluding all other Restricted Payments permitted by the next succeeding paragraph), shall exceed the sum (without duplication) of:
  - (i) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2019 and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); *plus*
  - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than

Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; *plus*

- (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *plus*
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); *plus*
- (v) US\$50.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Restricted Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided, however, that* any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided, however, that* any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under paragraph (2)(p) of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (7) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided, however, that* any such cash payments shall not be for the purpose of evading the limitation of this covenant (as determined in good faith by the Board of Directors of the Company);
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such independent third party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;
- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) or (C) declaration or payment of dividends or other distributions in cash on Capital Stock of any Restricted Subsidiary held by any current or former office, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an employee benefit plan or employee incentive scheme; *provided that* the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock under (A), (B) and (C) above shall not exceed US\$10.0 million (or the Dollar Equivalent thereof) in any fiscal year, with any unused amount (representing the difference between such limit and the actual consideration paid) in any such fiscal year being carried over to the subsequent fiscal year;

- (10) declaration or payment of dividends in kind or other distributions in kind on Capital Stock of any Restricted Subsidiary held by any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an employee benefit plan or employee incentive scheme in the ordinary course of business, which are solely used to acquire Capital Stock of any Restricted Subsidiary engaged in any property development projects;
- (11) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (12) the payment of any dividend or distribution payable or paid in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;
- (13) the redemption, repurchase or other acquisition of or the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 25% of profit for year based on the consolidated financial statements of the Company in the immediate prior fiscal year;
- (14) payments, including distributions, made under or in connection with any Perpetual Securities Obligation pursuant to the terms thereof or in connection with a repurchase or redemption thereof;
- (15) the distributions or payments of Securitization Fees in connection with Receivable Financings; or
- (16) the payment by the Company of a dividend in respect of its Capital Stock, which dividend is declared on or prior to the Original Issue Date in an amount as announced on the Hong Kong Stock Exchange,

*provided that*, in the case of clauses (2), (3), (4), (8) and (13) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clauses (1) and (13) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payments set forth in clauses (5) through (16) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof). Notwithstanding any other provision of this covenant, in the case of a declaration of dividend with respect to the Company's or any Restricted Subsidiary's Capital Stock which involves a scrip dividend option, such Restricted Payment shall be deemed to be made only when the cash component of such dividend is finally determinable by the Company or such Restricted Subsidiary.

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (16) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this covenant and paragraph (17) of the definition of “Permitted Investment” at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of such paragraphs.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
  - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
  - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
  - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

*provided that* for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm’s length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
  - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, or under any *Pari Passu* Guarantee, or any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor guaranteed by any *Pari Passu* Guarantee and, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (b) existing under or by reason of applicable law, rule, regulation or order;
  - (c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;



- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants described under the captions “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales”;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock or Disqualified Stock permitted under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (g) existing in customary provisions in shareholders’ agreement, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

### ***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary or, in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company and/or the Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the covenant described under the caption "— Limitation on Restricted Payments" if made on the date of such sale or issuance and *provided that* the Company complies with the covenant described under the caption "— Limitation on Asset Sales"; or
- (4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the covenant described under the caption "— Limitation on Asset Sales."

### ***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clause (2)(c), (d) or (q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of bank accounts, deposits or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

### *Limitation on Transactions with Shareholders and Affiliates*

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “**Affiliate Transaction**”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company issued by an accounting, appraisal or investment banking firm of international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Hong Kong Stock Exchange Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; or
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of the Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (17) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the covenant described under the caption “— Limitation on Restricted Payments,” (ii) transactions pursuant to agreements in effect on the Original Issue Date and disclosed publicly by the Company through announcements on the Stock Exchange of Hong Kong Limited, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and the Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (A) between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, (B) between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, or (C) between or among the Company or a Restricted Subsidiary on the one hand and any Minority Joint Venture or Unrestricted Subsidiary on the other; *provided that* in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business, (b) in the case of a non-Wholly Owned Restricted Subsidiary, none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary or Minority Joint Venture of the Company and (iv) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited.

#### ***Limitation on Liens***

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require and subject to such terms as it may agree) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

#### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of the Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

- (3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

#### ***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that*, in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$15.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
  - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, if any, or any Indebtedness of a Non-Guarantor Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) that will be used in a Permitted Business (including any Capital Stock in a person holding such property or assets that is primarily engaged in a Permitted Business) (“**Replacement Assets**”).

*provided that*, Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “**Excess Proceeds**.” Excess Proceeds of less than US\$20.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated.

When accumulated Excess Proceeds exceeds US\$20.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis by lot or such other method the Trustee determines in its sole and absolute discretion. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

#### ***Limitation on the Company's Business Activities***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however, that* the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

#### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum (or in the case of Additional Notes, the offering or other document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any credit support in compliance with clause (6) of this paragraph) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be

Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

### ***Government Approvals and Licenses; Compliance with Law***

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and the Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (if any) to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

### ***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

### ***Suspension of Certain Covenants***

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from the Rating Agency, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;

- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (7) “— Certain Covenants — Limitation on Asset Sales”;
- (8) Clause (4) under the first and second paragraphs of the covenant described under “— Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

#### ***Provision of Financial Statements and Reports***

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that*, if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
  - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
  - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis and in English language), including a



statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio thereof, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided that* the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default or an Event of Default, an Officers' Certificate setting forth the details of the Default or the Event of Default, and the action which the Company proposes to take with respect thereto.

### **Events of Default**

The following events will be defined as "**Events of Default**" in the Indenture:

- (1) default in the payment of principal of (or premium (if any) on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under the caption "**— Consolidation, Merger and Sale of Assets,**" the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "**— Repurchase of Notes upon a Change of Control Triggering Event**" or "**— Certain Covenants — Limitation on Asset Sales**";
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$30.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of the Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$30.0 million (or the Dollar Equivalent

thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company); or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security to its satisfaction, declare the principal of, premium (if any) on and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal, premium (if any) and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium (if any) on and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium (if any) on and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction,

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium (if any) and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability or that is unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action that is not inconsistent with any such direction received from Holders. The Trustee shall not be required to expend its own funds in following such direction if it does not believe that reimbursement or indemnity and/or security to its satisfaction is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security satisfactory to it; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the written request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium (if any) on or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Indenture and that the Company and the Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Certain Covenants — Provision of Financial Statements and Reports."

The Trustee and the Agents are not obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders for any loss arising from any failure by it to do so. The Trustee and the Agents may assume that no such Event of Default or Default has occurred and that the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are performing their respective obligations under the Indenture and the Notes unless the Trustee and the Agents have received written notice of the occurrence of an Event of Default or Default. The Trustee and the Agents are entitled to conclusively rely, without liability, on any Officers' Certificate regarding whether or not a Default or an Event of Default has occurred and is continuing.

## Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and the Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “**Surviving Person**”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this caption, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and the Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary

Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred,

*provided that* this paragraph shall not apply to any sale or other disposition that complies with the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales” or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor that may adversely affect Holders.

### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, (ii) Holders or beneficial owners of the Notes that are located in the U.S. or are “U.S. Persons” as defined in Regulation S under the Securities Act, and (iii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

## **Defeasance**

### ***Defeasance and Discharge***

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium (if any) on and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally- recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium (if any) on and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;
- (3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

### ***Defeasance of Certain Covenants***

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under the captions “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (ii) clause (3) under “— Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in clause (i) above, clause (4) under “— Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium (if any) on and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

### ***Defeasance and Certain Other Events of Default***

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will remain liable for such payments.

### **Amendments and Waiver**

#### ***Amendments Without Consent of Holders***

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;
- (2) comply with the provisions described under the caption “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add or release any collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement in accordance with the Indenture;

- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (9) make any other change that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

#### ***Amendments With Consent of Holders***

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes or the Trustee may amend or waive future compliance by the Company with any provision thereof; *provided, however, that* no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium (if any) on or interest on, any Note;
- (3) change the currency of payment of principal of, or premium (if any) on or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium (if any) on or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provision in the covenants,



definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “Certain Covenants — Limitation on Asset Sales”;

- (11) change the redemption date or the redemption price of the Notes from that stated under the caption “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (12) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which materially and adversely affects the Holders.

### **Unclaimed Money**

Claims against the Company for the payment of principal of, premium (if any) on or interest on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

### **No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium (if any) on or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

### **Concerning the Trustee and the Agents**

China Construction Bank (Asia) Corporation Limited will be appointed as trustee under the Indenture, and also as registrar (the “**Registrar**”), and also as paying and transfer agent (the “**Paying and Transfer Agent**”, and together with the Registrar, the “**Agents**”) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and the Notes, and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates and can profit therefrom without being obliged to account for such profit. The Trustee and the Agents may have an interest in or may be providing or may in the future provide financial or other services to other parties; *provided, however, that* if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee and the Agents shall not be deemed to have knowledge of any Event of Default or Default unless it has received express written notice of such Event of Default or Default.

Under the Indenture, the Trustee is entitled to be indemnified and/or secured and relieved from liability or responsibility in certain circumstances and will be paid its fees, costs, expenses and indemnity in priority to the claims of the Holders.

### **Book-Entry; Delivery and Form**

The Notes will be represented by a global note in registered form without interest coupons attached (the “**Initial Global Note**”). On the Original Issue Date, the Initial Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “**Additional Global Notes**” and, together with the Initial Global Note, the “**Global Notes**”).

### **Global Notes**

Ownership of beneficial interests in the Initial Global Note (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 “— Individual Definitive 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 Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

### **Payments on the Global Notes**

Payments of any amounts owing in respect of the Global Notes (including principal, premium (if any), interest and Additional Amounts) will be made to the Paying and Transfer Agent in U.S. dollars. The Paying and Transfer Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under the caption “— Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take any action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### **Redemption of Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however, that* no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

### **Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions" of this offering memorandum.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note

and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

### **Global Clearance and Settlement Under the Book-Entry System**

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

### **Information Concerning Euroclear and Clearstream**

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

### **Individual Definitive Notes**

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing

system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

## **Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at the principal office of the Company; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be, and no separate notices to the Holders are required under the above paragraph. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

## **Consent to Jurisdiction; Service of Process**

The Company and each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

## **Governing Law**

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

## **Definitions**

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

**"Acquired Indebtedness"** means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

**"Adjusted Treasury Rate"** means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after May 19, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined

and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“**Affiliate**” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, at any time during the period for which the determination of affiliation is made; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“**Applicable Premium**” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) 100% of the principal amount of such Note on May 19, 2022, plus (y) all required remaining scheduled interest payments due on such Note through May 19, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“**Asset Acquisition**” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“**Asset Disposition**” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“**Asset Sale**” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided that* “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption “— Certain Covenants — Limitation on Restricted Payments”;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant described under the caption “— Consolidation, Merger and Sale of Assets”; and
- (7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“**Attributable Indebtedness**” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“**Average Life**” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“**Bank Deposit Secured Indebtedness**” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a Guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and the Restricted Subsidiaries to in effect exchange foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

“**Board of Directors**” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“**Board Resolution**” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“**Business Day**” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“**Capitalized Lease**” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, *provided* that Capitalized Lease shall not include any lease which would have been classified as an “operating lease” before the adoption of GAAP 16.

“**Capitalized Lease Obligations**” means the discounted present value of the rental obligations under a Capitalized Lease.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

**“Change of Control”** means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

**“Change of Control Triggering Event”** means the occurrence of both a Change of Control and a Rating Decline.

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

**“Commodity Hedging Agreement”** means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

**“Common Stock”** means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

**“Comparable Treasury Issue”** means the U.S. Treasury security having a maturity comparable to May 19, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to May 19, 2022.

**“Comparable Treasury Price”** means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Company) Reference Treasury Dealer Quotations for such redemption date.

**“Consolidated Assets”** means, with respect to any Restricted Subsidiary at any date of determination, the Company and the Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and the Restricted Subsidiaries (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).



“**Consolidated EBITDA**” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and the Restricted Subsidiaries in conformity with GAAP; *provided that* (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“**Consolidated Fixed Charges**” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Fixed Charges.

“**Consolidated Interest Expense**” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and the Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and the Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees and Liens on any Capital Stock of a Person that is not a Restricted Subsidiary), only to the extent such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest; *provided that* Consolidated Interest Expense shall not include (x) interest expense attributable to leases which would have been classified as “operating leases” before the adoption of GAAP 16 and (y) interest expense accruing on pre-sale receipts in advance from customers; and *provided further* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on

a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Interest Expense.

“**Consolidated Net Income**” means, for any period, the aggregate of the net income (or loss) of the Company and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
  - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
  - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains,

*provided that* (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as

determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“**Consolidated Net Worth**” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for *Indebtedness*, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“**Contractor Guarantees**” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“**Credit Facilities**” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (*provided that* such increase is permitted under the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“**Currency Agreement**” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“**Default**” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“**Disqualified Stock**” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such

Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event.”

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“**Entrusted Loans**” means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided that* such borrowings are not reflected as borrowings on the consolidated balance sheet of the Company.

“**Equity Offering**” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided that* any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

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

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Exempted Subsidiary**” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided that* (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“**Existing Notes**” means (i) the US\$400 million 11.5% senior notes due 2021 issued by the Issuer pursuant to an indenture dated as of September 26, 2019 (as such may be amended, supplemented or modified from time to time), (ii) the US\$250 million 8.75% senior notes due 2021 issued by the Issuer pursuant to an indenture dated as of June 29, 2020 (as such may be amended, supplemented or modified from time to time), (iii) the US\$450 million 9.5% senior notes due 2022 issued by the Issuer pursuant to an indenture dated as of October 29, 2020 (as such may be amended, supplemented or modified from time to time), (iv) the US\$200 million 8.875% senior notes due 2021 issued by the Issuer pursuant to an indenture dated as of November 23, 2020 (as such may be amended, supplemented or modified from time to time) and (v) the US\$250 million 7.50% senior notes due 2022 issued by the Issuer pursuant to an indenture dated as of February 1, 2021 (as such may be amended, supplemented or modified from time to time).

“**Fair Market Value**” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of international standing appointed by the Company.

“**Fitch**” means Fitch Ratings Ltd. and its successors.

“**Fixed Charge Coverage Ratio**” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “**Four Quarter Period**”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided that*, to the extent that clause (d) or (e) of this paragraph requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“**GAAP**” means generally accepted accounting principles in Hong Kong as in effect from time to time.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“**Holder**” means the Person in whose name a Note is registered in the Register.

“**Incur**” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “**Incurrence**,” “**Incurred**” and “**Incurring**” have meanings correlative with the foregoing.

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, (2) Entrusted Loans, or (3) any Perpetual Securities Obligation; *provided that* such Indebtedness is not reflected on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*:

- (1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

“**Independent Third Party**” means any Person that is not an Affiliate of the Company.

“**Interest Rate Agreement**” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“**Investment**” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“**Investment 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 Fitch or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies which shall have been designated by the Company as having been substituted for Fitch.

“**Investment Property**” means any property that is owned and held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned or held by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“**JV Entitlement Amount**” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or the Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“**JV Subsidiary Guarantee**” has the meaning set forth under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“**JV Subsidiary Guarantor**” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“**Lien**” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“**Listed Subsidiary**” means any Restricted Subsidiary, any class of Voting Stock of which is listed on a Qualified Exchange, and any Restricted Subsidiary of a Listed Subsidiary; *provided that* such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“**Measurement Date**” means September 26, 2019.

“**Minority Interest Staged Acquisition Agreement**” means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.



“**Minority Joint Venture**” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“**Moody’s**” means Moody’s Investors Service, Inc. and its successors.

“**Net Cash Proceeds**” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“**Offer to Purchase**” means an offer to purchase Notes by the Company from the Holders commenced by the Company sending a notice to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying and Transfer Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying and Transfer Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying and Transfer Agent money sufficient to pay the purchase price of all Notes or portions thereof tendered pursuant to an Offer to Purchase. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company.

The Paying and Transfer Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“**Officer**” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“**Officers’ Certificate**” means a certificate signed by two Officers; *provided, however, that*, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

“**Opinion of Counsel**” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“**Original Issue Date**” means the date on which the Notes are originally issued under the Indenture.

“**Pari Passu Guarantee**” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor or JV Subsidiary Guarantor; *provided that* (1) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“**Permitted Businesses**” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date, which, for the avoidance of doubt, shall include, among others, the real estate development business and financial investment in real estate industry.

“**Permitted Holders**” means any or all of the following:

- (1) Mr. Yang Jian and Ms. Xu Xiaoqun;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1);
- (3) the estate, trust and any immediate family member of the Persons listed in clause (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

“**Permitted Investment**” means:

- (1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more other Restricted Subsidiaries, that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;

- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Certain Covenants — Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under the caption “— Certain Covenants — Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any Restricted Subsidiary (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) Guarantees permitted under the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (17) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) made in the ordinary course of business by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary); *provided that:*
  - (i) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed in aggregate an amount equal to 25% of Total Assets.

Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (17) since the Original Issue Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (17), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
- (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
- (C) to the extent that an Investment made after the Original Issue Date under this clause (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,
- (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in each case, the amount of Investments made pursuant to this clause (17) by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person, or
- (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this definition),

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (17);

- (ii) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (17) is a Person described in clause (x) or (y) of the first paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary, Minority Joint Venture or Unrestricted Subsidiary of the Company) and
- (iii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (17) shall be valued at the time such Investment is made;

- (18) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;
- (19) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

- (20) repurchases of the Notes;
- (21) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement; and
- (22) Investment that has been agreed to or is otherwise obligated to be made pursuant to an agreement or similar instrument in existence on the Original Issue Date.

“**Permitted Liens**” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or the Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further that* such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;

- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property; *provided that*, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided that*, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens granted by the Company or a Restricted Subsidiary in favor of a Trust Company Investor in respect of, and to secure, the Indebtedness permitted under paragraph (2)(p) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

- (21) Liens securing Indebtedness permitted under clauses (2)(n) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(o) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (23) Liens incurred on bank accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness;
- (24) Liens securing Indebtedness permitted under clauses (2)(r), (s), (t), (u) or (v) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (25) Liens incurred or deposits made to secure Entrusted Loans; and
- (26) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under the caption “— Certain Covenants-Limitation on Indebtedness and Preferred Stock.”

“**Permitted Subsidiary Indebtedness**” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(b), (d), (f), (g), (m) and (o) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of Total Assets.

“**Perpetual Securities Obligation**” means perpetual securities that are accounted for as equity in accordance with the relevant generally accepted accounting principles.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**PRC**” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“**PRC CJV**” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on November 4, 2017 and effective on November 5, 2017) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on November 17, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations). Since the Foreign Investment Law of the People’s Republic of China came into force on January 1, 2020, the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures was then abolished. Foreign-funded enterprises are no longer categorized as Wholly Foreign-Owned Enterprises, Sino-foreign Equity Joint Ventures and Sino-foreign Cooperative Joint Ventures. PRC CJV formed under the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures before the Foreign Investment Law of the People’s Republic of China came into force may maintain their original business forms for another five years. The Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures was also replaced by the Regulation for Implementing the Foreign Investment Law of the People’s Republic of China which came into force on January 1, 2020

“**PRC CJV Partner**” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.



**“Pre-Registration Mortgage Guarantee”** means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided that*, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

**“Preferred Stock”** as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

**“Public Indebtedness”** means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

**“Qualified Exchange”** means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

**“Rating Agency”** means Fitch, provided that if Fitch shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies selected by the Company, which shall be substituted for Fitch.

**“Rating Category”** means (1) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (2) the equivalent of any such category of Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

**“Rating Date”** means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

**“Rating Decline”** means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by the Rating Agency) of any of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets,” the notification by the Rating Agency that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by the Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (b) in the event the Notes are rated below Investment Grade by the Rating Agency on the Rating Date, the rating of the Notes by the Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

**“Receivable Financing”** means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities by such other Person that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

**“Receivable Financing Assets”** means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

**“Reference Treasury Dealer”** means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

**“Reference Treasury Dealer Quotations”** means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

**“Restricted Subsidiary”** means any Subsidiary of the Company other than an Unrestricted Subsidiary.

**“S&P”** means Standard & Poor’s Ratings Services and its affiliates.

**“Sale and Leaseback Transaction”** means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended.

**“Securitization Fees”** means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

**“Senior Indebtedness”** of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

**“Significant Subsidiary”** means a Restricted Subsidiary, or any group of Restricted Subsidiaries, when taken together and consolidated with its or their Restricted Subsidiaries, that would be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date, if any of the conditions exceeds 5%.

**“Staged Acquisition Agreement”** means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

**“Stated Maturity”** means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

**“Subordinated Indebtedness”** means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

**“Subordinated Shareholder Loan”** means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest or premium (if any).

**“Subsidiary”** means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is “controlled” and consolidated by such Person in accordance with GAAP; *provided, however, that* with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

**“Subsidiary Guarantee”** means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

**“Subsidiary Guarantor”** means any Initial Subsidiary Guarantor and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided that* Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

**“Temporary Cash Investment”** means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case

maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;

- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits, money market deposits with any bank, trust company or financial institution organized under the laws of the PRC, Hong Kong or any other jurisdiction where the Company or any Restricted Subsidiary conducts business; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“**Total Assets**” means, as of any date, the total consolidated assets of the Company and the Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that*:

- (1) only with respect to clause (2)(h) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness;

- (2) only with respect to clause (2)(t) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a new Non-Guarantor Subsidiary, *pro forma* effect shall at such time be given to the consolidated assets of such new Non-Guarantor Subsidiary (including giving *pro forma* effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a new Non-Guarantor Subsidiary).

“**Trade Payables**” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“**Transaction Date**” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“**Trust Company Investor**” means an Independent Third Party that is a bank, financial institution, insurance company, trust company, fund management company, asset management company organized under the laws of the PRC, Hong Kong Special Administrative Region, Macau Special Administrative Region or overseas countries or territories or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“**Unrestricted Subsidiary**” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“**U.S. Government Obligations**” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“**Wholly Owned**” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

## TAXATION

*The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, 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 advisers 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.*

### CAYMAN ISLANDS

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. The holder of any Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands courts.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Financial Secretary in the Cayman Islands in the following form:

“The Tax Concessions Law  
Undertaking As To Tax Concessions  
In accordance with the Tax Concessions Law the following undertaking is hereby given to:  
Zhongliang Holdings Group Company Limited “the Company”

- (a) That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable
  - (i) on or in respect of the shares debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law.

These concessions shall be for a period of THIRTY years from the 7th day of November 2018.”

The Cayman Islands does not have any income tax treaty arrangement with any country, however the Cayman Islands has entered into tax information exchange agreements with a number of countries.

## **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. 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 or payments the Subsidiary Guarantors or JV Subsidiary Guarantors may make under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any).

## **HONG KONG**

**Withholding Tax.** No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) and interest in respect of the Notes.

**Profits Tax.** Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and 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
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale, redemption or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

**Stamp Duty.** No Hong Kong stamp duty will be chargeable upon the issue, redemption or transfer of the Notes as the Notes are not denominated in H.K. dollars and not redeemable in H.K. dollars.

## **PRC**

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, 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 advisers 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.

*Taxation on Interest and Capital Gains.* Under the PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest payable to investors that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, or 20% for “non-resident individuals” investors (or lower treaty rate, if any), if we are deemed to be a PRC “resident enterprise” and the interest is deemed as PRC-source income. Any gain realized on the transfer of the Notes by such “non-resident enterprises” investors would be subject to a 10%, or 20% for “non-resident individuals” investors (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC “resident enterprise”. There is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. See “Risk Factors — Risks Relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees — Under the EIT Law we may be classified as a “resident enterprise” of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes.” If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

*Value-added Tax.* On March 23, 2016, the MOF and the SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) (the “Circular 36”) which confirms that business tax was replaced by value-added tax (“VAT”) from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT. According to Circular 36 Notice, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes may be treated as the holders of the Notes providing loans to the Issuer, which thus shall be regarded as financial services subject to the VAT.

It is not clear from the interpretation of Circular 36 if the provision of loans to the Issuer could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as “resident enterprises” under the EIT Law. PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because the Issuer is treated as a PRC tax resident. In such case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, the holders of the Notes shall be subject to the VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. In that case, given that the Issuer pays interest income to the holders of the Notes who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold the VAT and local levies from the payment of interest income to holders of the Notes who are located outside of the PRC. Further, the payments of the interest and other interest like earnings may be subject to VAT in the event that any Subsidiary Guarantor is required to discharge its obligations under the Subsidiary Guarantee.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.



Given Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. Accordingly, there is uncertainty as to the application of Circular 36.

*Stamp Duty.* 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.

## PLAN OF DISTRIBUTION

UBS AG Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China CITIC Bank International Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Company Limited, Standard Chartered Bank and Vision Capital International Holdings Limited are acting as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated May 10, 2021, each Initial Purchaser named below has severally but not jointly agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

<b>Initial Purchaser</b>	<b>Principal Amount of Notes</b>
UBS AG Hong Kong Branch . . . . .	US\$60,000,000
The Hongkong and Shanghai Banking Corporation Limited . . . . .	US\$45,000,000
Guotai Junan Securities (Hong Kong) Limited . . . . .	US\$30,000,000
BOCI Asia Limited . . . . .	US\$24,000,000
BOCOM International Securities Limited . . . . .	US\$18,000,000
CCB International Capital Limited . . . . .	US\$24,000,000
China CITIC Bank International Limited . . . . .	US\$9,000,000
CMB International Capital Limited . . . . .	US\$24,000,000
Credit Suisse (Hong Kong) Limited . . . . .	US\$9,000,000
Deutsche Bank AG, Hong Kong Branch . . . . .	US\$24,000,000
Haitong International Securities Company Limited . . . . .	US\$6,000,000
Standard Chartered Bank . . . . .	US\$15,000,000
Vision Capital International Holdings Limited . . . . .	US\$12,000,000
<b>Total</b> . . . . .	<b>US\$300,000,000</b>

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to certain other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, the Company has agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

During the period beginning on the date hereof and continuing to the Closing Date, without the prior written consent of the Initial Purchasers, none of the Issuer and the Subsidiary Guarantors will offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any debt securities issued or guaranteed by the Issuer or the Subsidiary Guarantors.

The Notes will constitute a new class of securities with no established trading market. 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. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering of the Notes, the Initial Purchasers (other than China CITIC Bank International Limited) may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make 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, neither we nor the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the seventh business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in four business days; purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+7, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next two succeeding business days should consult their own advisor.

The Initial Purchasers or their respective affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes, all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indenture.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering, but not with a view to distribute, and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchaser and/or its affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

We have been advised that the Initial Purchasers presently intends to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchaser is not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchaser. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers and their respective affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including S-16 bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Company or its subsidiaries, jointly controlled entities or associated companies, including the Notes, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the

secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes may be purchased by or be allocated to any Initial Purchasers or an affiliate for asset management and/or proprietary purposes but not with a view to distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. We may from time to time enter into hedging or other derivative transactions, including swap agreements, future or forward contracts, option agreements or other similar arrangements, as part of our risk management strategy with the Initial Purchasers or their respective affiliates, which may include transactions relating to our obligations under the Notes all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral permitted under the Indenture.

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

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

## **SELLING RESTRICTIONS**

### **General**

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

### **PRIIPs/Prohibition of Sales to EEA Retail Investors**

Each Initial Purchaser has represented and agreed that it has 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 (“EEA”).

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 Directive 2014/65/EU (as amended, “MiFID II”); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA. Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA 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.

## **United States**

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.” The Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

## **United Kingdom**

### ***Prohibition of Sales to UK Retail Investors***

Each Initial Purchaser has represented and agreed that it has 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 (“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 provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

### ***Other Regulatory Restrictions***

Each Initial Purchaser has represented and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any of the Subsidiary Guarantors; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## **Hong Kong**

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the

contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may 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 pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

## **Singapore**

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes may not be circulated or distributed, whether directly or indirectly, to persons 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), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each 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:
  - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (ii) where no consideration is or will be given for the transfer;
  - (iii) where the transfer is by operation of law;
  - (iv) as specified in Section 276(7) of the SFA; or
  - (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Notes 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).*

## **PRC**

The Initial Purchasers have acknowledged that this offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Initial Purchasers have represented and agreed that, except to the extent consistent with applicable laws and regulations 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. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

## **Cayman Islands**

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and no such invitation is made hereby. The Initial Purchasers have represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the Notes.

## **British Virgin Islands**

No invitation will be made directly or indirectly the public in the British Virgin Islands or to any person resident or citizen in the British Virgin Islands to subscribe for any of the Notes. This offering memorandum does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.



## TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes, including the Subsidiary Guarantees (collectively, the “Securities”).

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

1. You understand and acknowledge that:
  - the Securities have not been registered under the Securities Act or any other applicable securities laws;
  - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
  - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NOTE (COLLECTIVELY, THE “SECURITY”) 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 OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

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

## **RATINGS**

The Notes are expected to be rated B+ by Fitch Ratings. We have been assigned a long-term corporate credit rating of B1 with a positive outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. We cannot assure you that the ratings on the Notes or our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

## **LEGAL MATTERS**

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law and Walkers (Hong Kong) as to matters of Cayman Islands law and BVI law. Certain legal matters will be passed upon for the Initial Purchasers by Norton Rose Fulbright Hong Kong as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

## **INDEPENDENT ACCOUNTANTS**

The accountants' report on the financial information as of and for the years ended December 31, 2018, 2019 and 2020 included in this offering memorandum have been issued and audited by Ernst & Young, certified public accountants, as stated in their reports appearing herein.

## GENERAL INFORMATION

### CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the BVI and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated May 9, 2021.

### LITIGATION

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

### NO MATERIAL ADVERSE CHANGE

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

### DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee, following prior written request and proof of holding and identity satisfactory to the Trustee.

For so long as any of the Notes is outstanding, copies of the independent auditor's reports and/or review report and/or our published financial statements, if any, including the independent auditor's reports and/or review report set out in the section entitled "Index to Financial Information" in this offering memorandum, together with the Data Privacy Notice, may be obtained during normal business hours on any weekday (except public holidays) at the principal/registered office of the Company.

### CLEARING SYSTEMS AND SETTLEMENT

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

	<u>ISIN</u>	<u>Common Code</u>
Notes . . . . .	XS2341214059	234121405

### LISTING OF THE NOTES

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 as described in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the correctness of any statements made on opinions or reports contained in this offering memorandum, 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 offering memorandum.

## INDEX TO FINANCIAL INFORMATION

### Audited Financial Statements as of and for the year ended December 31, 2020

	<u>F-pages</u>	<u>2020 Annual Report</u>
Independent Auditor's Report . . . . .	F-2	117
Consolidated Statement of Profit or Loss . . . . .	F-13	128
Consolidated Statement of Comprehensive Income . . . . .	F-14	129
Consolidated Statement of Financial Position . . . . .	F-15	130
Consolidated Statement of Changes in Equity . . . . .	F-17	132
Consolidated Statement of Cash Flows . . . . .	F-19	134
Notes to Financial Statements . . . . .	F-22	137

### Audited Financial Statements as of and for the year ended December 31, 2019

	<u>F-pages</u>	<u>2019 Annual Report</u>
Independent Auditor's Report . . . . .	F-206	83
Consolidated Statements of Profit or Loss . . . . .	F-212	89
Consolidated Statements of Comprehensive Income . . . . .	F-213	90
Consolidated Statements of Financial Position . . . . .	F-214	91
Consolidated Statements of Changes in Equity . . . . .	F-216	93
Consolidated Statements of Cash Flows . . . . .	F-217	94
Notes to Financial Statements . . . . .	F-219	96

# 獨立核數師報告

## 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

致中梁控股集團有限公司列位股東

(於開曼群島註冊成立的有限公司)

To the shareholders of Zhongliang Holdings Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

### 意見

吾等已審計載列於第128頁至第318頁的中梁控股集團有限公司(「貴公司」)及其附屬公司(「貴集團」)的綜合財務報表，此綜合財務報表包括於2020年12月31日的綜合財務狀況表與截至該日止年度的綜合損益表、綜合全面收益表、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

吾等認為，綜合財務報表已根據國際會計準則委員會(「國際會計準則委員會」)頒佈的國際財務報告準則(「國際財務報告準則」)真實而公平地反映了貴集團於2020年12月31日的綜合財務狀況以及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港公司條例的披露規定妥為擬備。

### OPINION

We have audited the consolidated financial statements of Zhongliang Holdings Group Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 128 to 318, 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 International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## 獨立核數師報告 Independent Auditor's Report

### 意見的基礎

吾等已根據香港會計師公會(「香港會計師公會」)頒佈的香港審計準則(「香港審計準則」)進行審計。吾等在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」一節作進一步闡述。根據香港會計師公會頒佈的專業會計師道德守則(「守則」)，吾等獨立於貴集團，並已履行守則中的其他職業道德責任。吾等相信，吾等所獲得的審計憑證能充足及適當地為吾等的意見提供基礎。

### 關鍵審計事項

關鍵審計事項是根據吾等的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在對綜合財務報表整體進行審計並形成意見的背景下來進行處理的，吾等不對這些事項提供單獨的意見。吾等對下述每一事項在審計中是如何處理的描述也以此為背景。

吾等已經履行了本報告「核數師就審計綜合財務報表承擔的責任」一節闡述的責任，包括與這些事項相關的責任。相應地，吾等的審計工作包括執行為應對評估的綜合財務報表重大錯誤陳述風險而設計的程序。審計程序的結果包括處理下述事項所執行的程序，為就隨附的綜合財務報表的審計意見提供了基礎。

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“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.

## 獨立核數師報告 Independent Auditor's Report

### 關鍵審計事項 (續)

### KEY AUDIT MATTERS (Continued)

#### 關鍵審計事項 Key audit matter

#### 吾等的審計如何處理關鍵審計事項 How our audit addressed the key audit matter

#### 於一段時間內確認物業銷售所得收入

#### *Recognition of revenue from sales of properties over time*

貴集團履行銷售合約並無創建對 貴集團而言有其他用途之資產，而 貴集團對至今已完成履約具有強制執行付款請求權，則於一段時間內確認物業銷售所得收入；否則，收入於買家取得竣工物業控制權的時點確認。截至2020年12月31日止年度， 貴集團物業銷售所得收入為人民幣65,500,822,000元，其中於一段時間內確認的收入為人民幣3,595,470,000元。

由於與買家的合約限制， 貴集團不得更改或替換物業單位，或改變物業單位的用途，因此 貴集團並不能將該物業單位用於其他用途。釐定是否具有可強制執行的付款請求權(取決於銷售合約條款及該合約適用的法律解釋)涉及管理層的重大判斷。 貴集團已就是否對銷售合約具有可強制執行的付款請求權取得法律顧問意見。管理層根據法律顧問意見作出判斷解釋適用法律，以識別銷售合約是否具有付款請求權。

為評估管理層對收入確認的判斷，吾等已：

- (i) 了解並評估管理層識別銷售合約是否具有付款請求權的過程及程序；
- (ii) 審查樣本銷售合約的關鍵條款，以根據合約條款評估是否具有付款請求權；
- (iii) 獲得並評估 貴集團法律顧問的意見，特別是關於法律顧問對適用法律的解釋及其對是否具有可強制執行付款請求權的評估的影響；及
- (iv) 評估管理層聘請的法律顧問的能力、經驗及客觀性。



## 獨立核數師報告 Independent Auditor's Report

### 關鍵審計事項 (續)

### KEY AUDIT MATTERS (Continued)

#### 關鍵審計事項 Key audit matter

#### 吾等的審計如何處理關鍵審計事項 How our audit addressed the key audit matter

#### 於一段時間內確認物業銷售所得收入 (續)

#### Recognition of revenue from sales of properties over time (Continued)

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2020 revenue of the Group from sales of properties was RMB65,500,822,000, of which RMB3,595,470,000 was recognised over time.

The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of a sales contract and the interpretation of the applicable laws that apply to the contract. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without the right.

In assessing management's judgements on revenue recognition, we have:

- (i) understood and evaluated management's process and procedures in identifying sales contracts with or without right to payment;
- (ii) reviewed the key terms of a sample sales contracts to assess the presence of the right to payment based on the contract terms;
- (iii) obtained and evaluated the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; and
- (iv) assessed the competence, experience and objectivity of the legal counsel engaged by the management.

## 獨立核數師報告 Independent Auditor's Report

### 關鍵審計事項 (續)

### KEY AUDIT MATTERS (Continued)

#### 關鍵審計事項 Key audit matter

#### 吾等的審計如何處理關鍵審計事項 How our audit addressed the key audit matter

#### 於一段時間內確認物業銷售所得收入 (續)

#### Recognition of revenue from sales of properties over time (Continued)

此外，就於一段時間內確認物業銷售所得收入而言，貴集團透過衡量於年末已完成履約義務的進度確認收入。進度按貴集團為完成履約義務而作出的努力或投入衡量，及參考銷售合約中各物業單位截至年末已產生的開發成本佔總估計開發成本百分比計算。貴集團根據物業類型及可售樓面面積分攤共同成本。釐定估計總開發成本的完整性及在年末已完成履約義務的進度的準確性須作出重大判斷及估計。

由於涉及的重大判斷及估計，吾等將於一段時間內確認的物業銷售所得收入作為一件關鍵審計事項。

有關物業銷售所得收入的披露載於綜合財務報表附註2.4、3及5。

關於估計總開發成本及已完成履約義務的進度的準確性，吾等已執行以下程序：

- (i) 了解成本預算及估計完成過程的內部控制以及生成項目及物業單元成本數據的內部控制，評估並測試設計及營運效益；
- (ii) 以抽樣方式對比已竣工項目的實際開發成本與管理層先前估計的總開發成本以評估管理層以往作出成本估計的準確性及成本估計方法的可靠性及恰當性；
- (iii) 以抽樣方式評估項目單位共同成本分攤的合理性；
- (iv) 經考慮物業類型及可售樓面面積，以抽樣方式與竣工項目及物業單位的實際成本進行比較，核查發展中項目及物業單位成本預算；
- (v) 以抽樣方式將發展中項目及物業單位的估計總開發成本與管理層批准的預算進行比較；
- (vi) 以抽樣方式檢查相關支持性檔案及適用的外部或內部監理工程師的報告以驗證發生的開發成本；及
- (vii) 以抽樣方式檢查物業單位的成本分攤及進度計算的準確性。

## 獨立核數師報告 Independent Auditor's Report

### 關鍵審計事項 (續)

### KEY AUDIT MATTERS (Continued)

#### 關鍵審計事項 Key audit matter

#### 吾等的審計如何處理關鍵審計事項 How our audit addressed the key audit matter

#### 於一段時間內確認物業銷售所得收入 (續)

#### Recognition of revenue from sales of properties over time (Continued)

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on types of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.

The disclosures of the Revenue from sales of properties are included in notes 2.4, 3 and 5 to the consolidated financial statements.

In respect of the estimation of total development costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have performed the following procedures:

- (i) obtained an understanding of the internal controls over the cost budgeting and estimate completion process, the internal controls over the generation of cost data of the projects and property units, evaluated and tested the design and operating effectiveness;
- (ii) compared the actual development costs of completed projects to management's prior estimations of total development costs to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology on a sample basis;
- (iii) assessed the reasonableness of the basis for the allocation of common costs among project units on a sample basis;
- (iv) examined the cost budgets for the project and property unit under development by comparing to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas on a sample basis;
- (v) compared the estimated total development costs of the projects and property units under development to the budget approved by management on a sample basis;
- (vi) tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable on a sample basis; and
- (vii) checked the mathematical accuracy of the cost allocation and the measurement of progress of the property units on a sample basis.

## 獨立核數師報告 Independent Auditor's Report

### 關鍵審計事項 (續)

### KEY AUDIT MATTERS (Continued)

#### 關鍵審計事項 Key audit matter

#### 吾等的審計如何處理關鍵審計事項 How our audit addressed the key audit matter

#### 土地增值稅撥備 Provision for land appreciation tax

貴集團為一家中國內地房地產開發商，專注於開發住宅物業，以及開發、運營及管理商業及綜合用途物業。中國內地的土地增值稅（「土地增值稅」）為貴集團稅項支出的主要組成部分之一。物業銷售的土地增值稅按照30%至60%的累進稅率對土地增值額徵收。於各報告期末，貴集團管理層會根據其對相關稅務規則及法規的理解及詮釋對土地增值稅撥備及估計物業銷售總額減可扣減開支總額（包括土地使用權租賃開支、物業開發成本、借款成本及開發支出）作出估計。在隨後確定土地增值稅時，實際付款金額可能與估計值有所不同。中國內地土地增值稅撥備對綜合財務報表而言屬重大，且釐定有關撥備涉及管理層的重大判斷及對相關稅務法律及法規以及慣例的詮釋。因此，土地增值稅撥備被確定為關鍵審計事項。

土地增值稅撥備的披露載於綜合財務報表附註3及10。

The Group is a property developer in mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax ("LAT") in mainland China is one of the main components of the Group's taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of reporting period, management of the Group estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. Provision for LAT in mainland China is significant to the consolidated financial statements and the determination of such provision involves significant management's judgement and interpretation of the relevant tax laws and regulations and practices. Accordingly, provision for LAT is identified as a key audit matter.

The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.

我們已評估及測試管理層在計算土地增值稅撥備時關鍵控制之設計及運行的有效性。

吾等已委聘內部稅務專家協助吾等對土地增值稅狀況進行審查，包括審查貴集團使用的估計及假設，以及根據相關稅務部門發出的通訊資料及應用吾等的本地知識及經驗評估稅務風險。吾等亦已重新計算稅項計算結果，並將吾等的計算結果與貴集團錄得的金額進行比較。

我們已參考現行會計準則的要求評估綜合財務報表中與土地增值稅撥備有關的披露。

We have evaluated and tested the design and operating effectiveness of the key controls of management in the calculation of the provision for land appreciation tax.

We involved internal tax specialists to assist us to perform a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities and by applying our local knowledge and experience. We also recalculated the tax computation and compared our calculations with the amounts recorded by the Group.

We have assessed the disclosures related to the provision for land appreciation tax in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

## 獨立核數師報告 Independent Auditor's Report

### 年報所載其他資料

貴公司董事負責編製其他資料。其他資料包括年報所載的資料，但不包括綜合財務報表及吾等就此出具的核數師報告。

吾等對綜合財務報表的意見不涵蓋其他資料，且吾等不對其他資料發表任何形式的鑒證結論。

就吾等對綜合財務報表的審計而言，吾等的責任為閱讀其他資料，並在此過程中考慮其他資料是否與綜合財務報表或吾等在審計過程中了解的情況存在重大出入或者看似存在重大錯誤陳述。基於吾等已執行的工作，倘吾等認為其他資料存在重大錯誤陳述，則吾等需報告此事。在此方面，吾等並無任何事項需作出報告。

### 董事就綜合財務報表須承擔的責任

貴公司董事須負責根據國際會計準則理事會頒佈的國際財務報告準則及香港公司條例的披露規定編製真實而公平的綜合財務報表，並作出董事認為必要的內部控制，以使所編製的綜合財務報表不存在因欺詐或錯誤而導致的重大錯誤陳述。

在編製綜合財務報表時，貴公司董事負責評估貴集團的持續經營能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營會計基準，除非貴公司董事有意將貴集團清盤或停止經營，或並無其他實際的替代方案。

審核委員會協助貴公司董事履行監督貴集團財務報告過程的責任。

### 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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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.

## 獨立核數師報告 Independent Auditor's Report

### 核數師就審計綜合財務報表須承擔的責任

吾等的目標為，對綜合財務報表整體是否不存在因欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包含吾等意見的核數師報告。吾等的報告僅向閣下(作為整體)出具，除此之外並無其他目的。吾等不會就本報告內容向任何其他人士負上或承擔任何責任。

合理保證是高水平之保證，但無法保證按照香港審計準則執行的審計能始終發現所存在的重大錯誤陳述。錯誤陳述可由欺詐或錯誤引起，倘可合理預期個別或總體將影響使用者依賴該等綜合財務報表所作出的經濟決定，則該錯誤陳述可視作重大。

在根據香港審計準則進行審計的過程中，吾等運用專業判斷，保持專業懷疑態度。吾等亦：

- 識別及評估因欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對該等風險，以及獲得充足和適當的審計憑證作為吾等意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述或僭越內部控制，因此無法發現因欺詐而導致重大錯誤陳述之風險高於無法發現因錯誤而導致重大錯誤陳述之風險。
- 了解與審計相關的內部控制，以設計適當的審計程序，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用的會計政策是否恰當及所作會計估計和相關披露是否合理。

### 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, 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.

## 獨立核數師報告 Independent Auditor's Report

### 核數師就審計綜合財務報表須承擔的責任(續)

- 對董事採用持續經營會計基準是否恰當作出結論，並根據所獲取的審計憑證，確定是否存在可能對貴集團的持續經營能力構成重大疑問的事件或情況等重大不確定因素。倘吾等認為存在重大不確定因素，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露；或倘有關披露不足，則吾等應當發表非無保留意見。吾等的結論乃基於截至核數師報告日期止所取得的審計憑證，但未來事項或情況可能導致貴集團無法再持續經營。
- 評價綜合財務報表的整體列報方式、結構及內容(包括披露)，以及綜合財務報表是否公平地反映相關交易及事項。
- 就貴集團內各實體或業務活動的財務資料獲得充足而適當的審計憑證，以對綜合財務報表發表意見。吾等負責指導、監督和執行集團的審計工作。吾等對審計意見承擔全部責任。

吾等與審核委員會溝通有關(其中包括)審計工作的計劃範圍、時間及重大審計發現，包括吾等在審計中識別出的內部控制存在的任何重大缺陷。

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## 獨立核數師報告 Independent Auditor's Report

### 核數師就審計綜合財務報表承擔的責任(續)

吾等亦向審核委員會提交聲明，說明吾等已符合有關獨立性的道德要求，並與彼等溝通有可能被合理認為會影響吾等獨立性的所有關係和其他事項，以及在適用情況下消除安全威脅採取的措施或應用安全措施。

從與審核委員會溝通的事項中，吾等確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。吾等於核數師報告中描述該等事項，除非法律法規不允許對某件事項作出公開披露，或在極端罕見的情況下若有合理預期於吾等報告中溝通某事項而造成的負面後果將會超過其產生的公眾利益，吾等將不會在此等情況下在報告中溝通該事項。

負責此審計項目與簽發獨立核數師報告的項目合夥人為SIU FUNG TERENCE HO。

安永會計師事務所  
執業會計師  
香港  
2021年3月23日

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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 SIU FUNG TERENCE HO.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
23 March 2021



# 綜合損益表

## Consolidated Statement of Profit or Loss

截至2020年12月31日止年度 For the year ended 31 December 2020

		附註 Notes	2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
收入	<b>REVENUE</b>	5	65,940,566	56,639,596
銷售成本	Cost of sales		(52,087,655)	(43,457,345)
<b>毛利</b>	<b>GROSS PROFIT</b>		<b>13,852,911</b>	<b>13,182,251</b>
其他收入及收益	Other income and gains	5	918,050	233,873
銷售及分銷開支	Selling and distribution expenses		(2,254,253)	(2,030,081)
行政開支	Administrative expenses		(2,848,025)	(2,549,711)
金融資產減值虧損·淨額	Impairment losses on financial assets, net		(5,562)	(9,870)
其他開支	Other expenses		(186,371)	(255,162)
投資物業公平值收益	Fair value gains on investment properties	14	88,365	49,855
按公平值計入損益的金融 資產公平值虧損	Fair value losses on financial assets at fair value through profit or loss		(30,929)	(6,880)
融資收入	Finance income		408,100	515,645
融資成本	Finance costs	7	(542,494)	(466,533)
應佔溢利及虧損：	Share of profits and losses of:			
合營企業	Joint ventures		467,861	979,353
聯營公司	Associates		497,169	255,371
稅前溢利	<b>PROFIT BEFORE TAX</b>	6	<b>10,364,822</b>	<b>9,898,111</b>
所得稅開支	Income tax expense	10	(3,798,407)	(3,642,203)
<b>年內溢利</b>	<b>PROFIT FOR THE YEAR</b>		<b>6,566,415</b>	<b>6,255,908</b>
以下人士應佔：	Attributable to:			
母公司擁有人	Owners of the parent		3,743,429	3,833,699
非控股權益	Non-controlling interests		2,822,986	2,422,209
			<b>6,566,415</b>	<b>6,255,908</b>
母公司普通權益持有人 應佔每股盈利	<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
基本及攤薄	Basic and diluted	12	人民幣1.05元 RMB1.05	人民幣1.17元 RMB1.17

# 綜合全面收益表

## Consolidated Statement of Comprehensive Income

截至2020年12月31日止年度 For the year ended 31 December 2020

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
年內溢利	<b>PROFIT FOR THE YEAR</b>	6,566,415	6,255,908
於其後期間可能重新分類至損益 之其他全面收益／(虧損)：	Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
匯兌差額： 換算海外業務產生之匯兌差額	Exchange differences: Exchange differences on translation of foreign operations	16,279	(12,565)
於其後期間可能重新分類至損益 之其他全面虧損淨額	Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	16,279	(12,565)
年內其他全面收益／(虧損)， 扣除稅項	<b>OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX</b>	16,279	(12,565)
年內全面收益總額	<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	6,582,694	6,243,343
以下人士應佔：	Attributable to:		
母公司擁有人	Owners of the parent	3,759,707	3,821,134
非控股權益	Non-controlling interests	2,822,987	2,422,209
		6,582,694	6,243,343

## 綜合財務狀況表

## Consolidated Statement of Financial Position

於2020年12月31日 At 31 December 2020

		附註 Notes	2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>非流動資產</b>	<b>NON-CURRENT ASSETS</b>			
物業、廠房及設備	Property, plant and equipment	13	134,706	117,679
投資物業	Investment properties	14	1,839,550	1,196,550
其他無形資產	Other Intangible assets	15	8,481	8,128
使用權資產	Right-of-use assets	16	111,100	144,809
於合營企業的投資	Investments in joint ventures	17	4,544,896	3,240,364
於聯營公司的投資	Investments in associates	18	13,928,585	6,749,631
遞延稅項資產	Deferred tax assets	19	3,222,423	2,932,066
預付款項及其他應收款項	Prepayments and other receivables	24	292,658	—
非流動資產總額	Total non-current assets		24,082,399	14,389,227
<b>流動資產</b>	<b>CURRENT ASSETS</b>			
按公平值計入損益的金融資產	Financial assets at fair value through profit or loss	20	552,413	290,723
在建物業	Properties under development	21	145,914,463	128,779,890
持作出售的已完工物業	Completed properties held for sale	22	10,886,087	4,140,691
貿易應收款項	Trade receivables	23	5,209	3,035
應收關聯公司款項	Due from related companies	41	10,931,355	9,446,200
預付款項及其他應收款項	Prepayments and other receivables	24	40,890,035	38,283,718
可收回稅項	Tax recoverable		3,338,884	2,691,238
現金及銀行結餘	Cash and bank balances	25	34,232,445	26,495,261
流動資產總額	Total current assets		246,750,891	210,130,756
<b>流動負債</b>	<b>CURRENT LIABILITIES</b>			
貿易應付款項及應付票據	Trade and bills payables	26	17,082,883	12,060,536
其他應付款項及應計費用	Other payables and accruals	27	24,488,785	19,019,087
租賃負債	Lease liabilities	16	47,247	46,234
合約負債	Contract liabilities	28	120,909,048	115,873,077
應付關聯公司款項	Due to related companies	41	18,130,579	11,985,635
計息銀行及其他借款	Interest-bearing bank and other borrowings	29	16,477,897	20,125,313
應繳稅項	Tax payable	10	5,052,468	3,406,783
財務擔保合約撥備	Provision for financial guarantee contracts	30	72,914	31,364
優先票據	Senior notes	32	7,306,141	1,378,045
其他金融負債	Other financial liabilities		68,315	92,378
流動負債總額	Total current liabilities		209,636,277	184,018,452
<b>流動資產淨額</b>	<b>NET CURRENT ASSETS</b>		37,114,614	26,112,304
<b>資產總額減流動負債</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		61,197,013	40,501,531

## 綜合財務狀況表

### Consolidated Statement of Financial Position

於2020年12月31日 At 31 December 2020

		附註 Notes	2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>非流動負債</b>	<b>NON-CURRENT LIABILITIES</b>			
計息銀行及其他借款	Interest-bearing bank and other borrowings	29	28,419,856	15,860,556
租賃負債	Lease liabilities	16	72,695	100,210
遞延稅項負債	Deferred tax liabilities	19	633,980	851,884
資產擔保證券所得款項	Proceeds from asset-backed securities	31	317,709	—
優先票據	Senior notes	32	1,570,623	2,817,326
非流動負債總額	Total non-current liabilities		31,014,863	19,629,976
<b>淨資產</b>	<b>NET ASSETS</b>		30,182,150	20,871,555
<b>權益</b>	<b>EQUITY</b>			
母公司擁有人應佔權益	Equity attributable to owners of the parent			
股本	Share capital	33	31,450	31,450
儲備	Reserves	35	10,875,287	8,696,650
			10,906,737	8,728,100
非控股權益	Non-controlling interests		19,275,413	12,143,455
總權益	TOTAL EQUITY		30,182,150	20,871,555

陳紅亮先生  
Mr. Chen Hongliang  
董事  
Director

游思嘉先生  
Mr. Yau Sze Ka  
董事  
Director

# 綜合權益變動表

## Consolidated Statement of Changes in Equity

截至2020年12月31日止年度 For the year ended 31 December 2020

母公司擁有人應佔  
Attributable to owners of the parent

		股本	股份溢價	合併儲備	資本儲備	法定盈餘 儲備	購股權 儲備	保留溢利	外匯波動 儲備	總計	非控股權益	總權益
		Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Share option reserve	Retained profits	Exchange reserve	Total	Non- controlling interests	Total equity
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
		附註33 Note 33	附註35(a) Note 35(a)	附註35(b) Note 35(b)	附註35(d) Note 35(d)	附註35(c) Note 35(c)	附註34 Note 34		附註35(e) Note 35(e)			
於2020年1月1日	As at 1 January 2020	31,450	3,629,765	3,138	(29,153)	1,242,937	—	3,862,528	(12,565)	8,728,100	12,143,455	20,871,555
年內溢利	Profit for the year	—	—	—	—	—	—	3,743,429	—	3,743,429	2,822,986	6,566,415
年內其他全面收益/ (虧損):	Other comprehensive income/ (loss) for the year:											
換算海外業務產 生之匯兌差額	Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	16,279	16,279	—	16,279
年內全面收益/ (虧損)總額	Total comprehensive income/ (loss) for the year	—	—	—	—	—	—	3,743,429	16,279	3,759,708	2,822,986	6,582,694
附屬公司非控股股東 的注資	Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	4,117,343	4,117,343
部分出售未失去 控制權的 附屬公司權益	Partial disposal of equity interests in subsidiaries without losing control	—	—	—	(49,101)	—	—	—	—	(49,101)	49,101	—
收購非控股權益	Acquisition of non-controlling interests	—	—	—	21,116	—	—	—	—	21,116	(21,116)	—
收購附屬公司	Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	503,044	503,044
股息及分派	Dividends and distributions	—	—	—	—	—	—	(1,563,018)	—	(1,563,018)	—	(1,563,018)
以股權結算的購股權 安排	Equity-settled share option arrangements	—	—	—	—	—	9,932	—	—	9,932	—	9,932
法定盈餘儲備撥款	Appropriations to statutory surplus reserve	—	—	—	—	216,404	—	(216,404)	—	—	—	—
出售附屬公司	Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(339,400)	(339,400)
於2020年12月31日**	As at 31 December 2020**	31,450	3,629,765*	3,138*	(57,138)*	1,459,341*	9,932*	5,826,535*	3,714*	10,906,737	19,275,413	30,182,150

## 綜合權益變動表

### Consolidated Statement of Changes in Equity

截至2020年12月31日止年度 For the year ended 31 December 2020

		母公司擁有人應佔 Attributable to owners of the parent									
		股本	股份溢價	合併儲備	資本儲備	法定盈餘 儲備	保留溢利	外匯波動 儲備	總計	非控股權益	總權益
		Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits	Exchange fluctuation reserve	Total	Non- controlling interests	Total equity
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
		附註33 Note 33	附註35(a) Note 35(a)	附註35(b) Note 35(b)	附註35(d) Note 35(d)	附註35(c) Note 35(c)		附註35(e) Note 35(e)			
於2019年1月1日	As at 1 January 2019	85	954,732	3,138	(145,332)	606,519	1,159,534	—	2,578,676	4,175,556	6,754,232
年內溢利	Profit for the year	—	—	—	—	—	3,833,699	—	3,833,699	2,422,209	6,255,908
年內其他全面收益/ (虧損)：	Other comprehensive income/ (loss) for the year:										
換算海外業務產生之 匯兌差額	Exchange differences on translation of foreign operations	—	—	—	—	—	—	(12,565)	(12,565)	—	(12,565)
年內全面收益/(虧損) 總額	Total comprehensive income/ (loss) for the year	—	—	—	—	—	3,833,699	(12,565)	3,821,134	2,422,209	6,243,343
發行新股	Issue of new shares	31,365	2,675,033	—	—	—	—	—	2,706,398	—	2,706,398
附屬公司非控股股東的 注資	Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	5,660,433	5,660,433
部分出售未失去控制權 的附屬公司權益	Partial disposal of equity interests in subsidiaries without losing control	—	—	—	74,685	—	—	—	74,685	(74,685)	—
收購非控股權益	Acquisition of non-controlling interests	—	—	—	41,494	—	—	—	41,494	(41,494)	—
收購附屬公司	Acquisition of subsidiaries	—	—	—	—	—	—	—	—	1,436	1,436
股息及分派	Dividends and distributions	—	—	—	—	—	(494,287)	—	(494,287)	—	(494,287)
法定盈餘儲備撥款	Appropriations to statutory surplus reserve	—	—	—	—	636,418	(636,418)	—	—	—	—
於2019年12月31日	As at 31 December 2019	31,450	3,629,765*	3,138*	(29,153)*	1,242,937*	3,862,528*	(12,565)*	8,728,100	12,143,455	20,871,555

\* 該等儲備賬目包括綜合財務狀況表內的綜合儲備人民幣10,875,287,000元(2019年：人民幣8,696,650,000元)。

\* These reserve accounts comprise the consolidated reserves of RMB10,875,287,000 (2019: RMB8,696,650,000) in the consolidated statement of financial position.

# 綜合現金流量表

## Consolidated Statement of Cash Flows

截至2020年12月31日止年度 For the year ended 31 December 2020

		附註 Notes	2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>經營活動現金流量</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
稅前溢利	Profit before tax		10,364,822	9,898,111
就以下各項調整：	Adjustments for:			
物業、廠房及設備項目折舊	Depreciation of items of property, plant and equipment	6,13	36,027	35,665
其他無形資產攤銷	Amortisation of other intangible assets	6,15	3,238	789
就在建物業確認的減值虧損	Impairment losses recognised for properties under development	6,21	366,047	223,637
就金融資產確認的減值虧損	Impairment losses recognised for financial assets		5,562	9,870
財務擔保合約撥備變動	Changes in provision for financial guarantee contracts	5	(52,144)	(83,385)
出售附屬公司收益	Gain on disposal of subsidiaries	38	(83,784)	(4,029)
重新計量聯營公司投資之收益	Remeasurement gain on investment in an associate		(4,578)	—
出售聯營公司及合營企業收益	Gain on disposal of associates and joint ventures		(116,231)	—
收購附屬公司收益	Gain on acquisition of a subsidiary		(60,388)	—
應佔合營企業溢利及虧損	Share of profits and losses of joint ventures		(467,861)	(979,353)
應佔聯營公司溢利及虧損	Share of profits and losses of associates		(497,169)	(255,371)
投資物業公平值變動	Changes in fair value of investment properties	14	(88,365)	(49,855)
按公平值計入損益的金融資產的公平值虧損	Fair value losses on financial assets at fair value through profit or loss		30,929	6,880
使用權資產折舊	Depreciation of right-of-use assets	16	71,378	37,187
融資成本	Finance costs	7	542,494	466,533
融資收入	Finance income		(408,100)	(515,645)
以股權結算的購股權開支	Equity-settled share option expense	34	9,932	—
			9,651,809	8,791,034
在建物業及持作出售的已完工物業增加	Increase in properties under development and completed properties held for sale		(27,623,416)	(28,384,130)
預付款項及其他應收款項增加	Increase in prepayments and other receivables		(4,606,594)	(18,080,580)
受限制現金減少/(增加)	Decrease/(increase) in restricted cash		4,008,022	(2,302,550)
已抵押存款減少/(增加)	Decrease/(increase) in pledged deposits		639,704	(800,863)
貿易應收款項(增加)/減少	(Increase)/decrease in trade receivables		(2,174)	1,319
應收關聯公司款項減少/(增加)	Decrease/(increase) in amounts due from related companies		50,896	(1,189)
貿易應付款項及應付票據增加	Increase in trade and bills payables		5,111,589	3,778,147
其他應付款項及應計費用增加	Increase in other payables and accruals		13,331,309	1,571,574
合約負債增加	Increase in contract liabilities		8,077,677	21,811,674
應付關聯公司款項增加	Increase in amounts due to related companies		108,417	86,344
<b>營運所得/(所用)現金</b>	<b>Cash generated from/(used in) operations</b>		8,747,239	(13,529,220)
已收利息	Interest received		408,452	458,429
已付利息	Interest paid		(5,225,440)	(3,721,326)
已繳稅項	Tax paid		(3,489,691)	(3,536,909)
<b>經營活動所得/(所用)現金流量淨額</b>	<b>Net cash flows generated from/(used in) operating activities</b>		440,560	(20,329,026)

## 綜合現金流量表

## Consolidated Statement of Cash Flows

截至2020年12月31日止年度 For the year ended 31 December 2020

			2020年 2020	2019年 2019
		附註 Notes	人民幣千元 RMB'000	人民幣千元 RMB'000
<b>投資活動現金流量</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
購買物業、廠房及設備項目	Purchases of items of property, plant and equipment	13	(56,220)	(49,107)
購買其他無形資產	Purchases of other intangible assets	15	(3,591)	(8,462)
收購按公平值計入損益的金融資產	Acquisition of financial assets at fair value through profit or loss		(301,523)	(69,494)
出售按公平值計入損益的金融資產	Disposal of financial assets at fair value through profit or loss		—	648
收購附屬公司	Acquisition of subsidiaries	37	382,070	(19,432)
出售物業、廠房及設備	Disposal of property, plant and equipment	13	2,738	—
於合營企業及聯營公司的投資	Investments in joint ventures and associates		(7,704,950)	(4,654,514)
出售於附屬公司的投資	Disposal of investments in subsidiaries		(1,207,434)	(320,910)
出售於合營企業及聯營公司的投資	Disposal of investments in joint ventures and associates		116,231	—
購買投資物業	Purchases of investment properties	14	(554,635)	(287,295)
向關聯公司的墊款	Advances to related companies	41	(16,645,156)	(18,126,179)
償還向關聯公司的墊款	Repayment of advances to related companies		12,672,528	18,522,611
<b>投資活動所用現金流量淨額</b>	<b>Net cash flows used in investing activities</b>		<b>(13,299,942)</b>	<b>(5,012,134)</b>
<b>融資活動現金流量</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
發行股份所得款項	Proceeds from issue of shares		—	2,815,502
股份發行開支	Share issue expenses		—	(109,104)
附屬公司非控股股東的注資	Capital contribution from non-controlling shareholders of subsidiaries		4,117,343	5,660,433
來自關聯公司的墊款	Advances from related companies	41	17,779,812	15,310,099
償還來自關聯公司的墊款	Repayment of advances from related companies		(11,742,953)	(10,829,946)
已抵押存款(增加)/減少	(Increase)/decrease in pledged deposits		(1,430,422)	92,754
租賃付款本金部分	Principal portion of lease payments		(64,171)	(35,552)
已付股息	Dividends paid		(1,563,018)	(494,287)
發行優先票據所得款項	Proceeds from issue of senior notes		6,410,868	4,095,975
償還優先票據	Repayment of senior notes		(1,316,580)	—
資產支持證券所得款項	Proceeds from asset-backed securities		317,170	—
計息銀行及其他借款所得款項	Proceeds from interest-bearing bank and other borrowings		35,845,079	39,567,582
償還計息銀行及其他借款	Repayment of interest-bearing bank and other borrowings		(24,560,195)	(30,322,630)
<b>融資活動所得現金流量淨額</b>	<b>Net cash flows generated from financing activities</b>		<b>23,792,933</b>	<b>25,750,826</b>



## 綜合現金流量表

### Consolidated Statement of Cash Flows

截至2020年12月31日止年度 For the year ended 31 December 2020

			2020年 2020	2019年 2019
		附註 Notes	人民幣千元 RMB'000	人民幣千元 RMB'000
<b>現金及現金等價物增加淨額</b>	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		10,933,551	409,666
年初現金及現金等價物	Cash and cash equivalents at beginning of year		14,955,756	14,551,518
匯率變動影響淨額	Effect of foreign exchange rate changes, net		20,937	(5,428)
<b>年末現金及現金等價物</b>	<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		25,910,244	14,955,756
<b>現金及現金等價物結餘分析</b>	<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
現金及銀行結餘	Cash and bank balances	25	34,232,445	26,495,261
減：受限制現金	Less: Restricted cash	25	6,186,597	10,194,619
已抵押存款	Pledged deposits	25	2,135,604	1,344,886
<b>現金流量表內所列現金及現金等價物</b>	<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		25,910,244	14,955,756

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 1. 公司及集團資料

本公司乃一家於開曼群島註冊成立的獲豁免公司。本公司註冊辦事處 Walkers Corporate Limited 地址為 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands。

年內，本集團主要從事物業開發、物業租賃以及提供管理諮詢服務。

董事認為，本公司的直接控股公司是梁中國際有限公司。

## 附屬公司資料

本公司主要附屬公司的詳情載列如下：

名稱 Name	註冊成立/ 註冊及營運地點 Place of incorporation/ registration and business	已發行普通股/ 註冊股本面值 Issued ordinary/ registered share capital (千元) (‘000)	本公司應佔 股權百分比 Percentage of equity attributable to the Company	主營業務 Principal activities
------------	---	--	--	------------------------------

## 直接持有：

**Directly held:**

華溢投資有限公司 Ample SINO Investments Limited	英屬處女群島 British Virgin Islands	美元50 US\$50	100.00%	投資控股 Investment holding
梁恒投資有限公司 Liangheng Investment Co., Ltd.	英屬處女群島 British Virgin Islands	美元50 US\$50	100.00%	投資控股 Investment holding
協威環球有限公司 United Prestige Global Ltd.	英屬處女群島 British Virgin Islands	美元50 US\$50	100.00%	投資控股 Investment holding
中梁國際發展有限公司 Zhongliang International Development Company Limited	英屬處女群島 British Virgin Islands	美元50 US\$50	100.00%	投資控股 Investment holding

## 間接持有：

**Indirectly held:**

恒融國際有限公司 Heng Rong Co., Ltd.	香港 Hong Kong	港幣10 HK\$10	100.00%	投資控股 Investment holding
揚川投資有限公司 Yangchuan Investment Co., Ltd.	香港 Hong Kong	港幣0.001 HK\$0.001	100.00%	投資控股 Investment holding

## 1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

During the year, the Group was principally involved in property development, property leasing and management consulting services.

In the opinion of the directors, the immediate holding company of the Company is Liangzhong International Co., Ltd.

## Information about subsidiaries

Particulars of the Company's principal subsidiaries are set out below:

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 1. 公司及集團資料(續)

#### 附屬公司資料(續)

本公司主要附屬公司的詳情載列如下：(續)

名稱 Name	註冊成立/ 註冊及營運地點 Place of incorporation/ registration and business	已發行普通股/ 註冊股本面值 Issued ordinary/ registered share capital (千元) (‘000)	本公司應佔 股權百分比 Percentage of equity attributable to the Company	主營業務 Principal activities
------------	---	--	--	------------------------------

#### 間接持有：(續)

#### Indirectly held: (Continued)

揚海投資有限公司 Yanghai Investment Co., Ltd.	香港 Hong Kong	港幣0.001 HK\$0.001	100.00%	投資控股 Investment holding
揚納投資有限公司 Yangna Investment Co., Ltd.	香港 Hong Kong	港幣0.001 HK\$0.001	100.00%	投資控股 Investment holding
中梁香港地產投資集團有限公司 Zhongliang Hongkong Property Investment Group Co. Limited	香港 Hong Kong	港幣50 HK\$50	100.00%	投資控股 Investment holding
中梁國際有限公司 Zhongliang International Co., Ltd.	香港 Hong Kong	港幣500 HK\$500	100.00%	投資控股 Investment holding
福建中梁房地產開發有限公司 Fujian Zhongliang Real Estate Development Limited	中華人民共和國 (「中國」) 中國內地 People's Republic of China ("PRC")/Mainland China	人民幣50,000 RMB50,000	100.00%	投資控股 Investment holding
上海慈晉置業有限公司 Shanghai Cijin Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	100.00%	投資控股 Investment holding
上海梁彤置業有限公司 Shanghai Liangtong Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	100.00%	投資控股 Investment holding
上海梁卓商務信息諮詢有限公司 Shanghai Liangzhuo Business Information Consulting Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣700,000 RMB700,000	100.00%	投資控股 Investment holding

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 1. 公司及集團資料(續)

##### 附屬公司資料(續)

本公司主要附屬公司的詳情載列如下：(續)

#### 1. CORPORATE AND GROUP INFORMATION (Continued)

##### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

名稱 Name	註冊成立/ 註冊及營運地點 Place of incorporation/ registration and business	已發行普通股/ 註冊股本面值 Issued ordinary/ registered share capital (千元) (‘000)	本公司應佔 股權百分比 Percentage of equity attributable to the Company	主營業務 Principal activities
<b>間接持有：(續)</b> <b>Indirectly held: (Continued)</b>				
上海天杜置業有限公司 Shanghai Tiandu Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	100.00%	投資控股 Investment holding
上海中梁企業發展有限公司 Shanghai Zhongliang Enterprise Development Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣3,330,000 RMB3,330,000	100.00%	投資控股 Investment holding
浙江梁城置業有限公司 Zhejiang Liangcheng Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	100.00%	投資控股 Investment holding
包頭梁泉合業房地產開發有限公司(附註1) Baotou Liangquan Heye Real Estate Development Limited(附註1)	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	42.30%	物業開發 Property development
濱州市順安置業有限公司(附註1) Binzhou Shun'an Property Co., Ltd.(附註1)	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	33.60%	物業開發 Property development
蒼南縣梁源置業有限公司 Cangnan Liangyuan Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	65.80%	物業開發 Property development
蒼南縣中梁和置業有限公司 Cangnan Zhonglianghe Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	94.86%	物業開發 Property development
常州梁盛置業有限公司(附註1) Changzhou Liangsheng Real Estate Co., Ltd.(附註1)	中國/中國內地 PRC/Mainland China	人民幣20,000 RMB20,000	43.44%	物業開發 Property development
常州市瑞威置業有限公司(附註1) Changzhou Ruiwei Property Co., Ltd.(附註1)	中國/中國內地 PRC/Mainland China	人民幣495,534 RMB495,534	40.37%	物業開發 Property development
成都振梁置業有限公司 Chengdu Zhenliang Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	70.00%	物業開發 Property development
池州梁宏置業有限公司 Chizhou Lianghong Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	65.80%	物業開發 Property development

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 1. 公司及集團資料(續)

#### 附屬公司資料(續)

本公司主要附屬公司的詳情載列如下：(續)

名稱 Name	註冊成立/ 註冊及營運地點 Place of incorporation/ registration and business	已發行普通股/ 註冊股本面值 Issued ordinary/ registered share capital (千元) (‘000)	本公司應佔 股權百分比 Percentage of equity attributable to the Company	主營業務 Principal activities
<b>間接持有：(續)</b> <b>Indirectly held: (Continued)</b>				
大理中梁置業有限公司 Dali Zhongliang Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	84.70%	物業開發 Property development
達州梁實置業有限公司 Dazhou Liangshi Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	56.40%	物業開發 Property development
德州梁宏置業有限公司 Dezhou Lianghong Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	65.80%	物業開發 Property development
東陽市中梁泰和置業有限公司 <sup>(附註1)</sup> Dongyang Zhongliang Taihe Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣200,000 RMB200,000	41.40%	物業開發 Property development
東陽市中梁軒置業有限公司 <sup>(附註1)</sup> Dongyang Zhongliangxuan Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣58,620 RMB58,620	46.92%	物業開發 Property development
鄂州梁泰地產有限公司 Ezhou Liangtai Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣55,000 RMB55,000	65.00%	物業開發 Property development
福建家景置業有限公司 <sup>(附註1)</sup> Fujian Jiajing Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣110,000 RMB110,000	46.84%	物業開發 Property development
甘肅恒梁房地產開發有限公司 <sup>(附註1)</sup> Gansu Hengliang Real Estate Development Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣113,379 RMB113,379	44.10%	物業開發 Property development
贛州梁隆置業有限公司 <sup>(附註1)</sup> Ganzhou Lianglong Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	46.93%	物業開發 Property development
贛州梁盛置業有限公司 Ganzhou Liangsheng Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣15,000 RMB15,000	61.44%	物業開發 Property development
高州梁盛置業有限公司 Gaozhou Liangsheng Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	100.00%	物業開發 Property development

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 1. 公司及集團資料(續)

## 附屬公司資料(續)

本公司主要附屬公司的詳情載列如下：(續)

1. CORPORATE AND GROUP INFORMATION  
(Continued)

## Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

名稱 Name	註冊成立/ 註冊及營運地點 Place of incorporation/ registration and business	已發行普通股/ 註冊股本面值 Issued ordinary/ registered share capital (千元) (‘000)	本公司應佔 股權百分比 Percentage of equity attributable to the Company	主營業務 Principal activities
<b>間接持有：(續)</b> <b>Indirectly held: (Continued)</b>				
杭州石宸置業有限公司 Hangzhou Shichen Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	97.05%	物業開發 Property development
江陰宏揚置業有限公司 Jiangyin Hongyang Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	63.17%	物業開發 Property development
江陰華賢置業有限公司 Jiangyin Huaxian Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	65.80%	物業開發 Property development
昆明中梁達成房地產開發有限公司(附註1) Kunming Zhongliang Dacheng Real Estate Development Limited <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	33.75%	物業開發 Property development
萊蕪中梁置業有限公司 Laiwu Zhongliang Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	70.00%	物業開發 Property development
聊城梁宏置業有限公司 Liaocheng Lianghong Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣200,000 RMB200,000	83.93%	物業開發 Property development
臨海市梁泰置業有限公司 Linhai Liangtai Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	54.60%	物業開發 Property development
臨海市中梁信置業有限公司 Linhai Zhongliangxin Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	87.24%	物業開發 Property development
臨沂中梁龍置業有限公司 Linyi Zhonglianglong Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣275,000 RMB275,000	70.00%	物業開發 Property development
麗水市梁錠置業有限公司 Lishui Liangding Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	57.37%	物業開發 Property development
麗水市梁悅置業有限公司 Lishui Liangyue Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣166,670 RMB166,670	100.00%	物業開發 Property development

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 1. 公司及集團資料(續)

#### 附屬公司資料(續)

本公司主要附屬公司的詳情載列如下：(續)

名稱 Name	註冊成立/ 註冊及營運地點 Place of incorporation/ registration and business	已發行普通股/ 註冊股本面值 Issued ordinary/ registered share capital (千元) (‘000)	本公司應佔 股權百分比 Percentage of equity attributable to the Company	主營業務 Principal activities
<b>間接持有：(續)</b> <b>Indirectly held: (Continued)</b>				
綿陽仲梁置業有限公司 Mianyang Zhongliang Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	65.80%	物業開發 Property development
南昌市中梁弘置業有限公司 Nanchang Zhonglianghong Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	61.20%	物業開發 Property development
南充市中梁軒置業有限公司 Nanchong Zhongliangxuan Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	65.80%	物業開發 Property development
南通市梁源置業有限公司 Nantong Liangyuan Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣20,000 RMB20,000	60.00%	物業開發 Property development
平陽縣梁博置業有限公司 Pingyang Liangbo Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	100.00%	物業開發 Property development
平陽縣梁杰置業有限公司 Pingyang Liangjie Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	56.40%	物業開發 Property development
濮陽梁泰置業有限公司 Puyang Liangtai Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣20,000 RMB20,000	65.80%	物業開發 Property development
青田金梁置業有限公司 Qingtian Jinliang Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	67.06%	物業開發 Property development
上海中梁地產集團有限公司 Shanghai Zhongliang Real Estate Group Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000,000 RMB10,000,000	100.00%	物業開發 Property development
上饒市天成置業有限公司 <sup>(附註1)</sup> Shangrao Tiancheng Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	29.10%	物業開發 Property development
濰溪縣梁隆置業有限公司 <sup>(附註1)</sup> Suixi Lianglong Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	48.02%	物業開發 Property development

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 1. 公司及集團資料(續)

##### 附屬公司資料(續)

本公司主要附屬公司的詳情載列如下：(續)

#### 1. CORPORATE AND GROUP INFORMATION (Continued)

##### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

名稱 Name	註冊成立/ 註冊及營運地點 Place of incorporation/ registration and business	已發行普通股/ 註冊股本面值 Issued ordinary/ registered share capital (千元) ('000)	本公司應佔 股權百分比 Percentage of equity attributable to the Company	主營業務 Principal activities
<b>間接持有：(續)</b> <b>Indirectly held: (Continued)</b>				
台州市中梁宸置業有限公司 Taizhou Zhongliangchen Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	61.85%	物業開發 Property development
泰州市中梁盛置業有限公司 Taizhou Zhongliangsheng Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	54.00%	物業開發 Property development
銅川中梁宏業置業有限公司 Tongchuan Zhongliang Hongye Real Estate Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣200,000 RMB200,000	79.00%	物業開發 Property development
溫嶺市中梁泰置業有限公司 <sup>(附註1)</sup> Wenling Zhongliangtai Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	46.48%	物業開發 Property development
溫州市梁彤置業有限公司 Wenzhou Liangtong Real Estate	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	51.00%	物業開發 Property development
蕪湖縣梁碩置業有限公司 <sup>(附註1)</sup> Wuhu Liangshuo Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣20,000 RMB20,000	36.57%	物業開發 Property development
象山思成置業有限公司 <sup>(附註1)</sup> Xiangshan Sicheng Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	45.12%	物業開發 Property development
霞浦中梁房地產開發有限公司 Xiapu Zhongliangfu Real Estate Development Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣100,000 RMB100,000	56.40%	物業開發 Property development
信陽梁鴻置業有限公司 Xinyang Lianghong Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣60,000 RMB60,000	56.40%	物業開發 Property development
徐州旭鑫置業有限公司 Xuzhou Xuxin Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣20,000 RMB20,000	56.40%	物業開發 Property development



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 1. 公司及集團資料(續)

#### 附屬公司資料(續)

本公司主要附屬公司的詳情載列如下：(續)

名稱 Name	註冊成立/ 註冊及營運地點 Place of incorporation/ registration and business	已發行普通股/ 註冊股本面值 Issued ordinary/ registered share capital (千元) (‘000)	本公司應佔 股權百分比 Percentage of equity attributable to the Company	主營業務 Principal activities
------------	---	--	--	------------------------------

#### 間接持有：(續)

#### Indirectly held: (Continued)

煙台偉成房地產開發有限公司 <sup>(附註1)</sup> Yantai Weicheng Real Estate Development Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣35,000 RMB35,000	41.25%	物業開發 Property development
銀川市梁潤置業有限公司 Yinchuan Liangrun Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	70.00%	物業開發 Property development
宜興市澄希置業有限公司 Yixing Chengxi Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	53.20%	物業開發 Property development
永嘉縣中梁城置業有限公司 Yongjia Zhongliangcheng Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	65.12%	物業開發 Property development
永康市華董中梁置業有限公司 <sup>(附註1)</sup> Yongkang Huadong Zhongliang Property Co., Ltd. <sup>(Note 1)</sup>	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	46.44%	物業開發 Property development
玉環市梁信置業有限公司 Yuhuan Liangxin Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣10,000 RMB10,000	65.80%	物業開發 Property development
漳州中梁夢置業有限公司 Zhangzhou Zhongliangmeng Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	65.80%	物業開發 Property development
舟山市豐澤置業有限公司 Zhoushan Fengze Property Co., Ltd.	中國/中國內地 PRC/Mainland China	人民幣50,000 RMB50,000	65.80%	物業開發 Property development

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 1. 公司及集團資料(續)

## 附屬公司資料(續)

本公司主要附屬公司的詳情載列如下：(續)

附註1：由於本集團因參與該等公司而對可變回報承擔風險或擁有權利，並有能力透過其多數投票權及指導相關活動(包括但不限於該等公司的預算、定價及推廣策略)的現有權利而影響該等回報，本集團對該等公司擁有控制權，因此該等公司作為本集團的附屬公司入賬。

本附註中上述於中國內地註冊的公司的英文名稱乃管理層在翻譯該等公司中文名稱時所作的最大努力，因為並無註冊或可用的英文名稱。上文披露的所有主要附屬公司的法律形式均為有限公司。

本集團董事認為部分擁有的附屬公司並無個別重大非控股權益。

上表列出董事認為主要影響本年度業績或構成本集團資產淨值主要組成部分之本公司附屬公司。董事認為列出其他附屬公司詳情，會令名單篇幅過於冗長。

1. CORPORATE AND GROUP INFORMATION  
(Continued)

## Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Note 1: As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the companies registered in Mainland China referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available. The legal forms of all the above disclosed principal subsidiaries are limited liability companies.

The directors of the Group are of the view that there are no individually significant non-controlling interests in the partly-owned subsidiaries.

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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.1 編製基準

本財務報表乃根據國際會計準則理事會(「國際會計準則理事會」)批准的國際財務報告準則(「國際財務報告準則」)(當中包括所有準則、詮釋、國際會計準則(「國際會計準則」)及常務詮釋委員會的詮釋)以及香港公司條例的披露規定編製。本財務報表乃根據歷史成本法編製，惟按公平值計量的投資物業、按公平值計入損益(「按公平值計入損益」)的金融資產及其他金融負債除外。本財務報表以人民幣(「人民幣」)呈報，除另有說明者外，所有數值已湊整至最接近之千位數。

##### 合併基準

綜合財務報表包括本公司及其附屬公司(統稱「本集團」)截至2020年12月31日止年度之財務報表。附屬公司指本公司直接或間接控制的實體(包括結構性實體)。當本集團通過參與被投資方的相關活動而承擔可變動回報的風險或有權享有可變動回報，並且有能力運用對被投資方的權力(即使本集團目前有能力主導被投資方的相關活動的現有權利)影響該等回報時，即取得控制權。

當本公司直接或間接擁有少於被投資方大多數的表決或類似權利，在評估其是否擁有對被投資方的權力時，本集團會考慮所有相關事實和情況，包括：

- (a) 與被投資方其他表決權持有者的合約安排；
- (b) 其他合約安排產生的權利；及
- (c) 本集團的表決權及潛在表決權。

#### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all standards and interpretations, International Accounting Standards (“IASs”) and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss (“FVTPL”) and other financial liabilities which have been measured at fair value. These financial statements are presented in Renminbi (“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).

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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.1 編製基準(續)

##### 合併基準(續)

附屬公司財務報表的報告期間與本公司相同，並採納一致的會計政策編製。附屬公司的業績自本集團取得控制權當日起綜合入賬，並繼續綜合入賬直至該控制權終止當日止。

損益及其他全面收益的各組成部分歸屬於本集團母公司擁有人及非控股權益，即使此舉會導致非控股權益產生虧絀結餘。所有集團內公司間資產及負債、權益、收入、支出以及與本集團成員公司之間交易有關的現金流量均於綜合入賬時悉數抵銷。

倘事實及情況反映上文所述三項控制權因素其中一項或多項有變，則本集團會重估是否仍然控制被投資方。附屬公司擁有權益的變動(並無失去控制權)，於入賬時列作股權交易。

倘本集團失去一間附屬公司的控制權，則會終止確認(i)該附屬公司的資產(包括商譽)及負債；(ii)任何非控股權益的賬面值及(iii)計入權益的累計匯兌差額；並確認(i)已收代價的公平值；(ii)任何獲保留投資的公平值及(iii)損益內任何所產生的盈餘或虧損。先前於其他全面收益確認的本集團應佔成分，按倘本集團直接出售相關資產或負債所要求的相同基準重新分類至損益或保留溢利(如適用)。

#### 2.1 BASIS OF PREPARATION (Continued)

##### Basis of consolidation (Continued)

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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.2 會計政策變動及披露

本集團已於本年度財務報表首次採納2018年財務報告概念框架及下列經修訂國際財務報告準則。

國際財務報告準則 第3號的修訂	業務之定義
國際財務報告準則 第9號、國際會計 準則39號及國際 財務報告準則 第7號的修訂	利率指標改革
國際財務報告準則 第16號的修訂	與2019冠狀病毒病 有關之租金優惠 (提前採納)
國際會計準則第1號 及國際會計準則 第8號的修訂	重大之定義

2018年財務報告概念框架及經修訂國際財務報告準則的性質及影響於下文詳述：

- (a) 2018年財務報告概念框架(「概念框架」)載列有關財務報告及準則制定的整套概念，並為財務報表編製者提供指引以制定一致的會計政策及協助各方理解及詮釋該等準則。概念框架包括計量及報告財務表現的新章節、終止確認資產及負債的新指引以及資產及負債的最新定義及確認標準。該框架亦就管理、審慎及計量不確定性於財務報告中的角色作出澄清。概念框架並非準則，且當中包含的任何概念皆不能取代任何準則中的概念或要求。概念框架並無對本集團之財務狀況及表現造成任何重大影響。

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Covid-19-Related Rent Concessions (early adopted)
Amendments to IAS 1 and IAS 8	Definition of Material

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRS 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.2 會計政策變動及披露(續)

(b) 國際財務報告準則第3號的修訂澄清業務之定義，並就此提供額外指引。該等修訂澄清可視為業務的一組整合活動和資產，必須至少包括一項投入及一項重要過程，而兩者必須對形成產出的能力有重大貢獻。業務毋須包括形成產出所需的所有投入及過程。該等修訂取消了評估市場參與者是否有能力收購業務並能持續獲得收益的規定，轉為重點關注所取得的投入和重要過程共同對形成產出的能力有否重大貢獻。該等修訂亦已收窄產出的定義範圍，重點關注為客戶提供的商品或服務、投資收入或日常活動產生的其他收入。此外，該等修訂亦提供有關評估所收購的過程是否重大的指引，並新增公平值集中度測試選項，允許對所收購的一組活動和資產是否不屬於業務進行簡化評估。本集團已提前將該等修訂應用於2020年1月1日或之後發生的交易或其他事宜。該等修訂並未對本集團的財務狀況及表現造成任何影響。

(c) 國際財務報告準則第9號、國際會計準則第39號及國際財務報告準則第7號的修訂旨在解決在以其他無風險利率(「無風險利率」)替代現行利率基準前對期內財務申報造成影響的事宜。該等修訂提供可在引進其他無風險利率前之不確定期限內繼續進行對沖會計處理之暫時性補救措施。此外，該等修訂規定公司須向投資者提供有關直接受該等不確定因素影響之對沖關係之額外資料。該等修訂並未對本集團的財務狀況及表現造成任何影響，乃由於本集團並無擁有任何利率對沖關係。

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to IFRS 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 IFRS 9, IAS 39 and IFRS 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 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 hedge relationships.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.2 會計政策變動及披露(續)

- (d) 國際財務報告準則第16號的修訂為承租人提供一個實際可行的權宜方法以選擇就2019冠狀病毒病疫情的直接後果產生的租金寬免不應用租賃修改會計處理。該實際可行權宜方法僅適用於2019冠狀病毒病疫情直接後果產生的租金寬免，且僅當(i)租賃付款的變動使租賃代價有所修改，而經修改的代價與緊接變動前租賃代價大致相同，或少於緊接變動前租賃代價；(ii)租賃付款的任何減幅僅影響原到期日為2021年6月30日或之前的付款；及(iii)租賃的其他條款及條件並無實質變動。該等修訂於2020年6月1日或之後開始的年度期間追溯生效，並允許提早應用及應追溯應用。

截至2020年12月31日止年度，出租人因疫情已減收或豁免本集團辦公樓租賃之若干月租款項，而租賃條款並無其他變動。本集團已於2020年1月1日提早採納修訂，並選擇就截至2020年12月31日止年度出租人因2019冠狀病毒病疫情給予的所有租金寬免不應用租賃修改會計處理。租金寬免所導致的租賃付款減少(已通過終止確認部分租賃負債將其作為浮動租賃付款入賬並計入截至2020年12月31日止年度的損益)微不足道。

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (d) Amendment to IFRS 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 covid-19 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 retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the year ended 31 December 2020. The reduction in the lease payments arising from the rent concessions accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020 was insignificant.

**財務報表附註****Notes to Financial Statements**

2020年12月31日 31 December 2020

**2.2 會計政策變動及披露(續)**

- (e) 對國際會計準則第1號及國際會計準則第8號的修訂提供重大的新定義。新定義列明，倘資料遭忽略、錯誤陳述或隱瞞時可合理預期會影響一般用途財務報表主要使用者根據該等財務報表作出的決定，則資料屬重大。該等修訂澄清，重大性將取決於資料的性質或重要性或兩者。該等修訂並未對本集團的財務狀況及表現造成重大影響。

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

- (e) Amendments to IAS 1 and IAS 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.



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 2.3 已頒佈但尚未生效的國際財務報告準則

本集團尚未於本財務報表應用下列已頒佈但尚未生效的新訂及經修訂國際財務報告準則。

國際財務報告準則第3號的修訂	對概念框架之提述 <sup>2</sup>
國際財務報告準則第9號、國際會計準則第39號、國際財務報告準則第7號、國際財務報告準則第4號及國際財務報告準則第16號的修訂	利率基準改革—第二階段 <sup>1</sup>
國際財務報告準則第10號及國際會計準則第28號的修訂	投資者與其聯營公司或合營企業之間的資產出售或注資 <sup>4</sup>
國際財務報告準則第17號	保險合約 <sup>3</sup>
國際財務報告準則第17號的修訂	保險合約 <sup>3,5</sup>
國際會計準則第1號的修訂	對流動及非流動負債的分類 <sup>3,5</sup>
國際會計準則第16號的修訂	物業、廠房及設備：作擬定用途前的所得款項 <sup>2</sup>
國際會計準則第37號的修訂	虧損性合約—履行合約的成本 <sup>2</sup>
國際財務報告準則2018年至2020年的年度改進	對國際財務報告準則第1號、國際財務報告準則第9號、國際財務報告準則第16號隨附的示例及國際會計準則第41號的修訂 <sup>2</sup>
國際會計準則第1號	會計政策的披露 <sup>3</sup>
國際會計準則第8號	會計估計的定義 <sup>3</sup>

- <sup>1</sup> 於2021年1月1日或之後開始的年度期間生效
- <sup>2</sup> 於2022年1月1日或之後開始的年度期間生效
- <sup>3</sup> 於2023年1月1日或之後開始的年度期間生效
- <sup>4</sup> 尚未釐定強制生效日期，惟可供採納
- <sup>5</sup> 由於2020年6月頒佈對國際財務報告準則第17號的修訂，國際財務報告準則第4號作出修訂以擴大暫時豁免，允許保險公司對於2023年1月1日之前開始的年度期間應用國際會計準則第39號而非國際財務報告準則第9號

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
IFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>3,5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3,5</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>2</sup></i>
Annual Improvements to IFRS Standards 2018–2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>2</sup></i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies<sup>3</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>3</sup></i>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2021
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2022
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2023
- <sup>4</sup> No mandatory effective date yet determined but available for adoption
- <sup>5</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

**2.3 已頒佈但尚未生效的國際財務報告準則(續)**

有關預期將適用於本集團的國際財務報告準則的進一步資料載述如下。

國際財務報告準則第3號的修訂旨在以2018年3月發佈財務報告概念框架的提述取代編製及呈列財務報表的先前框架提述，而毋須大幅度改變其規定。該等修訂亦為國際財務報告準則第3號增加確認原則的例外，實體可參考概念框架釐定資產或負債的構成要素。該例外情況規定，對於單獨而非於業務合併中承擔且屬於國際會計準則第37號或國際財務報告詮釋委員會－詮釋21的負債及或然負債，採用國際財務報告準則第3號的實體應分別提述國際會計準則第37號或國際財務報告詮釋委員會－詮釋21，而非概念框架。此外，該等修訂澄清或然資產於收購日期不符合確認資格。本集團預期自2022年1月1日起前瞻採用有關修訂。由於該等修訂可能對收購日期為首次採納日期或之後的業務合併前瞻性採納，本集團於過渡日期將不會受到該等修訂的影響。

**2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)**

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 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 March 2018 without significantly changing its requirements. The amendments also add to IFRS 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 IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.3 已頒佈但尚未生效的國際財務報告準則(續)

當現有利率基準被可替代無風險利率替代時，國際財務報告準則第9號、國際會計準則第39號、國際財務報告準則第7號、國際財務報告準則第4號及國際財務報告準則第16號之修訂解決先前影響財務報告之修訂未處理的問題。第二階段之修訂提供對於釐定金融資產及負債之合約現金流量之基準之變動進行會計處理時無需調整賬面值而更新實際利率的實際權宜方法，前提為該變動為利率基準改革之直接後果且釐定合約現金流量的新基準於經濟上等同於緊接變動前的先前基準。此外，該等修訂允許利率基準改革所規定對沖指定及對沖文件進行更改，而不會中斷對沖關係。過渡期間可能產生的任何損益均通過國際財務報告準則第9號的正常規定進行處理，以衡量及確認對沖無效性。倘無風險利率被指定為風險組成部分時，該等修訂亦暫時減輕了實體必須滿足可單獨識別的要求的風險。倘實體合理地預期無風險利率風險組成部分於未來24個月內將變得可單獨識別，則該減免允許實體於指定對沖後假定已滿足可單獨識別之規定。此外，該等修訂亦規定實體須披露額外資料，以使財務報表的使用者能夠了解利率基準改革對實體的金融工具及風險管理策略的影響。該等修訂於2021年1月1日或之後開始的年度期間生效，並應追溯應用，但實體毋須重述比較資料。

於2020年12月31日，本集團有若干以港元及外幣計值的計息銀行及其他借款，按中國人民銀行所報的匯率計息。倘該等借款的利率於未來期間被無風險利率替代，當符合「經濟上等同」標準時，本集團將於修改該等借款後應用實際權宜方法，並預計不會因應用該等變動的修訂而產生重大修訂收益或虧損。

#### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 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 IFRS 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 Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the exchange rates quoted by the People's Bank of China as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

**2.3 已頒佈但尚未生效的國際財務報告準則(續)**

國際財務報告準則第10號及國際會計準則第28號之修訂針對國際財務報告準則第10號及國際會計準則第28號之間有關投資者與其聯營公司或合營企業之間的資產出售或注資兩者規定之不一致情況。該等修訂規定，當投資者與其聯營公司或合營企業之間的資產出售或注資構成一項業務時，須悉數確認收益或虧損。當交易涉及不構成一項業務之資產時，由該交易產生之收益或虧損於該投資者之損益內確認，惟僅以不相關投資者於該聯營公司或合營企業之權益為限。該等修訂已前瞻應用。國際會計準則理事會已於2015年12月剔除國際財務報告準則第10號及國際會計準則第28號之修訂的以往強制生效日期，而新的強制生效日期將於對聯營公司及合營企業的會計處理完成更廣泛的檢討後釐定。然而，該等修訂現時可供採納。

國際會計準則第1號的修訂澄清將負債分類為流動或非流動的規定。該等修訂指明，倘實體延遲償還負債的權利受限於實體符合特定條件，則倘該實體符合當日之該等條件，其有權於報告期末延遲償還負債。負債的分類不受該實體行使其延遲償還負債權利的可能性影響。該等修訂亦澄清被視為償還負債的情況。該等修訂於2023年1月1日或之後開始的年度期間生效，並應追溯應用。允許提早應用。該等修訂預期不會對本集團的財務報表造成任何重大影響。

**2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)**

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 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 IFRS 10 and IAS 28 was removed by the IASB in December 2015 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 IAS 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.3 已頒佈但尚未生效的國際財務報告準則(續)

國際會計準則第16號的修訂禁止實體從物業、廠房及設備項目的成本中扣除資產達到管理層預定的可使用狀態(包括位置與條件)過程中產生的任何出售所得款項。相反，實體必須將出售任何有關項目的所得款項及該等項目的成本計入損益。該等修訂於2022年1月1日或之後開始的年度期間生效，並僅追溯應用實體於首次採用該等修訂的財務報表所呈列的最早期間或之後可供使用的物業、廠房及設備項目。允許提早應用。該等修訂預期不會對本集團的財務報表造成任何重大影響。

國際會計準則第37號的修訂澄清，就根據國際會計準則第37號評估合約是否屬虧損性而言，履行合約的成本包括與合約直接相關的成本。與合約直接相關的成本包括履行該合約的增量成本(例如直接勞工及材料)及與履行合約直接相關的其他成本分配(例如分配履行合約所用物業、廠房及設備項目的折舊開支以及合約管理及監管成本)。一般及行政成本與合約並無直接關連，除非根據合約明確向對手方收取費用，否則不包括在內。該等修訂於2022年1月1日或之後開始的年度期間生效，並適用於實體於其首次應用修訂的年度報告期初尚未履行其所有責任的合約。允許提早應用。初步應用該等修訂的任何累積影響將確認為初始應用日期的期初權益的調整，而毋須重列比較資料。該等修訂預期不會對本集團的財務報表造成任何重大影響。

#### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 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 IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

**2.3 已頒佈但尚未生效的國際財務報告準則(續)**

2018–2020年國際財務報告準則之年度改進載列國際財務報告準則第1號、國際財務報告準則第9號、國際財務報告準則第16號隨附之示例及國際會計準則第41號之修訂。預期適用於本集團之修訂詳述如下：

- 國際財務報告準則第9號金融工具：澄清了實體在評估新訂或經修訂金融負債的條款與初始金融負債的條款是否存在重大差異時所包含的費用。該等費用僅包括借款方與貸款方之間已付或已收的費用，包括由借款方或貸款方代表對方已付或已收的費用。實體於其首次應用該修訂之年度報告期初或之後應用經修訂或更改之金融負債之修訂。該修訂於2022年1月1日或之後開始的年度期間生效，並可提早應用。預期該修訂對本集團之財務報表不會產生重大影響。
- 國際財務報告準則第16號租賃：國際財務報告準則第16號所隨附之示例第13項剔除了出租人與租賃物業裝修有關之付款說明，以解決於應用國際財務報告準則第16號時有關租賃優惠處理的潛在混淆。

**2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)**

*Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 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.
- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要

##### 於聯營公司及合營企業的投資

聯營公司為本集團於其一般不少於20%股本投票權中擁有長期權益的實體，且可對其發揮重大影響力。重大影響力指的是參與投資對象的財務和經營決策的權力，但非控制或共同控制該等決策的權力。

合營企業為一類合營安排，對安排擁有共同控制權之訂約方據此對合營企業之資產淨值擁有權利。共同控制權指按照合約協定對一項安排共享控制權，僅在決定相關活動需要獲得共享控制權之訂約方一致同意方存在。

本集團於聯營公司及合營企業的投資乃按本集團根據權益會計法應佔資產淨值減任何減值虧損於綜合財務狀況表列賬。倘出現任何不相符的會計政策，即會作出調整加以修正。本集團應佔聯營公司及合營企業的收購後業績及其他綜合收益計入綜合損益及其他全面收益表。此外，倘於聯營公司的權益直接確認一項變動，則本集團會於綜合權益變動表確認其應佔的任何變動金額（倘適用）。本集團與其聯營公司間交易的未變現收益及虧損將以本集團於聯營公司的投資為限對銷，惟倘未變現虧損證明所轉讓資產減值則除外。收購聯營公司或合營企業所產生的商譽已計入本集團於聯營公司或合營企業的投資的一部分。

#### 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 statements 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 other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要 (續)

## 於聯營公司及合營企業的投資 (續)

倘於聯營公司的投資變成於合營企業的投資或出現相反情況，則不會重新計量保留權益。反之，該投資繼續根據權益法入賬。在所有其他情況下，失去對聯營公司的重大影響力或對合營企業的共同控制權後，本集團按其公平值計量及確認任何剩餘投資。聯營公司或合營企業於失去重大影響力或共同控制權時的賬面值與剩餘投資及出售所得款項的公平值之間的任何差額乃於損益中確認。

當於聯營公司的投資分類為持作出售時，則按國際財務報告準則第5號持作出售非流動資產及已終止經營業務入賬。

## 業務合併

業務合併乃以收購法入賬。轉讓的對價乃以收購日期的公平值計算，該公平值為本集團轉讓的資產於收購日期的公平值、本集團自被收購方的前任擁有人承擔的負債及本集團發行以換取被收購方控制權的股本權益的總和。於每個業務合併中，本集團選擇是否以公平值或被收購方可識別資產淨值的應佔比例，計算於被收購方屬現時擁有人權益並賦予擁有人權利於清盤時按比例分佔資產淨值的非控股權益。非控股權益的所有其他部分乃按公平值計量。收購相關成本於產生時列為開支。

當所收購的一組活動及資產包括一項投入及一項實質過程，而兩者對創造產出的能於力有重大貢獻，本集團認為其已收購一項業務。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

## Business combinations

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.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 業務合併 (續)

當本集團收購一項業務時，其會根據合約條款及於收購日期的經濟環境及相關條件，評估將承接的金融資產及負債，以作出適合的分類及指定。此包括將被收購方主合約中的嵌入式衍生工具進行分離。

倘業務合併分階段進行，先前持有的股權按收購日期的公平值重新計量，而產生的任何盈虧於損益中確認。

收購方將予轉讓的任何或然對價於收購日期按公平值確認。分類為一項資產或負債的或然對價按公平值計量，公平值的任何變動於損益確認。倘將或然對價分類為權益，則毋須重新計量，隨後結算於權益中列賬。

##### 公平值計量

本集團於報告期末計量其投資物業及按公平值計入損益的金融資產。公平值乃在市場參與者於計量日期進行的有序交易中出售資產所收取或轉移負債所支付的價格。公平值計量乃基於假設出售資產或轉移負債的交易於資產或負債的主要市場進行或於未有主要市場的情況下，則於資產或負債的最有利市場進行。主要或最有利市場須為本集團可進入的市場。資產或負債的公平值乃基於市場參與者為資產或負債定價所用的假設計量(假設市場參與者依照彼等的最佳經濟利益行事)。

非金融資產公平值的計量則參考市場參與者可透過以其最高及最佳效用使用該資產，或把該資產售予另一可以其最高及最佳效用使用該資產的市場參與者產生經濟效益的能力。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Business combinations (Continued)

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.

##### Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at the end of 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 公平值計量(續)

本集團使用適用於不同情況的估值技術，而其有足夠數據計量公平值，以盡量利用相關可觀察輸入數據及盡量減少使用不可觀察輸入數據。

於綜合財務報表中計量或披露公平值的所有資產及負債，均根據對公平值計量整體而言屬重大的最低級別輸入數據在下述公平值層級內進行分類：

- 第一層級 — 基於相同資產或負債於活躍市場的所報價格(未經調整)
- 第二層級 — 基於估值技術，其中對公平值計量而言屬重大的最低級別輸入數據為可直接或間接觀察
- 第三層級 — 基於估值技術，其中對公平值計量而言屬重大的最低級別輸入數據為不可觀察

就於綜合財務報表中確認的經常性資產及負債而言，本集團於各報告期間末透過重新評估分類確定各層級之間是否發生轉移(根據對公平值計量整體而言屬重大的最低級別輸入數據)。

## 非金融資產減值

倘存在任何減值跡象，或當須每年就資產進行減值測試(開發中物業、持作出售的已完工物業、遞延稅項資產、金融資產及投資物業除外)，則會估計資產的可收回金額。資產的可收回金額乃按資產或現金產生單位的使用價值及公平值減出售成本兩者的較高者計算，而個別資產須分開計算，除非資產並不產生明顯獨立於其他資產或資產組別的現金流入，於此情況下，則可收回金額按資產所屬現金產生單位計算。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Fair value measurement (Continued)

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 consolidated 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 consolidated 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 of the 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 properties under development, completed 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 非金融資產減值 (續)

僅在資產賬面值高於其可收回金額的情況下，方會確認減值虧損。評估使用價值時，估計未來現金流量按可反映貨幣時間價值及資產特定風險的現時市場評估的稅前貼現率折現至現值。減值虧損按與該減值資產功能相符的開支類別於產生期間自損益中扣除。

本集團會在各報告期間末評估是否有任何跡象顯示以前所確認的減值虧損已不存在或可能減少。倘出現此等跡象，則會估計可收回金額。僅當用以確定資產可收回金額的估計有變時，方會撥回資產(商譽除外)先前確認的減值虧損，但撥回後的金額不得超逾假設於過往年度並無就該項資產確認減值虧損而應釐定的賬面值(扣除任何折舊/攤銷)。減值虧損撥回計入其產生期間的損益，除非資產以重估金額入賬，在此情況下，減值虧損撥回根據重估資產的有關會計政策列賬。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the 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 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 關聯方

以下人士被視為本集團的關聯方，倘：

- (a) 有關方為一名人士或該人士的關係密切家庭成員，而該人士
- (i) 擁有本集團的控制權或共同控制權；
  - (ii) 對本集團具有重大的影響力；或
  - (iii) 該人士為本集團或本集團母公司的主要管理人員的其中一名成員；

或

- (b) 有關方為實體且符合下列任何一項條件：
- (i) 該實體與本集團屬同一集團的成員公司；
  - (ii) 一實體為另一實體(或另一實體的母公司、附屬公司或同系附屬公司)的聯營公司或合營企業；
  - (iii) 該實體與本集團為同一第三方的合營企業；
  - (iv) 一實體為一第三方實體的合營企業，而另一實體為同一第三方實體的聯營公司；
  - (v) 該實體為就本集團或與本集團有關聯之實體的僱員利益設立的離職福利計劃；

## 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;

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 關聯方 (續)

- (b) 有關方為實體且符合下列任何一項條件：(續)
- (vi) 該實體為(a)所識別人土控制或共同控制；
- (vii) 於(a)(i)所識別人土對實體有重大影響或屬該實體(或該實體母公司)主要管理人員的其中一名成員；及
- (viii) 向本集團或本集團的母公司提供主要管理人員服務的實體或實體為其中一部分的集團的任何成員公司。

##### 物業、廠房及設備與折舊

物業、廠房及設備(在建工程除外)乃按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備類項目的成本包括其購買價及任何令資產投入運作及將資產運往擬定用途地點的直接應計費用。

於物業、廠房及設備類項目投入運作後所引致的支出，如維修及保養費等，通常於該等支出產生期間自全面收益表中扣除。倘確認條件達標，則主要檢查費用會於資產賬面值中撥作重置成本。倘大部分物業、廠房及設備須不時重置，則本集團確認該部分物業、廠房及設備為個別具有特定使用年期的資產及相應地對其作出折舊。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies: (Continued)
- (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 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. 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 statements of comprehensive income 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 物業、廠房及設備與折舊(續)

折舊乃以直線法按其估計可使用年期撇銷各項物業、廠房及設備的成本至其剩餘價值計算。就該目的採用的主要年率如下：

樓宇	5.00%
汽車	20.00%
辦公設備及電子裝置	20.00%
租賃物業裝修	按租賃期與 20.00% 之較短者

當一項物業、廠房及設備的各部分有不同可使用年期時，該項目的成本乃按合理基準在各部分之間分配，而各部分須分別折舊。剩餘價值、可使用年期及折舊方法至少於各財政年度末檢討，並作出調整(如適用)。

物業、廠房及設備類項目(包括最初經確認的任何重大部分)於出售或預期其使用或出售不會帶來任何未來經濟利益時終止確認。因出售或報廢而於該資產終止確認年度的全面收益表內確認的任何盈虧乃有關資產出售所得款項淨額與賬面值的差額。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Property, plant and equipment and depreciation (Continued)

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:

Buildings	5.00%
Motor vehicles	20.00%
Office equipment and electronic devices	20.00%
Leasehold improvements	Over the shorter of the lease terms and 20.00%

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 statements of comprehensive income in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 投資物業

投資物業為持有作賺取租金收入及／或資本增值，而非作生產或供應貨品或服務或作行政用途，或在日常業務運作過程中作出售的土地及樓宇權益(包括持作使用權資產的租賃物業，其將符合投資物業的定義)。該等物業初始按成本(包括交易成本)計量。於初始確認後，投資物業按反映報告期間末市況的公平值入賬。

投資物業公平值變動所產生的盈虧計入其產生年度的損益。

報廢或出售投資物業的任何盈虧於報廢或出售年度的損益中確認。

#### 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 assets 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 profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

**財務報表附註****Notes to Financial Statements**

2020年12月31日 31 December 2020

**2.4 重大會計政策概要 (續)****開發中物業**

開發中物業擬於完工後持作出售。

開發中物業按成本與可變現淨值的較低者列賬，成本包括土地成本、建築成本、借貸成本、專業費用及於開發期間直接歸於有關物業的其他成本。

除非開發中物業不能於正常營運週期內落成，否則相關開發中物業分類為流動資產。物業於完工時轉至持作出售的已完工物業。

**持作出售的已完工物業**

持作出售的已完工物業按成本與可變現淨值兩者的較低者於財務狀況表列賬。成本按未售物業應佔土地及樓宇成本總額的分攤比例釐定。可變現淨值按預期最終將變現的價格減出售物業產生的估計成本計算。

**分配物業開發成本**

土地成本根據各單位的可售建築面積（「建築面積」）佔可售總建築面積的比例分配至各單位。單位相關建築成本按個別情況識別及分配。一般建築成本按與土地成本相若的方式根據可售建築面積分配。

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Properties under development**

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

**Completed properties held for sale**

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

**Allocation of property development costs**

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 無形資產 (商譽除外)

單獨取得的無形資產於初始確認時按成本計量。於業務合併中取得的無形資產的成本為於收購日期的公平值。無形資產的可使用年期分為有限期或無限期。有限期的無形資產隨後按可使用經濟年期攤銷，並於有跡象顯示無形資產可能出現減值時評估減值。有限可使用年期的無形資產的攤銷期及攤銷方法至少於每個財政年度末檢討一次。

軟件按成本減任何減值虧損列賬，並於5年的估計可使用年內按直線法為基準攤銷。

##### 租賃

本集團於合約開始時評估合約是否為租賃或包含租賃。倘合約賦予權利於一段時間內控制已識別資產的用途以換取代價，則該合約為租賃或包含租賃。

##### 本集團作為承租人

本集團對所有租賃 (惟短期租賃及低價值資產租賃除外) 採取單一確認及計量方法。本集團確認租賃負債以作出租賃款項，而使用權資產指使用相關資產的權利。

#### 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.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 租賃(續)

本集團作為承租人(續)

## (a) 使用權資產

使用權資產於租賃開始日期(即相關資產可供使用當日)確認。使用權資產按成本減任何累計折舊及任何減值虧損計量，並就任何重新計量租賃負債作出調整。使用權資產成本包括已確認租賃負債的款額、已產生初始直接成本及於開始日期或之前作出的租賃款項減任何已收租賃獎勵。使用權資產按租期與資產的估計可使用年期中的較短者按直線法計提折舊，如下：

辦公室物業	1至6年
-------	------

倘於租期結束時租賃資產的擁有權轉讓至本集團或成本反映購買權的行使，折舊則根據資產的估計可使用年期計算。

## (b) 租賃負債

租賃負債於租賃開始日期以租期內作出的租賃款項現值確認。租賃款項包括定額付款(含實質定額款項)減任何應收租賃獎勵款項、取決於指數或利率的可變租賃款項以及預期根據剩餘價值擔保下支付的金額。租賃款項亦包括本集團合理確定行使的購買選擇權的行使價及倘在租期內反映本集團正行使終止租賃選擇權時，有關終止租賃支付的罰款。不取決於指數或利率的可變租賃款項在出現觸發付款的事件或條件的期間內確認為支出。

## 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. 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:

Office properties	1 to 6 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.

## (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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 租賃 (續)

本集團作為承租人 (續)

##### (b) 租賃負債 (續)

於計算租賃款項的現值時，由於租賃內所含利率不易釐定，故本集團應用租賃開始日期的增量借款利率計算。於開始日期後，租賃負債金額的增加反映利息的增加，並因支付租賃款項而減少。此外，倘有任何修改（即租期變更、租賃款項變更（例如指數或比率的變更導致對未來租賃付款發生變化）或購買相關資產的選擇權評估的變更），則重新計量租賃負債的賬面值。

##### (c) 短期租賃及低價值資產租賃

本集團對其辦公設備的短期租賃（即該等於開始日期起的租期為12個月或以下且不包含購買選擇權的租賃）應用短期租賃確認豁免。其亦對視作低價值的辦公設備及手提電腦租賃應用低價值資產租賃確認豁免。短期租賃及低價值資產租賃的租賃款項按租期以直線法確認為開支。

本集團作為出租人

當本集團作為出租人時，其於租賃開始時（或租賃出現修改時）將每項租賃分類為經營租賃或融資租賃。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Leases (Continued)

Group as a lessee (Continued)

##### (b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 租賃(續)

## 本集團作為出租人(續)

本集團並未轉讓資產所有權所附帶的絕大部分風險及回報的租賃歸類為經營租賃。倘合約包含租賃及非租賃組成部分，本集團根據相對獨立的售價基準將合約代價分配予各組成部分。租金收入因其經營性質而於租期內按直線法列賬並計入損益表之收益。於磋商及安排經營租賃時產生的初始直接成本乃計入租賃資產的賬面值，並於租期內按相同基準確認為租金收入。或然租金乃於所賺取的期間內確認為收益。

向承租人轉讓相關資產所有權所附帶的絕大部分風險及回報的租賃入賬列作融資租賃。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Leases (Continued)

## Group as a lessor (Continued)

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 assets to the lessee are accounted for as finance leases.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 投資及其他金融資產

###### 初步確認及計量

金融資產於初步確認時分類為其後按攤銷成本、按公平值計入其他全面收益及按公平值計入損益計量。

初步確認時的金融資產分類取決於金融資產的合約現金流量特徵以及本集團管理彼等的業務模式。除了不包含顯著的融資組成部分或本集團已就此採用不調整重大融資組成部分的影響的實際權宜之計之貿易應收款項外，本集團初始按其公平值加上(倘金融資產並非按公平值計入損益)交易成本計量金融資產。不包含顯著的融資組成部分或本集團已就此採用實際權宜之計之貿易應收款項，乃按照下文「收益確認」所載政策根據國際財務報告準則第15號釐定之交易價格計量。

為使金融資產按攤銷成本或按公平值計入其他全面收益進行分類及計量，需產生純粹為支付本金及未償還本金利息(「純粹支付本金及利息」)的現金流量。現金流量不只是純粹支付本金及利息之金融資產，其按公平值計入損益進行分類及計量，不論其業務模式如何。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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 IFRS 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 投資及其他金融資產(續)

## 初步確認及計量(續)

本集團管理金融資產的業務模式指其如何管理其金融資產以產生現金流量。業務模式確定現金流量是否來自收集合約現金流量、出售金融資產，或兩者兼有。按攤餘成本分類及計量的金融資產於旨在持有金融資產以收取合約現金流量的業務模式中持有，而按公平值計入其他全面收益分類及計量的金融資產則於旨在持有以收取合約現金流量及出售的業務模式中持有。並非按上述業務模式持有的金融資產按公平值計入損益進行分類及計量。

所有定期購買及出售金融資產於交易日(即本集團承諾購買或出售該資產之日)確認。定期購買或出售指需要在一般由法規或市場慣例確定的期間內移交資產的金融資產買賣。

## 隨後計量

金融資產的隨後計量取決於其分類，如下所示：

**按攤銷成本列賬的金融資產(債務工具)**

按攤銷成本列賬的金融資產其後使用實際利率法計量，並可能受減值影響。當資產終止確認、修訂或減值時，收益及虧損於損益中確認。

**按公平值計入損益的金融資產**

按公平值計入損益(「按公平值計入損益」)的金融資產按公平值於財務狀況表列賬，而公平值變動淨額於損益表中確認。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Investments and other financial assets (Continued)

## Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

**Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in 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 and Loss ("FVTPL") 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要(續)

##### 投資及其他金融資產(續)

###### 隨後計量(續)

###### 按公平值計入損益的金融資產(續)

此類別包括本集團並無不可撤回地選擇分類為按公平值計入其他全面收益的股權投資。分類為按公平值計入損益的金融資產的股權投資之股息於收取付款的權利已確立、與股息相關的經濟利益很可能流入本集團且股息金額能可靠計量時，於損益表內確認為其他收入。

###### 終止確認金融資產

倘出現以下情況，則金融資產(或(如適用)部分金融資產或一組同類金融資產的一部分)終止確認(即從本集團綜合財務狀況表中剔除)：

- 從資產收取現金流量的權利已到期；或
- 本集團已根據「轉手」安排轉讓從資產收取現金流量的權利，或已承擔向第三方無重大延誤全額支付所收現金流量的責任；及(a)本集團已轉讓資產的絕大部分風險及回報，或(b)本集團雖未轉讓或保留資產的絕大部分風險及回報，但已轉讓資產的控制權。

倘本集團已轉讓從資產收取現金流量的權利或訂立轉手安排，則評估有否保留資產所有權的風險及回報及保留的程度。倘本集團並無轉讓或保留資產的絕大部分風險及回報，亦無轉讓資產控制權，則本集團將就本集團持續參與有關資產的程度繼續確認已轉讓資產。在此情況下，本集團亦確認相關負債。已轉讓資產及相關負債基於反映本集團所保留權利及責任的基準計量。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Investments and other financial assets (Continued)

###### Subsequent measurement (Continued)

###### Financial assets at fair value through profit or loss (Continued)

This category includes 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.

###### 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 終止確認金融資產(續)

以擔保形式對已轉讓資產的持續參與，按資產原賬面價值與本集團可能須償還最高對價兩者的較低者計量。

## 金融資產的減值

本集團就所有並非以按公平值計入損益方式持有的債務工具的預期信貸虧損(「預期信貸虧損」)確認撥備。預期信貸虧損乃基於根據合約應收的合約現金流量與本集團預期將收到的所有現金流量之間的差額而釐定，並以原實際利率的近似值折現。預期現金流量將包括出售所持抵押品或為合約條款一部分的其他信貸提升措施產生的現金流量。

## 一般方法

預期信貸虧損分兩個階段進行確認。對於自初始確認以來信貸風險未有顯著增加的信貸風險，就未來12個月內可能發生的違約事件會導致的信貸虧損(12個月預期信貸虧損)計提預期信貸虧損撥備。對於自初始確認以來信貸風險已顯著增加的信貸風險，則不論發生違約的時間，須就有關風險餘下年期內的預期信貸虧損計提虧損撥備(全期預期信貸虧損)。

本集團在各報告日期評估金融工具的信貸風險自初始確認後是否已顯著增加。於進行評估時，本集團將報告日期財務工具出現違約之風險與初始確認日期財務工具出現違約之風險進行比較，並考慮無需付出過多成本或努力即可獲得的合理及有理據的資料(包括過往經驗及前瞻性資料)。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Derecognition of financial assets (Continued)

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.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 金融資產的減值 (續)

###### 一般方法 (續)

當合約付款逾期90日時，本集團視金融資產出現違約。然而，在若干情況下，當內部或外部資料顯示在不考慮本集團所持的任何信貸增強措施情況下本集團不大可能悉數收回尚未償還的合約金額，則本集團亦可能將金融資產視為出現違約。倘無合理預期可收回合約現金流量，則撇銷金融資產。

除貿易應收款項應用下文詳述的簡化方法外，按攤銷成本列賬的金融資產按一般方法進行減值，並歸類入以下計量預期信貸虧損的階段。

第1階段 — 自初始確認以來信貸風險並無顯著增加的金融工具，其虧損撥備按等於12個月預期信貸虧損的金額計量

第2階段 — 自初始確認以來信貸風險有顯著增加但屬未出現信貸減值的金融資產的金融工具，其虧損撥備按等於全期預期信貸虧損的金額計量

第3階段 — 於報告日期已出現信貸減值(但並非在購買或產生時已出現信貸減值)的金融資產，其虧損撥備按等於全期預期信貸虧損的金額計量

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Impairment of financial assets (Continued)

###### General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 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

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 金融資產的減值(續)

## 簡化方法

就不包含重大融資成分的貿易應收款項而言，或在本集團採用不就重大融資成分影響作出調整的實際權宜方法時，本集團應用簡化方法計算預期信貸虧損。在簡化方法下，本集團不追蹤信貸風險的變化，而是於各報告日期根據全期預期信貸虧損確認減值撥備。本集團已建立基於其過往信貸虧損經驗，並就有關債務人及經濟環境的特定前瞻性因素作出調整的撥備矩陣。

## 金融負債

## 初始確認與計量

金融負債於初始確認時分類為按公平值計入損益的金融負債、貸款及借款或應付款項(如適用)。

所有金融負債初步按公平值確認並倘為貸款及借款以及應付款項，則扣除直接應佔交易成本。

本集團的金融負債包括計息銀行及其他借款、優先票據、租賃負債、應付關聯公司款項、貿易應付款項、其他應付款項、其他金融負債、財務擔保合約及資產支持證券所得款項。

## 隨後計量

金融負債的隨後計量視乎如下分類而定：

## 按攤銷成本列賬的金融負債(貸款及借款)

於初始確認後，計息貸款及借款以及租賃負債隨後以實際利率法按攤銷成本計量，除非折現影響為微不足道，在該情況下則按成本列賬。當負債終止確認以及按實際利率法進行攤銷程序時，盈虧於損益中確認。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Impairment of financial assets (Continued)

## Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## Financial liabilities

## Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, 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 interest-bearing bank and other borrowings, senior notes, lease liabilities, amounts due to related companies, trade payables, other payables and other financial liabilities, financial guarantee contracts and proceeds from assets-backed securities.

## Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

## 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 profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 金融負債 (續)

按攤銷成本列賬的金融負債(貸款及借款)(續)

攤銷成本於計及收購事項任何折現或溢價及屬實際利率不可或缺一部分的費用或成本後計算。實際利率攤銷計入損益的融資成本內。

##### 財務擔保合約

本集團出具的財務擔保合約乃因為特定債務人於債務到期時未能根據債務工具的條款作出付款而要求作出付款以補償持有者所產生的損失的合約。財務擔保合約按其公平值初始確認為負債，就出具擔保直接應佔交易成本進行調整。於初始確認後，本集團按以下較高者計量財務擔保合約：(i)根據「金融資產減值」載列的政策所確定的預期信貸虧損撥備；及(ii)初始確認的金額減(如適用)經確認的累積收入金額。

##### 優先票據

本公司所發行包含負債及提早贖回權(並非與主合約密切相關)兩個部分的優先票據於初始確認時分開歸入相關的項目。於發行日，負債及提早贖回權兩個部分均按公平值確認。

於後續期間，優先票據的債務部分使用實際利率法按攤銷成本列賬。而提早贖回權按公平值計量且其公平值變動於損益確認。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Financial liabilities (Continued)

Financial liabilities at amortised cost (loans and borrowings) (Continued)

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 profit or loss.

##### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

##### Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 金融負債(續)

## 優先票據(續)

發行優先票據相關的交易成本按負債及提早贖回權部分的公平值相對比例分配至該兩個部分。與提早贖回權相關的交易成本即時於損益中扣除。與債務部分相關的交易成本計入負債部分的賬面值，並使用實際利率法在優先票據期限內攤銷。

## 金融負債終止確認

當金融負債的責任已履行、取消或屆滿時，金融負債終止確認。

當現時金融負債被另一項由同一貸款人借出，而條款有重大不同的金融負債所取代，或當現時負債的條款被重大修訂，該取代或修訂以終止確認原有負債及確認新負債的方式處理，而有關賬面值之間的差額於損益中確認。

## 抵銷金融工具

倘若及僅當有現行可予執行的法律權利可抵銷確認金額及有意按淨額基準償付，或變現資產與清還負債同時進行，則抵銷金融資產及金融負債及於財務狀況表內呈報淨值。

## 現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，以及可實時兌換為已知金額現金、所涉價值變動風險不高而一般自取得起計三個月內到期的短期高流動性投資，減須按要求償還並構成本集團現金管理主要部分的銀行透支。

就綜合財務狀況表而言，現金及現金等價物包括手頭現金及用途不受限制的銀行存款。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Financial liabilities (Continued)

## Senior notes (Continued)

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

## Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

## Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only 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 asset and settle the liability simultaneously.

## Cash and cash equivalents

For the purpose of the consolidated statements 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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 撥備

倘因過往事件導致現時承擔責任(法定或推定責任)，且日後可能須流失資源以履行責任，並能可靠估計責任的數額，則確認撥備。

當貼現影響屬重大時，確認撥備的金額為預期未來履行責任所作出的開支於各報告期末的現值。因時間流逝而增加的貼現值金額會記入損益財務成本項下。

##### 所得稅

所得稅包括即期及遞延稅項。與於損益以外確認項目相關的所得稅於損益以外的其他綜合收益或直接於權益確認。

當期及過往期間的即期稅項資產及負債，乃按預期自稅務當局退回或付予稅務當局的金額，根據於各報告期末已頒佈或實質上已頒佈的稅率(及稅法)，以及考慮本集團經營所在國家當時的詮釋及慣例計量。

遞延稅項採用負債法就於報告期末資產及負債的稅基與兩者用作財務報告的賬面值之間的所有暫時性差異計提撥備。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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 each of the Reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

##### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要 (續)

## 所得稅 (續)

遞延稅項負債乃就所有應課稅暫時性差異而確認，惟下列情況除外：

- 遞延稅項負債乃因在一項並非業務合併的交易中初次確認商譽或資產或負債而產生，且於交易時對會計溢利及應課稅溢利或虧損均無影響；及
- 就與於附屬公司、聯營公司以及合營企業的投資有關的應課稅暫時性差異而言，暫時性差異的撥回時間為可控制，且該等暫時性差異於可見將來可能不會撥回。

遞延稅項資產乃就所有可抵扣暫時性差異以及未動用稅項抵免及任何未動用稅項虧損的結轉而確認。遞延稅項資產的確認以將有應課稅溢利可用以抵銷可抵扣暫時性差異以及未動用稅項抵免和未動用稅項虧損的結轉為限，惟下列情況除外：

- 與可抵扣暫時性差異有關的遞延稅項資產乃因在一項並非業務合併的交易中初次確認資產或負債而產生，且於交易時對會計溢利及應課稅溢利或虧損均無影響；及
- 就與於附屬公司、聯營公司及合營企業的投資有關的可抵扣暫時性差異而言，遞延稅項資產僅於暫時性差異於可見將來有可能撥回以及將有應課稅溢利可用以抵銷暫時性差異的情況下，方予確認。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where 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:

- where 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 所得稅 (續)

遞延稅項資產乃就所有可抵扣暫時性差異以及未動用稅項抵免及任何未動用稅項虧損的結轉而確認。遞延稅項資產的確認以將有應課稅溢利可用以抵銷可抵扣暫時性差異以及未動用稅項抵免和未動用稅項虧損的結轉為限，惟下列情況除外：(續)

於報告期末審閱遞延稅項資產的賬面值，並在不再可能有足夠應課稅溢利以動用全部或部分遞延稅項資產時，相應扣減該賬面值。未被確認的遞延稅項資產會於報告期末重新評估，並在可能有足夠應課稅溢利以收回全部或部分遞延稅項資產時予以確認。

遞延稅項資產及負債乃按預期適用於變現資產或清還負債期間的稅率，根據於報告期末已頒佈或實質上已頒佈的稅率(及稅法)計算。

當及僅當本集團擁有法定行使權可將即期稅項資產與即期稅項負債抵銷，且遞延稅項資產及遞延稅項負債與同一稅務機關向同一應課稅實體或向不同應課稅實體按淨額基準結算即期稅項負債及資產徵收之所得稅有關，或預期於各未來期間有重大金額之遞延稅項負債需清償或遞延稅項資產可收回時，同時變現該等資產及清償該等負債，則遞延稅項資產可與遞延稅項負債抵銷。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Income tax (Continued)

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: (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the 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 the 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要 (續)

## 政府補助

倘能合理確定將會收取有關補助且符合補助附帶的所有條件，則政府補助將按公平值予以確認。倘補助與開支項目有關，因此於所擬補償的成本的支銷期間內系統地確認為收入。

倘補助與資產有關，公平值將計入遞延收入賬戶，並於有關資產的預期可使用年期內，以等額年金調撥至損益或從資產賬面值中扣減並以經扣減折舊開支調撥至損益。

## 收入確認

## 來自客戶合約的收入

當貨物或服務的控制權以反映本集團預期就換取該等貨物或服務有權獲得的對價的金額轉讓予客戶時，確認來自客戶合約的收入。

當合約包含為客戶提供一年以上貨物或服務轉移融資的重大好處的融資部分時，收入按應收款項金額的現值計量，並使用貼現率折現，該貼現率將反映在本集團與客戶在合約開始時的單獨融資交易中。當合約包含融資部分，為本集團提供一年以上重大經濟利益時，根據合約確認的收入包括按實際利率法計算合約負債所產生的利息開支。對於客戶付款至承諾貨物或服務轉讓之間的期間為一年或一年以下的合約，交易價格採用國際財務報告準則第15號的實際權宜之計，不會對重大融資部分的影響進行調整。

## 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, 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 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 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 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 IFRS 15.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 收入確認 (續)

###### 物業銷售

收益於資產控制權轉讓予客戶時確認。根據合約條款及適用於合約的法律，資產的控制權可以隨時間或在某個時間點進行轉移。倘本集團履行合約時出現以下情況，資產的控制權將隨時間轉移：

- 履行合約可向客戶提供其同時接受及使用之所有利益；
- 本集團可就履行之合約創建及增加客戶控制之資產；或
- 履行合約並不會創建對本集團具有替代用途之資產，而本集團就累計至今已完成履約部分之付款擁有可強制執行權。

倘資產控制權隨時間轉移，經參考完全達成履約責任之進度，收益將於合約期內確認。否則，收益將於買家取得資產控制權之時間點確認。

完成履約責任之進度乃根據本集團為達成履約責任所付出努力或投入，參照截至各報告期末產生的合約成本佔每份合約估計成本總額的百分比計量。

在釐定交易價格時，如果融資成分重大，則本集團會調整承諾的對價金額。

對於在某個時間點轉移物業控制權的物業開發和銷售合約，收益於客戶獲得實物所有權或已完工物業的法定所有權且本集團現時有權收取付款並很可能收回對價時確認。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue recognition (Continued)

###### Sale of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of financing component if it is significant.

For a property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 收入確認(續)

## 物業管理服務

來自提供物業維護及管理服務的物業管理服務收入於提供相關服務及客戶同時取得及消耗本集團提供之利益時確認。

## 管理諮詢服務

來自提供與物業項目開發相關的支援服務的管理諮詢服務收入於提供相關服務及客戶同時取得及消耗本集團提供之利益時確認。

## 來自其他來源的收益

租賃收入於租期內按時間比例確認。並不取決於指數或費率的不同租賃付款於其產生的會計期間確認為收入。

## 其他收入

利息收入按應計基準以實際利率法通過採用將金融工具的估計未來所收現金在預計可使用年內貼現至金融資產賬面值淨值的利率予以確認。

股息收入於股東收取付款的權利確立、股息相關的經濟利益可能將流入本集團且股息金額能可靠計量時確認。

## 合約負債

合約負債於本集團轉讓相關貨品或服務前自客戶收取付款或付款到期應付時(以較早者為準)確認。合約負債於本集團根據合約履約(即向客戶轉讓相關貨品或服務的控制權)時確認為收入。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Revenue recognition (Continued)

## Property management services

Property management service income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

## Management consulting services

Management consulting service income derived from the provision of support services in connection with development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

## 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 discounts the estimated future cash receipts over the expected life of the financial instrument of 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 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).

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 以股份為基礎付款

本公司設有一項購股權計劃，旨在向對本集團經營成就作出貢獻的合資格參與者給予獎勵及回報。本集團僱員(包括董事)按以股份為基礎付款的方式收取酬金，據此，僱員以提供服務作為獲取權益工具的代價(「權益結算交易」)。

授出與僱員進行之權益結算交易成本乃參考彼等獲授日期之公平值計量。公平值乃由外聘估值師採用二項式期權定價模式釐定，有關進一步詳情載於財務報表附註37。

權益結算交易的成本，連同權益相應增加部份，在表現及/或服務條件獲達成的期間內於僱員福利開支內確認。在歸屬日期前，於各報告期末確認的以權益結算交易的累計開支，反映歸屬期已到期部份及本集團對最終將會歸屬的股本工具數目的最佳估計。在某一期間內於損益表內扣除或計入損益表之金額指於該期初及期末確認的累計開支變動。

於釐定獎勵授出日的公平值時並不考慮服務及非市場表現條件，惟達成條件的可能性則被評定為將最終歸屬為本集團權益工具數目的最佳估計的一部份。市場表現條件反映於授出日的公平值內。附帶於獎勵中但與相關服務要求無關的任何其他條件皆視為非歸屬條件。非歸屬條件反映在獎勵的公平值內，且除非包含服務及/或表現條件，否則將導致獎勵遭到即時計入開支。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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 37 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要(續)

## 以股份為基礎付款(續)

因未能達至非市場表現及/或服務條件而導致最終並無歸屬的獎勵，不會確認為開支。倘獎勵包括一項市場或非歸屬條件，則無論市場或非歸屬條件是否達成，交易均會被視為已歸屬，但是需所有其他表現及/或服務條件已達成。

倘若以權益結算的獎勵的條款有所修訂，且已符合獎勵之原定條款，所確認開支最少須達到猶如條款並無任何修訂之水平。此外，倘若按修訂日期計量，任何修訂導致以股份為基礎的付款的總公平值有所增加，或對僱員有利，則應就該等修訂確認開支。

如以權益結算的獎勵被註銷，則被視為在註銷當日已歸屬，而尚未就該獎勵確認之任何開支須即時予以確認。此包括本集團或僱員控制範圍內非歸屬條件未獲達成之任何獎勵。然而，倘有一項新獎勵取代已註銷之獎勵，及於授出當日被指定為該獎勵之替代品，則該已註銷及新獎勵均被視為原獎勵之修訂(見前一段所述)。

計算每股盈利時，未行使購股權之攤薄效應反映為額外股份攤薄。

## 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 其他僱員福利

本集團於中國內地營運的附屬公司的僱員須參加當地市政府實施的定額供款中央養老金計劃。該等附屬公司須就其薪金按某一百分比向中央養老金計劃供款。本公司就中央養老金計劃的唯一責任是作出規定供款。概無根據中央養老金計劃被沒收的供款可用於抵減未來年度應付的供款。該等供款於根據中央養老金計劃的規則成為應付款項時自損益扣除。

本集團亦為香港所有僱員參與強制公積金計劃條例(「強積金計劃」)規則及規定項下的養老金計劃，其為定額供款退休計劃。強積金計劃的供款根據最低法定供款規定按合資格僱員相關總收入的5%計算。概無根據強積金計劃被沒收的供款可用於抵減未來年度應付的供款。此養老金計劃的資產於獨立管理的基金內與本集團資產分開持有。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a defined contribution pension scheme centrally operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The only obligation of the Company with respect to the central pension scheme is to make the required contributions. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. No forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 2.4 重大會計政策概要 (續)

## 借款成本

直接用於購買、興建或生產合資格資產(即需待相當時間方可達致其擬定用途或出售的資產)的借款成本一律撥充作為該等資產的部分成本。一旦資產大致可供擬定用途或出售,則有關借款成本不再撥充資本。特定借款於用作合資格資產開支前的臨時投資所賺取的投資收入於已資本化的借款成本中扣減。所有其他借款成本均於產生期間支銷。借款成本包括實體就借用資金產生的利息及其他成本。

## 股息

股東於股東大會上批准後,末期股息確認為負債。建議末期股息於財務報表附註披露。

中期股息同時提出及宣派,因為本公司的組織章程大綱及章程細則賦予董事宣派中期股息的權利。因此,中期股息在提出及宣派時即被確認為負債。

## 外幣

本集團各實體的財務資料所包括的項目乃使用該實體經營所在的主要經濟環境的貨幣(「功能貨幣」)計量。綜合財務報表以人民幣呈列,而本公司的功能貨幣為人民幣,乃因本集團主要業務在中國進行。本集團旗下實體錄得的外幣交易首次記錄時按功能貨幣於其各自交易日的現行匯率換算後入賬。

## 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.

## 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

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 2.4 重大會計政策概要 (續)

##### 外幣 (續)

以外幣計值的貨幣資產及負債按功能貨幣於各報告期末的現行匯率換算。因結算或換算貨幣項目而產生的匯兌差額於損益確認。

以外幣為單位而按歷史成本入賬的非貨幣項目按首次交易日的匯率換算。以外幣為單位而按公平值計量的非貨幣項目按計量公平值當日的匯率換算。換算按公平值計量的非貨幣項目產生的收益或虧損按與確認項目公平值變動的收益或虧損一致的方式處理(即公平值收益或虧損於其他綜合收益或損益中確認的項目的匯兌差額亦分別於其他綜合收益或損益中確認)。

就釐定終止確認有關預付對價的非貨幣資產或非貨幣負債時有關資產、開支或收入初始確認時的匯率，初始交易的日期為本集團初始確認產生自預付對價的非貨幣資產或非貨幣負債的日期。倘提前出現多筆付款或收款，本集團確定每筆付款或收取預付對價的交易日期。

若干海外附屬公司的功能貨幣並非人民幣。於報告期末，該等實體的資產及負債按報告期末的現行匯率換算為人民幣及其損益表按年內加權平均匯率換算為人民幣。

因此而產生的匯兌差額於其他綜合收益確認並於匯兌波動儲備累計。出售海外業務時，與該項特定海外業務有關的其他全面收益的組成部分於損益確認。

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Foreign currencies (Continued)

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries 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 profit or loss.

**財務報表附註****Notes to Financial Statements**

2020年12月31日 31 December 2020

**3. 重大會計判斷與估計**

編製本集團的綜合財務報表時，管理層須作出會影響所呈報收益、開支、資產與負債的金額及其隨附之披露以及或有負債披露的判斷、估計及假設。有關該等假設及估計的不明朗因素可能導致日後須對受影響資產或負債的賬面值作出重大調整。

**判斷**

在應用本集團的會計政策時，除涉及估計的判斷外，管理層亦作出下列判斷，其對綜合財務報表的已確認金額影響至為重大：

**收入確認**

物業銷售收入於本集團的履約過程不會產生對本集團有替代用途的資產並且本集團就迄今為止已履行的履約部分具有獲得付款之可強制執行權利時按一段時間確認；否則，收入在買方獲得對已完工物業的控制權時確認。由於與客戶的合約限制，本集團不得更改或替換物業單位或將物業單位重新定向為另一用途，因此物業單位對本集團並無其他用途。但是，是否存在可強制執行的支付權取決於銷售合約的條款以及適用於合約的適用法律的解釋。這種決定需要作出重大判斷。

**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 consolidated financial statements:

**Revenue recognition**

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at the point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 3. 重大會計判斷與估計(續)

##### 判斷(續)

##### 收入確認(續)

評估本集團是否就銷售合約擁有獲得付款之可強制執行權利時，本集團已取得法律顧問有關獲得付款之權利的可強制執行性的意見，包括評估合約條款以及可補充或凌駕於該等合約條款之法例，並評估是否存在任何因特別表現限制本集團強制執行獲得付款之權利的情況。基於法律顧問的意見，管理層通過判斷將銷售合約分類為有付款請求權的合約及無付款請求權的合約。管理層將定期重新評估彼等之判斷，以識別及評估是否存在任何可影響本集團獲得付款之可強制執行權利的情況及其對銷售合約的會計處理之影響。

**物業租賃分類 — 本集團作為出租人**  
本集團就其投資物業組合訂有商業物業租賃。本集團按該等安排之條款及條件(如並非構成商用物業經濟年期主要部分的租期以及並非等同商用物業絕大部分公平值的最低租賃付款現值)作出評估，決定其於租出且有關合約作為經營租賃入賬的物業保留擁有權附帶的絕大部分重大風險及回報。

#### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

##### Judgements (Continued)

##### Revenue recognition (Continued)

In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

##### Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 3. 重大會計判斷與估計(續)

## 判斷(續)

## 投資物業及自用物業的分類

本集團釐定物業是否為投資物業，並已建立作出判斷的準則。投資物業為持有以賺取租金或資本增值或兩者兼備的物業。因此，本集團會考慮物業是否可基本獨立於本集團所持有的其他資產而產生現金流量。若干物業中有一部分持作賺取租金或資本增值，而另一部分持作生產或供應商品或服務或行政用途。若該等部分能夠單獨出售或根據融資租賃單獨出租，本集團會將該等部分單獨入賬。若該等部分不能夠單獨出售，則僅當極小部分持作生產或供應商品或服務或行政用途時，該物業方為投資物業。要釐定附屬設施是否過於重大以致物業不符合資格列作投資物業，須逐項物業進行判斷。

## 估計不明朗因素

下文描述可能引致資產及負債的賬面值於下個財政年度或須予以重大調整，且有關未來的主要假設，以及於各報告期末存在的估計不明朗因素的其他主要來源：

## 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.

## 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:

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

### 3. 重大會計判斷與估計(續)

#### 估計不明朗因素(續)

##### 收入確認

本集團參考於報告日期完全履行履約責任的進度，按一段時間確認物業開發收入。該進度乃根據本集團為履行履約責任而作出的努力或投入而計量，並參考截至各報告期末所產生的合約成本佔合約各物業單位估計總成本的百分比。本集團根據物業類型，總樓面面積及可售樓面面積計算成本分配。在確定估計總成本的完整性以及在報告日期完全履行履約義務所取得進展的準確性時，需要作出重大判斷和估計。本集團擁有標準月度成本預算並估計完工程序，在此程序中管理層審閱完工進度及完成履約責任情況。作為此程序的一部分，管理層進行信息(包括但不限於完成進度的成本)審閱。未來期間成本估計的變動可能會對本集團確認的收入產生影響。在作出上述估計時，本集團依賴過往經驗以及承辦商及(如適用)測量師的工作。

##### 開發中物業及持作出售的已完工物業的撥備

本集團的開發中物業及持作出售的已完工物業以成本與可變現淨值的較低者入賬。本集團根據以往的經驗及標的物業的性質估計開發中物業的售價與完工成本，以及根據當前市況銷售物業將產生的費用。

倘完工成本增加或銷售淨值降低，則可變現淨值將會減少，可能導致須就開發中物業及持作出售已完工物業作出撥備。作出相關撥備時須運用判斷及估計。倘預期有別於原先估計，則會於變更估計期間相應調整物業賬面值及撥備。

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (Continued)

##### Revenue recognition

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on the type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can affect the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

##### Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 3. 重大會計判斷與估計(續)

## 估計不明朗因素(續)

## 重大融資部分

在釐定交易價格時，倘合約各方同意的付款時間為本集團帶來重大融資利益，則本集團就貨幣時間價值影響調整承諾的對價金額。

從客戶收到的預付款為本集團帶來重大融資利益。雖然本集團要求將完成前銷售收到的所有存款和定期付款存入利益相關者賬戶，但本集團能夠從該等預付款中受益，乃由於其可從該賬戶中提取資金以支付項目的建築成本。已收預付款實際上減少了本集團倚賴其他融資來源的需要。

融資部分的金額在合同開始時估算。合同開始後，貼現率不會因利率變化或其他情況(如信用風險變化)而更新。融資期限從收到付款直至將貨物轉移予客戶。

## 中國企業所得稅(「企業所得稅」)

本集團須繳納中國企業所得稅。由於地方稅務局尚未確認有關所得稅的若干事宜，故釐定所得稅撥備時須根據目前已頒佈的稅法、法規及其他相關政策作出客觀估計及判斷。倘該等事項的最終稅款數額有別於原已記錄的數額，則差額將會影響差額變現期間的所得稅及稅項撥備。

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

## Estimation uncertainty (Continued)

## Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed to by the parties to the contract provides the Group with a significant benefit of financing.

Advance payments received from customers provides a significant financing benefit to the Group. Although the Group is required to place all deposits and periodic payments received from the pre-completion sales in a stakeholder account, the Group is able to benefit from those advance payment as it can withdraw money from that account to pay for expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers.

## PRC corporate income tax ("CIT")

The Group is subject to corporate 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 3. 重大會計判斷與估計(續)

##### 估計不明朗因素(續)

##### 中國土地增值稅(「土地增值稅」)

本集團須繳納中國土地增值稅。土地增值稅撥備根據管理層對中國相關稅務法律及法規所載規定的理解所作最佳估計計提。實際的土地增值稅負債須待物業開發項目完工後由稅務機關釐定。本集團尚未就其若干物業開發項目與稅務機關最終確定土地增值稅的計算及付款。最終結果可能與初步入賬的金額不同，且任何差額將會影響差額變現期間的土地增值稅開支及相關撥備。

##### 非金融資產減值

本集團於報告期末評估所有非金融資產(包括使用權資產)有否任何減值跡象。其他非金融資產在有跡象顯示賬面值可能無法收回時進行減值測試。倘資產或現金產生單位的賬面值超逾其可收回金額(即其公平值減出售成本與其使用價值的較高者)，則視為已減值。公平值減出售成本按自同類資產公平交易中具約束力的銷售交易的可得數據或可觀察市價減出售資產的增量成本計算。倘採用使用價值計算，則管理層須估計資產或現金產生單位的預計未來現金流量，並選取合適的貼現率以計算該等現金流量的現值。

#### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

##### Estimation uncertainty (Continued)

##### 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 tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

##### Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 3. 重大會計判斷與估計(續)

## 估計不明朗因素(續)

## 投資物業的公平值估計

在缺乏類似物業在活躍市場之現行市價下，本集團會考慮不同來源的資料，包括：

- (a) 不同性質、狀況或地點的物業在活躍市場的現行價格(經調整以反映該等差異)；
- (b) 較不活躍市場之類似物業最近價格(經調整以反映自該等價格出現的交易日期以來經濟狀況的任何變動)；及
- (c) 據未來現金流量所作可靠估計預測之經貼現現金流量，此項預測以任何現有租賃及其他合約條款以及(在可能情況下)地點及狀況相同的類似物業當前市場租金等外在證據支持並使用反映當前對現金流金額及時間不確定性的市場評估的貼現率。

於2020年12月31日，投資物業的賬面值為人民幣1,839,550,000元(2019年：人民幣1,196,550,000元)。進一步詳情(包括公平值計量所用的主要假設)載於財務報表附註14。

## 遞延稅項資產

遞延稅項資產乃就所有可抵扣暫時性差異以及未動用稅項抵免及未動用稅項虧損的結轉而確認，惟以將有應課稅溢利可用以抵銷可抵扣暫時性差異以及未動用稅項抵免及未動用稅項虧損的結轉為限。可予確認的遞延稅項資產數額須由管理層根據未來可能出現應課稅溢利的時間及數額以及未來稅項計劃策略作出重大判斷後釐定。進一步詳情載於財務報表附註19。

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

## Estimation uncertainty (Continued)

## Estimate 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 date 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.

At 31 December 2020, the carrying amount of investment properties was RMB1,839,550,000 (2019: RMB1,196,550,000). Further details, including the key assumptions used for fair value measurement are given in note 14 to the financial statements.

## Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, 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. 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. Further details are contained in note 19 to the financial statements.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 4. 經營分部資料

管理層按項目位置監控本集團業務（包括物業開發）的經營業績，以對資源分配及表現評估作出決策，且單一位置的收益、淨溢利或資產總值概無分別超過本集團綜合收益、淨溢利或資產總值的10%。因所有位置具備類似經濟特徵，且物業開發及租賃與管理的性質、上述業務流程的性質、上述業務的客戶類型或級別以及分配財產或提供服務所用方法均類似，故將所有位置歸總為一個可報告經營分部。

##### 地區資料

由於本集團來自外部客戶的收益僅自其於中國內地的經營所得且本集團並無非流動資產位於中國內地以外地區，故並無呈列地區資料。

##### 有關主要客戶的資料

於報告期間，對單一客戶或共同控制下的一組客戶的銷售收益概無佔本集團收益的10%或以上。

#### 4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment, while no revenue, net profit or total assets from a single location exceeded 10% of the Group's consolidated revenue, net profit or total assets, respectively. As all locations have similar economic characteristics with similar nature of property development and leasing and management, nature of the aforementioned business processes, type or class of customers for the aforementioned businesses and methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

##### Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

##### Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 5. 收益、其他收入及收益

對收益的分析如下：

#### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
來自客戶合約的收益	<i>Revenue from contracts with customers</i>	65,929,080	56,627,720
來自其他來源的收益 總租金收入	<i>Revenue from other sources Gross rental income</i>	11,486	11,876
		65,940,566	56,639,596

來自客戶合約的收益

Revenue from contracts with customers

(i) 分拆收益資料

(i) Disaggregated revenue information

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>貨品或服務類型</b>	<b>Types of goods or services</b>		
物業銷售	Sale of properties	65,500,822	56,383,676
其他服務	Other services	428,258	244,044
來自客戶合約的總收益	Total revenue from contracts with customers	65,929,080	56,627,720
<b>收益確認時間</b>	<b>Timing of revenue recognition</b>		
於某個時間點轉移的物業銷售	Sale of properties transferred at a point in time	61,905,352	50,257,010
隨時間轉移的物業銷售	Sale of properties transferred over time	3,595,470	6,126,666
隨時間轉移的服務	Services transferred over time	428,258	244,044
來自客戶合約的總收益	Total revenue from contracts with customers	65,929,080	56,627,720



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 5. 收益、其他收入及收益(續)

來自客戶合約的收益(續)

(i) 分拆收益資料(續)

下表顯示本報告期間計入報告期初之合約負債並自過往期間履行的履約責任確認的已確認收益金額：

計入報告期初之合約負債的已確認收益：

物業銷售

#### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
計入報告期初之合約負債的已確認收益：	Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
物業銷售	Sale of properties	56,796,636	46,536,075

(ii) 履約責任

本集團之履約責任資料概述如下：

**物業銷售**

就物業銷售合約而言，本集團根據合約所載的計費時間表向客戶收款。付款通常在根據合約履責之前收到。

(ii) Performance obligations

Information of the Group's performance obligations is summarised below:

**Sale of properties**

For property sales contracts, the Group receives payments from customers based on billing schedules as established in the contracts. Payments are usually received in the advance of the performance under the contracts.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 5. 收益、其他收入及收益(續)

來自客戶合約的收益(續)

(ii) 履約責任(續)  
**提供服務**

就其他服務合約而言，本集團按月以相等於有權開票金額（當其直接對應本集團至今履約對於客戶的價值時）確認收益。大部分服務合約並無固定期限。本集團已選擇實際權宜方法不披露該等類型合約的剩餘履約責任。

於12月31日分配至剩餘履約責任（未履行或部分未履行）的交易價格金額如下：

#### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)  
**Provision of services**

For other service contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The majority of the service contracts do not have a fixed term. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
預期確認為收益的金額	Amounts expected to be recognised as revenue		
一年內	Within one year	76,910,908	77,074,694
一年後	After one year	91,145,387	74,877,113
		<b>168,056,295</b>	<b>151,951,807</b>

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 5. 收益、其他收入及收益(續)

來自客戶合約的收益(續)

(ii) 履約責任(續)

**提供服務(續)**

預期於一年後確認為收益的分配至剩餘履約責任的交易價格金額與將於三年內履行的物業銷售有關。分配至剩餘履約責任的所有其他交易價格金額預期將於一年內確認為收益。上述披露的金額不包括受限制的變代價。

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

**Provision of services (Continued)**

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties that are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>其他收入及收益</b>	<b>Other income and gains</b>		
出售附屬公司收益	Gain on disposal of subsidiaries	83,784	24,829
出售合營企業及聯營公司 收益	Gain on disposal of joint ventures and associates	116,231	—
收購附屬公司收益	Gain on acquisition of a subsidiary	60,388	—
重新計量投資聯營公司的 收益	Remeasurement gain on investment in an associate	4,578	—
財務擔保合約的撥備變動	Changes in provision for financial guarantee contracts	52,144	83,385
沒收按金	Forfeiture of deposits	14,964	13,434
政府補助	Government grants	24,111	22,170
匯兌差額，淨額	Foreign exchange differences, net	528,788	74,642
其他	Others	33,062	15,413
		<b>918,050</b>	<b>233,873</b>

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 6. 除稅前溢利

## 6. PROFIT BEFORE TAX

本集團除稅前溢利已扣除／(計入)  
以下各項：

The Group's profit before tax is arrived at after charging/  
(crediting):

			2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
		附註 Notes		
已售物業成本	Cost of properties sold	22	51,708,913	43,179,125
就在建物業確認之 減值虧損	Impairment losses recognised for properties under development	21	366,047	223,637
就已竣工持作待售物業 撇銷之減值虧損	Impairment losses written off for completed properties held for sale	22	(190,821)	(57,872)
物業、廠房及設備折舊	Depreciation of property, plant and equipment	13	36,027	35,665
使用權資產折舊	Depreciation of right-of-use assets	16(a)	71,378	37,187
不計入租賃負債計量的 租賃付款	Lease payments not included in the measurement of lease liabilities	16(c)	9,480	15,724
其他無形資產攤銷	Amortisation of other intangible assets	15	3,238	789
核數師薪酬	Auditor's remuneration		13,640	13,429
僱員福利開支(包括董事 及最高行政人員薪酬 (附註8))：	Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
工資及薪金	Wages and salaries		2,009,504	1,387,929
養老金計劃供款及 社會福利	Pension scheme contributions and social welfare		234,107	239,399
以權益結算的購股權 開支	Equity-settled share option expenses	34	9,932	—

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 7. 融資成本

融資成本分析如下：

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
銀行貸款及其他借款、 優先票據及資產支持 證券所得款項	Interest on bank loans and other borrowings, senior notes and proceeds from asset-backed securities	4,797,261	3,784,677
收益合約產生的利息開支	Interest expense arising from revenue contracts	861,925	730,437
租賃負債利息	Interest on lease liabilities	8,673	6,509
並非按公平值計入損益的 金融負債利息開支總額	Total interest expense on financial liabilities not at fair value through profit or loss	5,667,859	4,521,623
減：資本化利息	Less: Interest capitalised	(5,125,365)	(4,055,090)
		542,494	466,533

#### 7. FINANCE COSTS

An analysis of finance costs is as follows:

#### 8. 董事及最高行政人員薪酬

根據上市規則、香港公司條例第383(1)(a)、(b)、(c)及(f)條及公司規則第2分部(有關董事福利之資料披露)披露之本年度董事及最高行政人員薪酬如下：

#### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to 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:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
袍金	Fees	1,110	555
其他酬金：	Other emoluments:		
工資、津貼及實物福利	Salaries, allowances and benefits in kind	20,453	30,644
績效獎金*	Performance-related bonuses*	27,466	46,725
以權益結算的購股權 開支	Equity-settled share option expenses	466	—
養老金計劃供款及社會福利	Pension scheme contributions and social welfare	262	512
		49,757	78,436

\* 本公司若干執行董事有權獲得獎金，該獎金乃與本集團除稅後溢利相關。

\* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 8. 董事及最高行政人員薪酬(續)

年內，若干董事根據本公司的購股權計劃就其為本集團提供的服務獲授購股權，其中進一步詳情載於財務報表附註34。該等已於歸屬期內在損益表確認之購股權公平值乃於授出日期釐定，且本年度財務報表所載金額已計入上述董事及最高行政人員薪酬之披露資料中。

## (a) 獨立非執行董事

歐陽寶豐先生、王開國先生及吳曉波先生於2019年6月19日獲委任為本公司獨立非執行董事。

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

During the year, 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 34 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. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo were appointed as independent non-executive directors of the Company on 19 June 2019.

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
袍金	Fees		
— 歐陽寶豐先生	— Mr. Au Yeung Po Fung	370	185
— 王開國先生	— Mr. Wang Kaiguo	370	185
— 吳曉波先生	— Mr. Wu Xiaobo	370	185
		1,110	555

於年內，概無應付獨立非執行董事的其他薪酬(2019年：無)。

There was no other emolument payable to the independent non-executive directors during the year (2019: Nil).

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 8. 董事及最高行政人員薪酬(續)

#### (b) 執行董事

楊劍先生、黃春雷先生、陳紅亮先生、李和栗先生及游思嘉先生分別於2018年3月29日、2018年3月29日、2019年12月23日、2019年12月23日及2019年12月23日獲委任為本公司執行董事。同時，黃春雷先生於2020年6月5日退任本公司執行董事。

截至2020年12月31日止年度

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

#### (b) Executive directors

Mr. Yang Jian, Mr. Huang Chunlei, Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as executive directors of the Company on 29 March 2018, 29 March 2018, 23 December 2019, 23 December 2019 and 23 December 2019, respectively. In the meantime, Mr. Huang Chunlei retired as an executive director of the Company on 5 June 2020.

Year ended 31 December 2020

		袍金	工資、津貼 及實物福利	績效獎金	養老金計劃 供款及 社會福利 Pension scheme	以權益結算的 購股權開支	薪酬合計
		Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	contributions and social welfare	Equity-settled share option expenses	Total remuneration
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
執行董事：	Executive directors:						
— 楊劍先生	— Mr. Yang Jian	—	7,940	14,683	107	—	22,730
— 游思嘉先生	— Mr. Yau Sze Ka (Albert)	—	5,416	9,783	16	—	15,215
— 陳紅亮先生	— Mr. Chen Hongliang	—	3,000	1,500	61	259	4,820
— 李和栗先生	— Mr. Li Heli	—	3,000	1,500	57	207	4,764
— 黃春雷先生	— Mr. Huang Chunlei	—	1,097	—	21	—	1,118
		—	20,453	27,466	262	466	48,647

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 8. 董事及最高行政人員薪酬(續)

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

## (b) 執行董事(續)

## (b) Executive directors (Continued)

截至2019年12月31日止年度

Year ended 31 December 2019

	袍金	工資、津貼 及實物福利	績效獎金	養老金計劃 供款及 社會福利	以權益結算的 購股權開支	薪酬合計
	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions and social welfare	Equity-settled share option expenses	Total remuneration
	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
執行董事：						
Executive directors:						
— 楊劍先生	— Mr. Yang Jian	— 7,733	14,359	116	—	22,208
— 黃春雷先生	— Mr. Huang Chunlei	— 8,851	3,600	100	—	12,551
— 徐亮瓊先生	— Mr. Xu Liangqiong	— 3,823	9,666	63	—	13,552
— 凌新宇先生	— Mr. Ling Xinyu	— 942	800	70	—	1,812
— 陳紅亮先生	— Mr. Chen Hongliang	— 2,173	1,480	70	—	3,723
— 李和栗先生	— Mr. Li Heli	— 2,159	1,750	63	—	3,972
— 游思嘉先生	— Mr. Yau Sze Ka (Albert)	— 4,963	15,070	30	—	20,063
		— 30,644	46,725	512	—	77,881

年內概無訂立董事或最高行政人員放棄或同意放棄任何薪酬的安排。

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 9. 五名最高薪酬僱員

年內的五名最高薪酬僱員包括四名董事(2019年：四名董事)，其薪酬詳情載於上文附註8。截至2020年及2019年12月31日止年度，本公司五名最高薪酬僱員的薪酬詳情如下：

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2019: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2020 and 2019 of the five highest paid employees of the Company are as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
工資、津貼及實物福利	Salaries, allowances and benefits in kind	21,959	27,529
績效獎金	Performance related bonuses	28,426	44,446
以權益結算的購股權開支	Equity-settled share option expenses	466	—
養老金計劃供款及社會福利	Pension scheme contributions and social welfare	295	372
		<b>51,146</b>	<b>72,347</b>

薪酬介乎於以下範圍的非董事及非最高行政人員最高薪酬僱員人數如下：

The remuneration of the non-director and non-chief executive highest paid employee within the following band is as follows:

		僱員人數 Number of employees	
		2020年 2020	2019年 2019
4,000,001港元至4,500,000港元	HK\$4,000,001 to HK\$4,500,000	1	—
15,000,000港元至15,500,000港元	HK\$15,000,000 to HK\$15,500,000	—	1
		<b>1</b>	<b>1</b>

本集團並無向本公司董事或五位最高薪酬人士支付酬金，作為招攬彼等加入本集團或彼等加入本集團時的獎勵或作為離職補償。

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 10. 所得稅

本集團須就本集團成員公司註冊及經營所在稅務司法管轄區產生或源自其的溢利按實體基準繳納所得稅。根據開曼群島的規則及法規，本公司及本集團於開曼群島註冊成立的附屬公司毋須繳納任何所得稅。於報告期間，本集團於香港註冊成立的附屬公司毋須繳納所得稅，因為該公司並無於香港產生任何應課稅溢利。

於報告期間，本集團於中國內地經營的附屬公司須按25%的稅率繳納中國企業所得稅。

土地增值稅乃按照30%至60%的累進稅率對土地增值額徵收，土地增值額為出售物業所得款項減可扣減開支(包括土地成本、借款成本及其他物業發展開支)。本集團根據有關中國內地稅務法律法規的規定為土地增值稅估計、作出及計提稅項撥備。土地增值稅撥備須由當地稅務機關進行最終審閱及批准。

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong during the reporting period.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax with a tax rate of 25% for the reporting period.

LAT is levied 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 land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
即期稅項：	Current tax:		
中國企業所得稅	PRC corporate income tax	2,985,834	2,995,985
中國土地增值稅	PRC LAT	1,406,782	1,226,541
遞延稅項(附註19)	Deferred tax (note 19)	(594,209)	(580,323)
年內稅項支出總額	Total tax charge for the year	3,798,407	3,642,203

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 10. 所得稅(續)

本公司及其大部分附屬公司註冊所在司法管轄區按法定稅率計算的除稅前溢利適用的所得稅開支與按實際稅率計算的稅項開支的對賬如下：

#### 10. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
除稅前溢利	Profit before tax	10,364,822	9,898,111
按法定所得稅率計算	At the statutory income tax rate	2,591,206	2,474,528
合營企業及聯營公司 應佔溢利及虧損	Profits and losses attributable to joint ventures and associates	(241,257)	(308,681)
不可抵扣稅的費用	Expenses not deductible for tax	67,821	73,269
過往年度使用的稅項虧損	Tax losses utilised from previous years	(70,370)	(36,798)
未確認稅項虧損	Tax losses not recognised	248,785	290,921
未確認可抵扣暫時性差異	Deductible temporary differences not recognised	147,136	229,058
土地增值稅撥備	Provision for LAT	1,406,782	1,226,541
土地增值稅的稅務影響	Tax effect on LAT	(351,696)	(306,635)
按本集團實際稅率計算的稅項支出	Tax charge at the Group's effective rate	3,798,407	3,642,203

截至2020年12月31日止年度，合營企業及聯營公司應佔稅項支出為人民幣599,483,000元(2019年：人民幣640,862,000元)。截至2020年12月31日止年度，合營企業及聯營公司應佔稅項抵免為人民幣277,806,000元(2019年：人民幣229,287,000元)。二者均計入綜合損益表的「合營企業及聯營公司應佔溢利及虧損」。

The share of tax charge attributable to joint ventures and associates amounted to RMB599,483,000 for the year ended 31 December 2020 (2019: RMB640,862,000). The share of tax credit attributable to joint ventures and associates amounted to RMB277,806,000 for the year ended 31 December 2020 (2019: RMB229,287,000). Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

**10. 所得稅 (續)****10. INCOME TAX (Continued)**

綜合財務狀況表內的應繳稅項指：

Tax payable in the consolidated statement of financial position represents:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>應繳稅項</b>	<b>Tax payable</b>		
應付中國企業所得稅	PRC CIT payable	2,874,602	2,062,172
應付中國土地增值稅	PRC LAT payable	2,177,866	1,344,611
<b>應繳稅項總額</b>	<b>Total tax payable</b>	<b>5,052,468</b>	<b>3,406,783</b>

**11. 股息****11. DIVIDENDS**

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
中期 — 每股普通股16.3港仙 (2019年：15.3港仙)	Interim — HK16.3 cents (2019: HK15.3 cents) per ordinary share	495,644	494,287
建議末期 — 每股普通股32.5港仙 (2019年：32.8港仙)	Proposed final — HK32.5 cents (2019: HK32.8 cents) per ordinary share	977,829	1,067,374
		<b>1,473,473</b>	<b>1,561,661</b>

本年度建議末期股息須待本公司股東於應屆股東週年大會上批准後方可作實。

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 12. 母公司普通權益持有人應佔每股盈利

每股基本盈利金額基於母公司普通權益持有人應佔年內溢利及年內已發行3,581,791,500股普通股加權平均數(2019年：3,266,539,544股)進行計算。

每股攤薄盈利乃根據母公司普通股權益持有人應佔年內溢利及假設所有潛在攤薄普通股轉換為普通股而對發行在外普通股加權平均數計算。本公司的潛在攤薄普通股來自根據購股權授出的股份。

每股基本盈利金額的計算依據如下：

### 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 3,581,791,500 (2019: 3,266,539,544) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares into ordinary shares. The Company's dilutive potential ordinary shares are derived from the shares granted under the Share Options.

The calculation of the basic earnings per share amounts is based on:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>盈利</b> 母公司普通權益持有人應佔溢利， 用於計算每股基本盈利	<b>Earnings</b> Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	3,743,429	3,833,699

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

12. 母公司普通權益持有人應佔每股盈利(續)      12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

		股份數目 Number of shares	
		2020年 2020	2019年 2019
股份 年內已發行普通股加權平均數， 用於計算每股基本盈利	Shares Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,581,791,500	3,266,539,544
攤薄影響 — 普通股加權平均數 購股權	Effect of dilution — weighted average number of ordinary shares Share options	(2,016,229)*	—
		3,579,775,271*	3,266,539,544

\* 由於計及購股權時會增加每股攤薄盈利的金額，故購股權對年內每股基本盈利具有反攤薄影響，而於計算每股攤薄盈利時已排除購股權。因此，每股攤薄盈利乃根據母公司普通權益持有人應佔溢利人民幣3,743,429,000元及年內已發行普通股加權平均數3,581,791,500股計算。

\* Because the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the parent of RMB3,743,429,000 for the year, and the weighted average number of ordinary shares of 3,581,791,500 in issue during the year.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 13. 物業、廠房及設備

### 13. PROPERTY, PLANT AND EQUIPMENT

		樓宇	汽車	辦公設備及 電子設備 Office equipment and electronic devices	租賃裝修	合計
		Buildings	Motor vehicles	Leasehold improvements		Total
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
<b>2020年12月31日</b>	<b>31 December 2020</b>					
於2020年1月1日	At 1 January 2020					
成本	Cost	55,284	35,018	73,500	42,402	206,204
累計折舊	Accumulated depreciation	(6,660)	(18,737)	(29,557)	(33,571)	(88,525)
賬面淨值	Net carrying amount	48,624	16,281	43,943	8,831	117,679
於2020年1月1日， 扣除累計折舊	At 1 January 2020, net of accumulated depreciation	48,624	16,281	43,943	8,831	117,679
添置	Additions	26,143	6,071	14,681	9,325	56,220
出售附屬公司 (附註38)	Disposal of subsidiaries (note 38)	(406)	—	(22)	—	(428)
出售	Disposal	—	(407)	(2,331)	—	(2,738)
年度折舊撥備 (附註6)	Depreciation provided during the year (note 6)	(2,987)	(6,846)	(15,400)	(10,794)	(36,027)
於2020年12月31日， 扣除累計折舊	At 31 December 2020, net of accumulated depreciation	71,374	15,099	40,871	7,362	134,706
於2020年12月31日：	At 31 December 2020:					
成本	Cost	80,827	40,678	85,355	51,727	258,587
累計折舊	Accumulated depreciation	(9,453)	(25,579)	(44,484)	(44,365)	(123,881)
賬面淨值	Net carrying amount	71,374	15,099	40,871	7,362	134,706

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

**13. 物業、廠房及設備(續)****13. PROPERTY, PLANT AND EQUIPMENT (Continued)**

		樓宇	汽車	辦公設備及 電子設備 Office equipment and electronic devices	租賃裝修 Leasehold improvements	合計 Total
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
<b>2019年12月31日</b>	<b>31 December 2019</b>					
於2019年1月1日：	At 1 January 2019:					
成本	Cost	37,989	31,198	54,602	34,845	158,634
累計折舊	Accumulated depreciation	(4,131)	(13,216)	(16,805)	(19,213)	(53,365)
賬面淨值	Net carrying amount	33,858	17,982	37,797	15,632	105,269
於2019年1月1日， 扣除累計折舊	At 1 January 2019, net of accumulated depreciation	33,858	17,982	37,797	15,632	105,269
添置	Additions	17,295	4,508	19,232	8,072	49,107
出售附屬公司 (附註38)	Disposal of subsidiaries (note 38)	—	(336)	(210)	(486)	(1,032)
年度折舊撥備 (附註6)	Depreciation provided during the year (note 6)	(2,529)	(5,873)	(12,876)	(14,387)	(35,665)
於2019年12月31日， 扣除累計折舊	At 31 December 2019, net of accumulated depreciation	48,624	16,281	43,943	8,831	117,679
於2019年12月31日：	At 31 December 2019:					
成本	Cost	55,284	35,018	73,500	42,402	206,204
累計折舊	Accumulated depreciation	(6,660)	(18,737)	(29,557)	(33,571)	(88,525)
賬面淨值	Net carrying amount	48,624	16,281	43,943	8,831	117,679

於2020年12月31日，本集團依照慣例就賬面淨值總額約人民幣31,232,000元(2019年：人民幣31,232,000元)的若干樓宇取得相關房屋所有權證。

As at 31 December 2020, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB31,232,000 (2019: RMB31,232,000).



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 14. 投資物業

### 14. INVESTMENT PROPERTIES

		已完工 Completed 人民幣千元 RMB'000	在建 Under construction 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
於2019年1月1日的賬面值	Carrying amount at 1 January 2019	469,000	459,900	928,900
添置	Additions	—	287,295	287,295
轉撥	Transfer	257,250	(257,250)	—
出售一間附屬公司 (附註38)	Disposal of a subsidiary (note 38)	(69,500)	—	(69,500)
公平值調整所得收益 淨額	Net gain from a fair value adjustment	2,805	47,050	49,855
於2019年12月31日及 2020年1月1日的賬面值	Carrying amount at 31 December 2019 and 1 January 2020	659,555	536,995	1,196,550
添置	Additions	—	554,635	554,635
轉撥	Transfer	369,433	(369,433)	—
公平值調整所得收益 淨額	Net gain from a fair value adjustment	23,162	65,203	88,365
於2020年12月31日的 賬面值	Carrying amount at 31 December 2020	1,052,150	787,400	1,839,550

於2020年12月31日，本集團賬面總值約人民幣196,700,000元(2019年：人民幣351,000,000元)的若干投資物業已質押，用於獲得授予本集團的銀行及其他借款(附註29)。

As at 31 December 2020, certain of the Group's investment properties with an aggregate carrying amount of approximately RMB196,700,000 (2019: RMB351,000,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 14. 投資物業(續)

本集團的投資物業位於中國內地。本集團的投資物業乃基於獨立專業合資格估值師仲量聯行企業評估及諮詢有限公司(「仲量聯行」)所進行的評估於2020年12月31日重估為人民幣1,839,550,000元(2019年：人民幣1,196,550,000元)。本集團的高級財務經理及集團財務總監經本公司董事會批准後決定委任外部估值師負責本集團物業的外部估值。甄選標準包括市場知識、聲譽、獨立性及是否保持專業標準。本集團的高級財務經理及集團財務總監與估值師於對中期及年度財務報告進行估值時就估值假設及估值結果每年進行兩次討論。

## 公平值層級

下表說明本集團投資物業的公平值計量層級：

## 14. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are located in Mainland China. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB1,839,550,000 (2019: RMB1,196,550,000). The Group's senior finance manager and the group financial controller decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the group financial controller have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

## Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

於2020年12月31日使用以下層級的  
公平值計量

Fair value measurement as  
at 31 December 2020 using

		於活躍市場的 報價 (第1級) Quoted prices in active markets (Level 1) 人民幣千元 RMB'000	重大可觀察 輸入數據 (第2級) Significant observable inputs (Level 2) 人民幣千元 RMB'000	重大不可觀 察輸入數據 (第3級) Significant unobservable inputs (Level 3) 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
就以下項目進行的 經常性公平值 計量：	Recurring fair value measurement for:				
商業物業 已完工	Commercial properties Completed	—	—	1,052,150	1,052,150
在建	Under construction	—	—	787,400	787,400
		—	—	1,839,550	1,839,550

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 14. 投資物業(續)

公平值層級(續)

### 14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

於2019年12月31日使用以下層級的  
公平值計量

Fair value measurement as  
at 31 December 2019 using

於活躍市場 的報價 (第1級) Quoted prices in active markets (Level 1) 人民幣千元 RMB'000	重大可觀察 輸入數據 (第2級) Significant observable inputs (Level 2) 人民幣千元 RMB'000	重大不可觀 察輸入數據 (第3級) Significant unobservable inputs (Level 3) 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
就以下項目進行的 經常性公平值 計量：	Recurring fair value measurement for:		
商業物業	Commercial properties		
已完工	Completed	—	659,555
在建	Under construction	—	536,995
		—	1,196,550

於年內，第1級與第2級之間並無公平值計量的轉撥，亦無轉撥至或轉撥自第3級(2019年：無)。

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).

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 14. 投資物業(續)

##### 公平值層級(續)

以下為投資物業估值所用的估值技術及主要輸入數據概要：

	估值技術	重大不可觀察輸入數據	範圍或加權平均值	
			2020年	2019年
	Valuation techniques	Significant unobservable inputs	2020年	2019年
			2020	2019
已完工商業物業 Completed commercial properties	收入法 Income approach	估計租值 (每平方米及每月) Estimated rental value (per square metre and per month)	人民幣25.8–162.5元 RMB 25.8–162.5	人民幣30.2–153.0元 RMB30.2–153.0
		資本化率 Capitalisation rate	4.5%–5.75%	4.5%–6.0%
		長期空置率 Long term vacancy rate	5.0%–10.0%	5.0%–10.0%
在建商業物業 Commercial properties under construction	比較法 Comparison method	預期利潤率 Expected profit margin	8.0%–15.0%	8.0%–12.0%

已完工商業物業的公平值乃使用收入法釐定，方法是通過計及有關物業因現有租賃而產生及／或在現行市場下可能取得的租金收入(就租賃的潛在續租收入作出充分撥備)，然後加以資本化，以按適當的資本化率釐定公平值。亦會在適當情況下考慮參考相關市場上可獲得的可資比較銷售交易。

##### Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 14. 投資物業(續)

##### 公平值層級(續)

估計租值大幅增加(減少)將導致投資物業的公平值大幅增加(減少)。長期空置率及資本化率單獨大幅增加(減少)將導致投資物業的公平值大幅減少(增加)。

在建商業物業的公平值使用比較法釐定，經參考相關市場上可獲得的可資比較銷售證據並(如適用)經扣除以下項目後得出物業的公平值(假設其已完工)：

- 市場參與者完成物業將產生的估計建築成本及將支付的專業費用；
- 市場參與者將物業開發至完工須持有的估計利潤率。

預期利潤率越高，在建投資物業公平值越低。

#### 14. INVESTMENT PROPERTIES (Continued)

##### Fair value hierarchy (Continued)

A significant increase (decrease) in the estimated rental value 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 capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant;
- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

A higher expected profit margin would result in a lower fair value of the investment properties under construction.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

## 15. 其他無形資產

## 15. OTHER INTANGIBLE ASSETS

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>軟件</b>	<b>Software</b>		
年初：	At the beginning of the year:		
成本	Cost	9,446	984
累計攤銷	Accumulated amortisation	(1,318)	(529)
賬面淨值	Net carrying amount	8,128	455
年初賬面值：	Carrying amount at the beginning of the year:	8,128	455
添置	Additions	3,591	8,462
年內已撥備攤銷(附註6)	Amortisation provided during the year (note 6)	(3,238)	(789)
年末賬面值：	Carrying amount at the end of the year:	8,481	8,128
年末：	At the end of the year:		
成本	Cost	13,036	9,446
累計攤銷	Accumulated amortisation	(4,555)	(1,318)
賬面淨值	Net carrying amount	8,481	8,128

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 16. 租賃

#### 本集團作為承租人

本集團訂有其營運所用的辦公室物業及辦公室設備的若干項目之租賃合約。租賃辦公室物業之租期一般介乎一至六年，而辦公室設備之租期一般為12個月或以下及／或單獨屬低價值。一般而言，本集團受限制不能於本集團外轉讓及分租所租賃資產。

#### (a) 使用權資產

年內本集團使用權資產之賬面值及變動如下：

### 16. LEASES

#### The Group as a lessee

The Group has lease contracts for various items of office properties and office equipment used in its operations. Leases of office properties generally have lease terms between one and six years, while office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (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:

		辦公室物業 Office properties 人民幣千元 RMB'000
於2019年1月1日	As at 1 January 2019	108,485
添置	Additions	73,511
折舊費用	Depreciation charge	(37,187)
於2019年12月31日	As at 31 December 2019	144,809
		辦公室物業 Office properties 人民幣千元 RMB'000
於2020年1月1日	As at 1 January 2020	144,809
添置	Additions	37,669
折舊費用	Depreciation charge	(71,378)
於2020年12月31日	As at 31 December 2020	111,100

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

**16. 租賃(續)**

本集團作為承租人(續)

**(b) 租賃負債**

年內租賃負債之賬面值及變動如下：

**16. LEASES (Continued)**

The Group as a lessee (Continued)

**(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
於1月1日之賬面值	Carrying amount at 1 January	146,444	108,485
新租賃	New leases	37,669	73,511
年內已確認利息增加	Accretion of interest recognised during the year	8,673	6,509
付款	Payments	(72,844)	(42,061)
於12月31日之賬面值	Carrying amount at 31 December	119,942	146,444
分析為：	Analysed into:		
流動部分	Current portion	47,247	46,234
非流動部分	Non-current portion	72,695	100,210

租賃負債之到期分析於財務報表附註44披露。

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 16. 租賃(續)

本集團作為承租人(續)

(c) 就租賃於損益確認之金額如下：

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
租賃負債之利息	Interest on lease liabilities	8,673	6,509
使用權資產之折舊費用	Depreciation charge of right-of-use assets	71,378	37,187
與短期租賃有關之 開支(計入行政開支)	Expense relating to short-term leases (included in administrative expenses)	9,480	15,724
與低價值資產租賃有關之 開支(計入行政開支)	Expense relating to leases of low-value assets (included in administrative expenses)	165	—
於損益確認之總金額	Total amount recognised in profit or loss	89,696	59,420

(d) 租賃之現金流出總額於財務報表附註36(c)披露。

本集團作為出租人

本集團出租其投資物業(附註14)，當中包括經營租賃安排項下之三處商業物業。租賃條款一般要求租戶支付保證金並規定根據當時通行之市況定期調整租金。本集團於年內確認之租金收入為人民幣11,486,000元(2019年：人民幣11,876,000元)，有關詳情載於財務報表附註5。

### 16. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
租賃負債之利息	Interest on lease liabilities	8,673	6,509
使用權資產之折舊費用	Depreciation charge of right-of-use assets	71,378	37,187
與短期租賃有關之 開支(計入行政開支)	Expense relating to short-term leases (included in administrative expenses)	9,480	15,724
與低價值資產租賃有關之 開支(計入行政開支)	Expense relating to leases of low-value assets (included in administrative expenses)	165	—
於損益確認之總金額	Total amount recognised in profit or loss	89,696	59,420

(d) The total cash outflow for leases is disclosed in notes 36(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of three commercial properties under operating lease arrangements. The terms of the leases generally 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 RMB11,486,000 (2019: RMB11,876,000), details of which are included in note 5 to the financial statements.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 16. 租賃(續)

本集團作為出租人(續)

於2020年12月31日，本集團根據與其租戶之不可撤銷經營租賃於未來期間應收之未貼現租賃付款如下：

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
一年內	Within one year	11,168	10,457
一年後但兩年內	After one year but within two years	11,751	10,993
兩年後但三年內	After two years but within three years	11,841	11,533
三年後但四年內	After three years but within four years	12,898	11,615
四年後但五年內	After four years but within five years	15,198	11,655
五年後	After five years	151,906	164,090
		214,762	220,343

## 16. LEASES (Continued)

The Group as a lessor (Continued)

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:

## 17. 於合營企業之投資

## 17. INVESTMENTS IN JOINT VENTURES

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
分佔資產淨值	Share of net assets	4,436,570	3,172,595
提供予合營企業的財務擔保	Financial guarantees provided to joint ventures	108,326	67,769
		4,544,896	3,240,364

本集團已向其合營企業提供若干銀行及其他借款擔保，其詳情載列於附註30。董事認為，財務擔保服務於可預見未來不太可能得到補償，故其作為本集團於合營企業的部分淨投資。

本集團與合營企業的應收款項及應付款項於財務報表附註41披露。

The Group has guaranteed certain of the bank and other borrowings made to its joint ventures, details of which are set out in note 30. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

The Group's receivables and payables with joint ventures are disclosed in note 41 to the financial statements.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 17. 於合營企業之投資(續)

#### (a) 本集團重要合營企業詳情

公司名稱	註冊地點及 年份	註冊股本 面值	本集團應佔 所有權權益 百分比	主要活動
Name of companies	Place and year of registration	Nominal value of registered share capital 人民幣千元 RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
福建聯梁盛房地產開發有限公司 Fujian Lianliangsheng Real Estate. Development Co., Ltd	中國福建 2016年 Fujian, PRC 2016	200,000	49%	物業開發 Property development
衢州融晟置業有限公司 Quzhou Rongsheng Property Co., Ltd.	中國衢州 2017年 Quzhou, PRC 2017	847,500	35%	物業開發 Property development
上海瑞晨置業有限公司 Shanghai Ruichen Property Co., Ltd.	中國上海 2018年 Shanghai, PRC 2018	10,000	40%	物業開發 Property development
揚州駿安置業有限公司* Yangzhou Junan Property Co., Ltd.	中國揚州 2017年 Yangzhou, PRC 2017	50,000	49%	物業開發 Property development
溫州市梁旭置業有限公司(附註)* Wenzhou Liangxu Property Co., Ltd.(Note)*	中國溫州 2016年 Wenzhou, PRC 2016	200,000	60%	物業開發 Property development

附註：根據投資框架協議及該公司組織章程細則，其所有股東決議應經所有股東一致同意決定。因此，該實體於截至2019年12月31日止年度作為本集團合營企業列賬。

\* 本集團董事認為，該等合營企業於截至2019年12月31日止年度為本集團之重大合營企業，但於截至2020年12月31日止年度為個別非重大的合營企業。

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

#### (a) Particulars of the Group's material joint ventures

Note: Pursuant to the investment framework agreement and the articles of association of the company, all shareholder resolutions of the entity shall be resolved by all shareholders on a unanimous basis. Therefore, the entity was accounted as a joint venture of the Group for the year ended 31 December 2019.

\* The directors of the Group are of the view that those joint ventures were the material joint ventures for the year ended 31 December 2019 but were not individually material for the year ended 31 December 2020.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 17. 於合營企業之投資 (續)

- (b) 福建聯梁盛房地產開發有限公司(「福建聯梁盛」)、衢州融晟置業有限公司(「衢州融晟」)及上海瑞晨置業有限公司(「上海瑞晨」)於截至2020年12月31日止年度被視作本集團的重要合營企業，與中國內地的其他合營夥伴聯合開發物業開發項目，並按權益法列賬。

揚州駿安置業有限公司(「揚州駿安」)及溫州市梁旭置業有限公司(「溫州梁旭」)於截至2019年12月31日止年度被視作本集團的重要合營企業，與中國內地的其他合營夥伴聯合開發物業開發項目，並按權益法列賬。

## 17. INVESTMENTS IN JOINT VENTURES (Continued)

- (b) Fujian Lianliangsheng Real Estate Development Co., Ltd. (“Fujian Lianliangsheng”), Quzhou Rongsheng Property Co., Ltd. (“Quzhou Rongsheng”) and Shanghai Ruichen Property Co., Ltd. (“Shanghai Ruichen”), which were considered material joint ventures of the Group during the year ended 31 December 2020, co-developed property development projects with the other joint venture partners in Mainland China and were accounted for using the equity method.

Yangzhou Junan Real Estate Development Co., Ltd. (“Yangzhou Junan”) and Wenzhou Liangxu Real Estate Development Co., Ltd. (“Wenzhou Liangxu”), which were considered material joint ventures of the Group during the year ended 31 December 2019, co-developed property development projects with the other joint venture partners in Mainland China and were accounted for using the equity method.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 17. 於合營企業之投資 (續)

(b) (續)

下表展示有關福建聯梁盛的財務資料概要，其中已就任何會計政策差異作出調整並已同綜合財務報表賬面值對賬：

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Fujian Lianliangsheng, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

		2020年 2020 人民幣千元 RMB'000
現金及現金等價物	Cash and cash equivalents	416,397
其他流動資產	Other current assets	606,364
流動資產	Current assets	1,022,761
非流動資產	Non-current assets	11,433
金融負債(不包含貿易及其他應付款項)	Financial liabilities, excluding trade and other payables	—
其他流動負債	Other current liabilities	(384,625)
流動負債	Current liabilities	(384,625)
資產淨值	Net assets	649,569
同本集團於合營企業的權益之對賬：	Reconciliation to the Group's interest in the joint venture:	
本集團所有權佔比	Proportion of the Group's ownership	49%
本集團應佔合營企業資產淨值	Group's share of net assets of the joint venture	318,289
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses from related party transactions	(250)
投資賬面值	Carrying amount of the investment	318,039
收益	Revenue	1,181,165
開支	Expense	(656,534)
稅項	Tax	(226,421)
年度溢利	Profit for the year	298,210
年度合計綜合收益	Total comprehensive income for the year	298,210

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 17. 於合營企業之投資(續)

## (b) (續)

下表展示有關衢州融晟的財務資料概要，其中已就任何會計政策差異作出調整並已同綜合財務報表賬面值對賬：

## 17. INVESTMENTS IN JOINT VENTURES (Continued)

## (b) (Continued)

The following table illustrates the summarised financial information in respect of Quzhou Rongsheng, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

		2020年 2020 人民幣千元 RMB'000
現金及現金等價物	Cash and cash equivalents	62,760
其他流動資產	Other current assets	2,082,603
流動資產	Current assets	2,145,363
非流動資產	Non-current assets	94
金融負債(不包含貿易及其他應付款項)	Financial liabilities, excluding trade and other payables	—
其他流動負債	Other current liabilities	(1,012,420)
流動負債	Current liabilities	(1,012,420)
資產淨值	Net assets	1,133,037
同本集團於合營企業的權益之對賬：	Reconciliation to the Group's interest in the joint venture:	
本集團所有權佔比	Proportion of the Group's ownership	35%
本集團應佔合營企業資產淨值	Group's share of net assets of the joint venture	396,563
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses from related party transactions	(435)
投資賬面值	Carrying amount of the investment	396,128
收益	Revenue	2,548,049
開支	Expense	(1,964,549)
稅項	Tax	(181,469)
年度溢利	Profit for the year	402,031
年度合計綜合收益	Total comprehensive income for the year	402,031

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 17. 於合營企業之投資 (續)

(b) (續)

下表展示有關上海瑞晨的財務資料概要，其中已就任何會計政策差異作出調整並已同綜合財務報表賬面值對賬：

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Shanghai Ruichen, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

		2020年 2020 人民幣千元 RMB'000
現金及現金等價物	Cash and cash equivalents	213,440
其他流動資產	Other current assets	2,763,090
流動資產	Current assets	2,976,530
非流動資產	Non-current assets	81,809
金融負債(不包含貿易及其他應付款項)	Financial liabilities, excluding trade and other payables	—
其他流動負債	Other current liabilities	(2,934,813)
流動負債	Current liabilities	(2,934,813)
非流動負債	Non-current liabilities	—
資產淨值	Net assets	123,526
同本集團於合營企業的權益之對賬：	Reconciliation to the Group's interest in the joint venture:	
本集團所有權佔比	Proportion of the Group's ownership	40%
本集團應佔合營企業資產淨值	Group's share of net assets of the joint venture	49,410
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses from related party transactions	(2,705)
投資賬面值	Carrying amount of the investment	46,705
收益	Revenue	1,132,935
開支	Expenses	(840,341)
稅項	Tax	(71,704)
年度溢利	Profit for the year	220,890
年度合計綜合收益	Total comprehensive income for the year	220,890

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

**17. 於合營企業之投資 (續)****(b) (續)**

下表展示有關揚州駿安截至2019年12月31日止年度的財務資料概要，其中已就任何會計政策差異作出調整並已同綜合財務報表賬面值對賬：

**17. INVESTMENTS IN JOINT VENTURES (Continued)****(b) (Continued)**

The following table illustrates the summarised financial information in respect of Yangzhou Junan for the year ended 31 December 2019, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

		2019年 2019 人民幣千元 RMB'000
現金及現金等價物	Cash and cash equivalents	17,928
其他流動資產	Other current assets	758,361
流動資產	Current assets	776,289
非流動資產	Non-current assets	388
金融負債(不包含貿易及其他應付款項)	Financial liabilities, excluding trade and other payables	—
其他流動負債	Other current liabilities	(488,252)
流動負債	Current liabilities	(488,252)
資產淨值	Net assets	288,425
同本集團於合營企業的權益之對賬：	Reconciliation to the Group's interest in the joint venture:	
本集團所有權佔比	Proportion of the Group's ownership	49%
本集團應佔合營企業資產淨值	Group's share of net assets of the joint venture	141,328
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses from related party transactions	(383)
投資賬面值	Carrying amount of the investment	140,945
收益	Revenue	1,615,965
開支	Expenses	(1,173,203)
稅項	Tax	(133,628)
年度溢利	Profit for the year	309,134
年度合計綜合收益	Total comprehensive income for the year	309,134



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 17. 於合營企業之投資 (續)

(b) (續)

下表展示有關溫州梁旭於截至2019年12月31日止年度的財務資料概要，其中已就任何會計政策差異作出調整並已同綜合財務報表賬面值對賬：

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Liangxu for the year ended 31 December 2019, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

		2019年 2019 人民幣千元 RMB'000
現金及現金等價物	Cash and cash equivalents	587,978
其他流動資產	Other current assets	462,410
流動資產	Current assets	1,050,388
非流動資產	Non-current assets	453
金融負債(不包含貿易及 其他應付款項)	Financial liabilities, excluding trade and other payables	—
其他流動負債	Other current liabilities	(685,554)
流動負債	Current liabilities	(685,554)
資產淨值	Net assets	365,287
同本集團於合營企業的 權益之對賬：	Reconciliation to the Group's interest in the joint venture:	
本集團所有權佔比	Proportion of the Group's ownership	60%
本集團應佔合營企業資產 淨值	Group's share of net assets of the joint venture	219,172
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses from related party transactions	(2,860)
投資賬面值	Carrying amount of the investment	216,312
收益	Revenue	2,978,647
開支	Expenses	(2,080,740)
稅項	Tax	(296,486)
年度溢利	Profit for the year	601,421
年度合計綜合收益	Total comprehensive income for the year	601,421

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 17. 於合營企業之投資(續)

(c) 下表列示本集團個別非重大的合營企業的合計財務資料：

## 17. INVESTMENTS IN JOINT VENTURES (Continued)

(c) The following table illustrates the aggregate financial information of the Group's joint ventures which are not individually material:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
年度應佔合營企業溢利及虧損	Share of the joint ventures' profits and losses for the year	92,671	467,025
應佔合營企業合計全面收益	Share of the joint ventures' total comprehensive income	92,671	467,025
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses for related party transactions	(27,962)	(26,346)
本集團於合營企業投資的賬面總值	Aggregate carrying amount of the Group's investments in the joint ventures	3,784,024	2,883,107

合營企業已採用權益法入賬。

The joint ventures have been accounted for using the equity method.

本公司董事認為，於2020年12月31日概無需作出減值撥備(2019年：無)。

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2020 (2019: Nil).

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 18. 於聯營公司之投資

### 18. INVESTMENTS IN ASSOCIATES

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
應佔資產淨值	Share of net assets	13,828,468	6,702,651
提供予聯營公司的財務擔保	Financial guarantees provided to associates	100,117	46,980
		<b>13,928,585</b>	<b>6,749,631</b>

本集團已向其聯營公司提供若干銀行及其他借款擔保，其詳情載列於附註30。董事認為，財務擔保服務於可預見未來不太可能得到補償，故其被視為本集團於聯營公司的部分淨投資。

本集團與聯營公司的應收款項及應付款項於財務報表附註41披露。

The Group has guaranteed certain of the bank and other borrowings made to its associates, details of which are set out in note 30. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the associates.

The Group's receivables and payables with associates are disclosed in note 41 to the financial statements.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

**18. 於聯營公司之投資 (續)****18. INVESTMENTS IN ASSOCIATES (Continued)****(a) 本集團重要聯營公司詳情****(a) Particulars of the Group's material associates**

公司名稱	註冊地點及年份	註冊股本 面值	本集團應佔 所有權權益 百分比	主要活動
Name of companies	Place and year of registration	Nominal value of registered share capital 人民幣千元 RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
杭州濱通房地產開發有限公司* Hangzhou Bintong Real Estate Development Co., Ltd.	中國杭州2016年 Hangzhou, PRC 2016	5,000	25.00%	物業開發 Property development
無錫市農業房地產有限公司 Wuxi Chenye Real Estate Development Co., Ltd.	中國無錫2017年 Wuxi, PRC 2017	20,000	25.00%	物業開發 Property development
義烏吾悅房地產發展有限公司* Yiwu Wuyue Real Estate Development Co., Ltd.	中國義烏2015年 Yiwu, PRC 2015	19,608	49.00%	物業開發及 物業租賃 Property development and property Leasing

\* 本集團董事認為，該等聯營公司於截至2019年12月31日止年度為本集團之重大聯營公司，但於截至2020年12月31日止年度為個別非重大的聯營公司。

\* The directors of the Group are of the view that those associates were the material associates for the year ended 31 December 2019 but were not individually material for the year ended 31 December 2020.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 18. 於聯營公司之投資(續)

- (b) 無錫市農業房地產有限公司(「無錫農業」)於截至2020年12月31日止年度均被視作本集團的重要聯營公司，同中國內地的其他聯營夥伴聯合開發物業開發項目，並按權益法列賬。

杭州濱通房地產開發有限公司(「杭州濱通」)及義烏吾悅房地產發展有限公司(「義烏吾悅」)於截至2020年12月31日止年度均被視作本集團的重要聯營公司，同中國內地的其他聯營夥伴聯合開發物業開發項目，並按權益法列賬。

#### 18. INVESTMENTS IN ASSOCIATES (Continued)

- (b) Wuxi Chenye Real Estate Development Co., Ltd. (“Wuxi Chenye”), which was considered a material associate of the Group during the year ended 31 December 2020, co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

Hangzhou Bintong Real Estate Development Co., Ltd. (“Hangzhou Bintong”) and Yiwu Wuyue Real Estate Development Co., Ltd. (“Yiwu Wuyue”), which were considered material associates of the Group during the year ended 31 December 2020, co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 18. 於聯營公司之投資(續)

## (b) (續)

下表列示有關無錫農業的財務資料概要，其中已就任何會計政策差異調整及綜合財務報表賬面值對賬：

## 18. INVESTMENTS IN ASSOCIATES (Continued)

## (b) (Continued)

The following table illustrates the summarised financial information in respect of Wuxi Chenye, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

		2020年 2020 人民幣千元 RMB'000
現金及現金等價物	Cash and cash equivalents	435,850
其他流動資產	Other current assets	661,535
流動資產	Current assets	1,097,385
非流動資產	Non-current assets	166
金融負債，不包含貿易及其他應付款項	Financial liabilities, excluding trade and other payables	—
其他流動負債	Other current liabilities	(428,388)
流動負債	Current liabilities	(428,388)
資產淨值	Net assets	669,163
同本集團於聯營公司的權益之對賬：	Reconciliation to the Group's interest in the associate:	
本集團所有權佔比	Proportion of the Group's ownership	24.5%
本集團應佔聯營公司資產淨值	Group's share of net assets of the associate	163,945
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses from related party transactions	(1,663)
投資賬面值	Carrying amount of the investment	162,282
收益	Revenue	3,938,884
開支	Expense	(2,887,281)
稅項	Tax	(321,207)
年度溢利	Profit for the year	730,396
年度合計全面收益	Total comprehensive income for the year	730,396

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 18. 於聯營公司之投資 (續)

(b) (續)

下表列示有關杭州濱通於截至2019年12月31日止年度的財務資料概要，其中已就任何會計政策差異調整及綜合財務報表賬面值對賬：

### 18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Hangzhou Bintong for the year ended 31 December 2019, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

		2019年 2019 人民幣千元 RMB'000
現金及現金等價物	Cash and cash equivalents	183,538
其他流動資產	Other current assets	387,627
流動資產	Current assets	571,165
非流動資產	Non-current assets	943
金融負債，不包含貿易及 其他應付款項	Financial liabilities, excluding trade and other payables	—
其他流動負債	Other current liabilities	(206,559)
流動負債	Current liabilities	(206,559)
資產淨值	Net assets	365,549
同本集團於聯營公司的權益之 對賬：	Reconciliation to the Group's interest in the associate:	
本集團所有權佔比	Proportion of the Group's ownership	25%
本集團應佔聯營公司資產 淨值	Group's share of net assets of the associate	91,387
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses from related party transactions	—
投資賬面值	Carrying amount of the investment	91,387
收益	Revenue	1,067,294
開支	Expenses	(625,069)
稅項	Tax	(71,580)
年度溢利	Profit for the year	370,645
年度合計全面收益	Total comprehensive income for the year	370,645

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 18. 於聯營公司之投資 (續)

(b) (續)

下表列示有關義烏吾悅於截至2019年12月31日止年度的財務資料概要，其中已就任何會計政策差異調整及綜合財務報表賬面值對賬：

#### 18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Yiwu Wuyue for the year ended 31 December 2019, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

		2019年 2019 人民幣千元 RMB'000
現金及現金等價物	Cash and cash equivalents	168,000
其他流動資產	Other current assets	1,759,472
流動資產	Current assets	1,927,472
非流動資產	Non-current assets	1,246,122
金融負債，不包含貿易及 其他應付款項	Financial liabilities, excluding trade and other payables	
其他流動負債	Other current liabilities	(688,711)
流動負債	Current liabilities	(688,711)
資產淨值	Net assets	2,484,883
同本集團於聯營公司的權益之 對賬：	Reconciliation to the Group's interest in the associate:	
本集團所有權佔比	Proportion of the Group's ownership	49%
本集團應佔聯營公司資產 淨值	Group's share of net assets of the associate	1,217,593
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses from related party transactions	(408)
投資賬面值	Carrying amount of the investment	1,217,185
收益	Revenue	257,403
開支	Expenses	(131,717)
投資物業公平值收益	Fair value gains on investment properties	116,146
稅項	Tax	(49,902)
年度溢利	Profit for the year	191,930
年度合計全面收益	Total comprehensive income for the year	191,930



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 18. 於聯營公司之投資 (續)

(c) 下表列示本集團個別非重大的聯營公司的合計財務資料：

### 18. INVESTMENTS IN ASSOCIATES (Continued)

(c) The following table illustrates the aggregate financial information of the Group's associates which are not individually material:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
年內應佔聯營公司溢利及虧損	Share of the associates' profits and losses for the year	318,222	68,664
應佔聯營公司合計全面收益	Share of the associates' total comprehensive income	318,222	68,664
關聯方交易未實現損益調整	Adjustment for unrealised profits and losses for related party transactions	(26,998)	(13,662)
本集團於聯營公司投資的賬面總值	Aggregate carrying amount of the Group's investments in the associates	13,766,303	5,441,059

於上述財務資料中聯營公司已採用權益法入賬。

The associates have been accounted for using the equity method in the above financial information.

本公司董事認為，於2020年12月31日概無需作出減值撥備(2019年：無)。

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2020 (2019: Nil).

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 19. 遞延稅項

於年內的遞延稅項資產及負債的變動如下：

##### 遞延稅項資產

#### 19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

		Deferred tax assets						
		租賃負債	抵銷未來應課稅溢利可動用的虧損	用於抵銷未來應課稅溢利的開支	資產減值	合約負債中未實現收益	應計土地增值稅	總計
		Lease liability	Losses available for offsetting against future taxable profits	Expenses for offsetting against future taxable profits	Impairment of assets	Unrealised revenue in contract liabilities	Accrued LAT	Total
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
於2019年1月1日	At 1 January 2019	27,121	532,683	43,020	17,153	1,758,507	219,264	2,597,748
出售附屬公司(附註38)	Disposal of subsidiaries (note 38)	—	—	—	—	(24,418)	—	(24,418)
年內計入/(扣除自)損益的遞延稅項(附註10)	Deferred tax credited/(charged) to profit or loss during the year (note 10)	9,490	(441,882)	25,715	(4,671)	827,269	25,758	441,679
於2020年1月1日的遞延稅項資產總額	Gross deferred tax assets at 1 January 2020	36,611	90,801	68,735	12,482	2,561,358	245,022	3,015,009
收購附屬公司(附註37)	Acquisition of subsidiaries (note 37)	—	—	—	—	205	—	205
出售附屬公司(附註38)	Disposal of subsidiaries (note 38)	—	—	—	—	(86,153)	—	(86,153)
年內扣除自/(計入)損益的遞延稅項(附註10)	Deferred tax charged/(credited) to profit or loss during the year (note 10)	(6,625)	20,209	6,203	27,077	323,586	(11,085)	359,365
於2020年12月31日的遞延稅項資產總額	Gross deferred tax assets at 31 December 2020	29,986	111,010	74,938	39,559	2,798,996	233,937	3,288,426

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 19. 遞延稅項 (續)

於年內的遞延稅項資產及負債的變動如下：(續)

#### 遞延稅項負債

### 19. DEFERRED TAX (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

#### Deferred tax liabilities

		財務擔保合約撥備變動	使用權資產	按公平值計入	投資	業務合併導致公平值調整	隨著時間的推移確認收入	總計
				損益之金融資產導致公平值調整	物業導致公平值調整			
		Changes in provision for financial guarantee contracts	Right-of-use assets	Fair value adjustments arising from financial assets at FVTPL	Fair value adjustments arising from investment properties	Fair value adjustments arising from business combinations	Recognition of revenue over time	Total
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
於2019年1月1日	At 1 January 2019	—	27,121	2,127	86,390	272,374	692,538	1,080,550
收購附屬公司	Acquisition of subsidiaries	—	—	—	—	2,327	—	2,327
出售附屬公司 (附註38)	Disposal of subsidiaries (note 38)	—	—	—	(9,406)	—	—	(9,406)
年內計入/(扣除自) 損益的遞延稅項 (附註10)	Deferred tax credited/(charged) to profit or loss during the year (note 10)	20,846	9,081	(1,720)	12,464	(15,512)	(163,803)	(138,644)
於2020年1月1日的遞 延稅項負債總額	Gross deferred tax liabilities at 1 January 2020	20,846	36,202	407	89,448	259,189	528,735	934,827
年內扣除自/(計入) 損益的遞延稅項 (附註10)	Deferred tax charged/(credited) to profit or loss during the year (note 10)	13,036	(8,427)	(7,732)	22,091	(68,478)	(185,334)	(234,844)
於2020年12月31日的 遞延稅項負債總額	Gross deferred tax liabilities at 31 December 2020	33,882	27,775	(7,325)	111,539	190,711	343,401	699,983

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 19. 遞延稅項(續)

就呈列而言，若干遞延稅項資產及負債已於綜合財務狀況表內抵銷。以下為就財務申報目的的本集團遞延稅項結餘分析：

## 19. DEFERRED TAX (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
於綜合財務狀況表內確認的遞延稅項資產淨值	Net deferred tax assets recognised in the consolidated statement of financial position	3,222,423	2,932,066
於綜合財務狀況表內確認的遞延稅項負債淨額	Net deferred tax liabilities recognised in the consolidated statement of financial position	(633,980)	(851,884)
持續經營業務的遞延稅項資產淨值	Net deferred tax assets in respect of continuing operations	2,588,443	2,080,182

概無就該等虧損確認遞延稅項資產，此乃由於該等虧損來自已處於一段時間虧損狀態的附屬公司，且應課稅溢利被認為不大可能可用於抵扣可動用的稅項虧損。

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.

概無就以下項目確認遞延稅項資產：

Deferred tax assets have not been recognised in respect of the following items:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
稅項虧損	Tax losses	617,313	438,898
可扣減暫時性差異	Deductible temporary differences	417,004	269,868
		1,034,317	708,766

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 19. 遞延稅項(續)

根據中國企業所得稅法，在中國內地成立的外商投資企業向外國投資者宣派的股息將徵收10%的預扣稅。該規定自2008年1月1日起生效並適用於2007年12月31日後產生的盈利。倘中國內地與該外國投資者的司法權區訂立了稅務條約，可採用較低預扣稅率。本集團的適用稅率為10%。因此，本集團須就該等在中國內地成立的附屬公司自2008年1月1日起產生的盈利所分派的股息繳納預扣稅。

於2020年12月31日，概無就本公司及本集團於中國內地成立的附屬公司須繳納預扣稅的未匯出盈利應付的預扣稅確認遞延稅項。本公司董事認為，本集團的資金將留在中國內地以擴展本集團的營運，因此該等附屬公司不大可能於可見將來分派該等盈利。與於並無確認遞延稅項負債的中國內地附屬公司的投資相關的暫時性差異總額合共約為人民幣697,323,000元(2019年：人民幣484,802,000元)。

#### 19. DEFERRED TAX (Continued)

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 10%. 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, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB697,323,000 (2019: RMB484,802,000).

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 20. 按公平值計入損益的金融資產

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
上市股本投資，按公平值	Listed equity investments, at fair value	348,632	77,147
其他非上市投資，按公平值	Other unlisted investments, at fair value	203,781	213,576
於年末	At the end of the year	552,413	290,723

上述股本投資分類為按公平值計入損益的金融資產，因其為持作買賣。

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

上述非上市投資為由銀行所發行的理財產品，由於其合約現金流量並非僅為本金及利息付款，故此強制分類為按公平值計入損益的金融資產。

The above unlisted investments were wealth management products issued by banks. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 21. 開發中物業

### 21. PROPERTIES UNDER DEVELOPMENT

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
於年初	At the beginning of the year	128,779,890	99,481,406
添置	Additions	83,390,048	74,925,376
收購附屬公司(附註37)	Acquisition of subsidiaries (note 37)	1,753,920	198,398
出售附屬公司(附註38)	Disposal of subsidiaries (note 38)	(9,364,417)	(1,936,105)
轉撥至持作出售的已完工物業 (附註22)	Transferred to completed properties held for sale (note 22)	(58,595,853)	(43,720,348)
已確認的減值虧損(附註6)	Impairment losses recognised (note 6)	(366,047)	(223,637)
轉撥至持作出售的已完工物業的 減值虧損(附註22)	Impairment losses transferred to completed properties held for sale (note 22)	316,922	54,800
於年末	At the end of the year	145,914,463	128,779,890

本集團的開發中物業位於在中國內地的租賃土地。

The Group's properties under development are situated on leasehold lands in Mainland China.

於2020年12月31日，本集團總賬面值為約人民幣89,024,910,000元（2019年：人民幣58,951,830,000元）的若干開發中物業已用於抵押以獲得授予本集團的銀行及其他借款（附註29）。

As at 31 December 2020, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB89,024,910,000 (2019: RMB58,951,830,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 21. 開發中物業(續)

開發中物業的減值撥備變動如下：

#### 21. PROPERTIES UNDER DEVELOPMENT (Continued)

The movements in provision for impairment of properties under development are as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
年初	At the beginning of the year	(223,637)	(54,800)
已確認減值虧損(附註6)	Impairment losses recognised (note 6)	(366,047)	(223,637)
轉撥至持作出售的已完工物業的 減值虧損(附註22)	Impairment losses transferred to completed properties held for sale (note 22)	316,922	54,800
年末	At the end of the year	(272,762)	(223,637)

開發中物業的價值在報告期末進行評估。當賬面價值超過其可變現淨值時，存在減值。可變現淨值由本集團參考報告期末的現行市況和現有價格並減去相關的可變銷售開支和預期完工成本予以釐定。

The value of properties under development was assessed at the end of the reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and existing prices, less applicable variable selling expenses and anticipated costs at completion, at the end of the reporting period.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 22. 持作出售已完工物業

#### 22. COMPLETED PROPERTIES HELD FOR SALE

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
年初賬面值	Carrying amount at the beginning of the year	4,140,691	3,596,396
轉撥自開發中物業(附註21)	Transferred from properties under development (note 21)	58,595,853	43,720,348
轉撥至已售物業成本(附註6)	Transferred to cost of properties sold (note 6)	(51,708,913)	(43,179,125)
撇銷的減值虧損(附註6)	Impairment losses written off (note 6)	190,821	57,872
轉撥自開發中物業的減值虧損(附註21)	Impairment losses transferred from properties under development (note 21)	(316,922)	(54,800)
出售附屬公司(附註38)	Disposal of subsidiaries (note 38)	(15,443)	—
年末賬面值	Carrying amount at the end of the year	10,886,087	4,140,691

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 22. 持作出售已完工物業(續)

持作出售已完工物業的減值撥備變動如下：

#### 22. COMPLETED PROPERTIES HELD FOR SALE (Continued)

The movements in provision for impairment of completed properties held for sale are as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
年初	At the beginning of the year	—	(3,072)
撇銷的減值虧損	Impairment losses written off	190,821	57,872
轉撥自開發中物業的減值虧損 (附註21)	Impairment losses transferred from properties under development (note 21)	(316,922)	(54,800)
年末	At the end of the year	(126,101)	—

持作出售的已完工物業的價值在報告期末進行評估。當賬面值超過其可變現淨值時，存在減值。可變現淨值乃參考基於現行市價的銷售價減去相關銷售開支後予以釐定。

The value of completed properties held for sale was assessed at the end of the reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by reference to the selling price based on prevailing market price less applicable selling expenses.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 23. 貿易應收款項

### 23. TRADE RECEIVABLES

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
貿易應收款項	Trade receivables	5,209	3,035
減值	Impairment	—	—
		5,209	3,035

貿易應收款項主要指來自租戶的應收租金。本集團致力嚴格控制其尚未收回的應收款項。逾期結餘由管理層定期檢討。鑒於上述及本集團貿易應收款項與大量不同客戶相關，因此並不存在信貸風險大幅集中的情況。

貿易應收款項為無抵押及不計息。貿易應收款項的賬面值與其公平值相若。於報告期末貿易應收款項的賬齡分析(基於發票日期)如下：

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by 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.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
少於一年	Less than 1 year	5,209	3,035
一年以上	Over 1 year	—	—
		5,209	3,035

未逾期的應收款項與近期並無違約記錄的大量不同客戶有關。

本集團採用簡化方法就國際財務報告準則第9號規定的預期信貸虧損計提撥備，該方法允許就所有貿易應收款項使用存續期預期虧損撥備。為計量預期信貸虧損，貿易應收款項已按相同信貸風險特徵及逾期天數分組。貿易應收款項的預期虧損率評估為0.1%。基於對預期虧損率及總賬面值的評估，本公司董事認為有關該等結餘的預期信貸虧損屬不重大，因此並無計提虧損撥備。

Receivables that were not past due relate to a large number of diversified customers for whom there was no recent history of default.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate for trade receivables is assessed to be 0.1%. Based on the evaluation on the expected loss rate and the gross carrying amount, the directors of the Company are of the opinion that the expected credit losses in respect of these balances are immaterial, and therefore, there has not been a loss allowance provision.

F-135

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 24. 預付款項及其他應收款項

## 24. PREPAYMENTS AND OTHER RECEIVABLES

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
預付稅項及其他可收回稅項	Prepaid tax and other tax recoverable	6,570,000	6,524,263
與第三方土地使用權有關的按金	Deposits related to third parties' land use rights	1,748,419	1,545,369
土地拍賣按金	Deposits for land auction	2,348,894	3,012,230
其他按金	Other deposits	4,781,671	4,125,878
收購土地使用權的進度	Progress prepayments for acquisition of land use rights	1,355,541	1,335,006
預付款項	Prepayments for construction cost	472,536	396,546
建築成本預付款項	Prepayments for investments in joint ventures and associates	292,658	—
投資合資企業及聯營公司的預付款項	Due from non-controlling shareholders of subsidiaries	21,497,999	19,434,349
應收附屬公司非控股股東款項	Other receivables	2,141,255	1,933,570
其他應收款項			
		41,208,973	38,307,211
減：減值	Less: Impairment	26,280	23,493
減：分類為流動資產的部分	Less: Portion classified as current assets	40,890,035	38,283,718
非流動部分	Non-current portion	292,658	—

其他應收款項為無抵押、不計息且無固定還款期限。

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 24. 預付款項及其他應收款項(續)

應收款項減值撥備的變動如下所示：

### 24. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The movements in provision for impairment of receivables are as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
年初	At the beginning of the year	23,493	13,623
已確認減值虧損	Impairment losses recognised	2,787	9,870
年末	At the end of the year	26,280	23,493

應收附屬公司非控股股東款項及其他按金的內部信用評級被視為良好等級。本集團已評估該等應收款項的信用風險自初始確認起並無大幅增加。評估該等應收款項的預期虧損率為0.1%。本集團已評估預期虧損率和賬面總值，已基於12個月預期信貸虧損計量減值，並評估得出於2020年12月31日的預期信貸虧損為人民幣26,280,000元(2019年：人民幣23,493,000元)。

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries and other deposits were regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. The expected loss rate for these receivables is assessed to be 0.1%. The Group has evaluated the expected loss rate and gross carrying amount, measured the impairment based on the 12-month expected credit losses, and assessed that the expected credit losses were RMB26,280,000 as at 31 December 2020 (2019: RMB23,493,000).

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 25. 現金及現金等價物、受限制現金及已抵押存款

## 25. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
現金及銀行結餘	Cash and bank balances	34,232,445	26,495,261
減：受限制現金	Less: Restricted cash	6,186,597	10,194,619
已抵押存款	Pledged deposits	2,135,604	1,344,886
現金及現金等價物	Cash and cash equivalents	25,910,244	14,955,756
以人民幣計值	Denominated in RMB	25,167,647	14,506,628
以港元計值	Denominated in HK\$	15,489	27,453
以美元計值	Denominated in US\$	727,108	421,675
		25,910,244	14,955,756

根據中國有關法規，本集團的若干物業開發公司須將若干現金款項存置於指定銀行賬戶作特定用途。於2020年12月31日，該等受限制現金為人民幣6,186,597,000元（2019年：人民幣9,502,611,000元）。

於2020年12月31日，本集團總賬面值約為零（2019年：人民幣692,008,000元）的若干已受限制現金已質押，用於獲得授予本集團的銀行及其他借款（附註29）。

於2020年12月31日，本集團總賬面值約為人民幣757,617,000元（2019年：人民幣44,757,000元）的若干已抵押存款已質押，用於獲得授予本集團的銀行及其他借款（附註29）。

於2020年12月31日，人民幣1,377,987,000元（2019年：人民幣1,300,129,000元）的銀行存款已質押作為買家按揭貸款或項目建設的抵押或質押予銀行作為發行銀行承兌票據的抵押品。

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2020, such restricted cash amounted to RMB6,186,597,000 (2019: RMB9,502,611,000).

As at 31 December 2020, certain of the Group's restricted cash with an aggregate carrying amount of approximately nil (2019: RMB692,008,000) has been pledged to secure bank and other borrowings granted to the Group (note 29).

As at 31 December 2020, certain of the Group's pledged deposits with an aggregate carrying amount of approximately RMB757,617,000 (2019: RMB44,757,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

As at 31 December 2020, bank deposits of RMB1,377,987,000 (2019: RMB1,300,129,000) were pledged as security for purchasers' mortgage loans, or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 25. 現金及現金等價物、受限制現金及已抵押存款(續)

人民幣不可自由兌換為其他貨幣，然而，根據中國外匯管理規定及結匯、售匯及付匯管理規定，本集團可透過獲授權進行外匯業務之銀行兌換人民幣為其他貨幣。

銀行現金根據每日銀行存款利率按浮動利率計息。銀行結餘存於近期無違約歷史且信譽可靠的銀行。現金及現金等價物的賬面值與其公平值相若。

於2020年12月31日，受限制現金、已抵押存款以及現金及現金等價物的內部信貸評級被視為良好等級。本集團已評估得出受限制現金、已抵押存款以及現金及現金等價物的信貸風險自初步確認後並未大幅增加，並已根據12個月預期信貸虧損計量減值，且已評估得出預期信貸虧損並不重大。

#### 26. 貿易應付款項及應付票據

於報告期末基於發票日期的貿易應付款項及應付票據的賬齡分析如下：

少於一年	Less than 1 year
一年以上	Over 1 year

貿易應付款項及應付票據為無抵押及免息，一般基於工程進度結算。

於報告期末貿易應付款項及應付票據的公平值與其相應賬面值相若，原因是其到期期限相對較短。

#### 25. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

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. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

As at 31 December 2020, the internal credit rating of restricted cash, pledged deposits and cash and cash equivalents were regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

#### 26. 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年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
少於一年	Less than 1 year	16,647,655	11,706,261
一年以上	Over 1 year	435,228	354,275
		17,082,883	12,060,536

Trade and bills payables are unsecured, interest-free and are normally settled based on the progress of construction.

The fair values of trade and bills payables as at the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 27. 其他應付款項及應計費用

#### 27. OTHER PAYABLES AND ACCRUALS

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
應付附屬公司非控股股東款項	Due to non-controlling shareholders of subsidiaries	17,155,174	13,290,815
收取自第三方之土地拍賣相關墊款	Advances from third parties related to land auction	2,583,755	2,183,573
建築相關留置按金	Retention deposits related to construction	1,845,181	1,303,991
物業銷售相關按金	Deposits related to sales of properties	573,534	428,322
營業稅及附加費	Business tax and surcharges	743,995	389,532
應付工資及福利	Payroll and welfare payable	628,129	581,642
應付利息	Interest payable	252,482	151,836
其他	Others	706,535	689,376
		<b>24,488,785</b>	<b>19,019,087</b>

其他應付款項及應付附屬公司非控股股東款項為無抵押並應按要求償還。其他應付款項於各報告期末的公平值與其相應的賬面值相若。

Other payables and amounts due to non-controlling shareholders of subsidiaries are unsecured and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.

#### 28. 合約負債

#### 28. CONTRACT LIABILITIES

本集團已確認以下與收益相關的合約負債：

The Group recognised the following revenue-related contract liabilities:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
合約負債	Contract liabilities	120,909,048	115,873,077

本集團根據物業銷售合約所載的計費時間表向客戶收款。付款通常在根據合約履責之前收到，款項主要來自物業開發及銷售。

The Group receives payments from customers based on billing schedules as established in the property sales contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales.



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 29. 計息銀行及其他借款

### 29. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2020年12月31日 31 December 2020			2019年12月31日 31 December 2019		
		實際利率 (%)	到期	人民幣千元	實際利率 (%)	到期	人民幣千元
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>即期</b>	<b>Current</b>						
銀行貸款	Bank loans						
— 有抵押	— secured	3.50–10.00	2021	1,402,958	5.87–9.00	2020	2,193,310
銀行貸款	Bank loans						
— 無抵押	— unsecured	8.00	2021	63,710			
其他貸款	Other loans						
— 有抵押	— secured	6.00–14.00	2021	6,537,022	5.00–15.00	2020	10,378,095
其他貸款	Other loans						
— 無抵押	— unsecured	7.60–14.31	2021	2,064,473	5.63–16.03	2020	890,550
長期銀行貸款 的即期部分	Current portion of long term bank loans						
— 有抵押	— secured	4.75–10.00	2021	4,136,130	5.50–9.50	2020	4,786,982
長期銀行 貸款的 即期部分	Current portion of long term bank loans						
— 無抵押	— unsecured	4.75	2021	1,050,000			—
長期銀行 貸款的 即期部分	Current portion of long term other loans						
— 有抵押	— secured	8.50–13.00	2021	888,450	6.89–14.50	2020	1,876,376
長期其他貸款 的即期部分	Current portion of long term other loans						
— 有抵押	— secured	11.5–15.5	2021	335,154			—
				16,477,897			20,125,313
<b>非即期</b>	<b>Non-current</b>						
銀行貸款	Bank loans						
— 有抵押	— secured	4.75–9.00	2022–25	20,890,568	3.50–9.50	2021–22	11,991,707
銀行貸款	Bank loans						
— 無抵押	— unsecured			—	4.75	2021	1,150,000
其他貸款	Other loans						
— 有抵押	— secured	7.50–13.00	2022–23	3,603,520	4.75–13.00	2021–22	2,718,849
其他貸款	Other loans						
— 無抵押	— unsecured	10.00–13.00	2022	3,925,768			—
				28,419,856			15,860,556
				44,897,753			35,985,869

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 29. 計息銀行及其他借款(續)

## 29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>分析：</b>	<b>Analysed into:</b>		
應償還銀行貸款：	Bank loans repayable:		
一年內或按要求	Within one year or on demand	6,652,798	6,980,292
第二年	In the second year	9,916,429	11,251,174
第三年至第五年 (包括首尾兩年)	In the third to fifth years, inclusive	10,974,139	1,890,533
		27,543,366	20,121,999
應償還其他借款：	Other borrowings repayable:		
一年內或按要求	Within one year or on demand	9,825,099	13,145,021
第二年	In the second year	6,299,288	2,718,849
第三年至第五年 (包括首尾兩年)	In the third to fifth years, inclusive	1,230,000	—
		17,354,387	15,863,870
		44,897,753	35,985,869

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 29. 計息銀行及其他借款(續)

本集團若干銀行及其他借款通過質押下列資產作抵押，其於報告期末的賬面值如下：

#### 29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

		附註 Notes	2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
開發中物業	Properties under development	21	89,024,960	58,951,830
投資物業	Investment properties	14	196,700	351,000
受限制現金	Restricted cash	25	—	692,008
已抵押存款	Pledged deposits	25	757,617	44,757

本公司管理層已評估得出計息銀行及其他借款的公平值與其賬面值相若，主要原因為該等借款乃本集團與獨立第三方金融機構根據現行市場利率作出。

The management of the Company has assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

- i. 本集團的銀行及其他借款由其關聯方擔保(附註41(2))。
- ii. 於2020年12月31日由本公司非控股股東及獨立第三方擔保的若干銀行及其他借款最多為人民幣6,975,238,000元(2019年：人民幣4,241,440,000元)。

- i. The Group's bank and other borrowings were guaranteed by its related parties (note 41(2)).
- ii. Certain of the bank and other borrowings of up to RMB6,975,238,000 were guaranteed by the Company's non-controlling shareholders and independent third parties as at 31 December 2020 (2019: RMB4,241,440,000).

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 30. 財務擔保合約撥備

## 30. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
於年初	At the beginning of the year	31,364	84,869
公平值變動	Fair value changes	(52,144)	(83,385)
添置	Additions	93,694	29,880
於年末	At the end of the year	72,914	31,364

財務擔保合約指就本集團合營企業及聯營公司借款給予銀行及其他財務機構的擔保，其詳情載於附註41。

除有限情況外，本集團並不提供財務擔保。所有擔保均由本集團董事批准。

財務擔保合約按預期信貸虧損撥備與初步確認金額的較高者減去已確認累計收入金額計量。預期信貸虧損撥備按估計現金短缺計量，此乃基於償還持有人（即銀行）產生信貸虧損的預期付款減去本集團預期自債務人（即合營企業及聯營公司）收到的任何金額。於截至2020年12月31日止年度，因提供予合營企業及聯營公司擔保計提預期信貸虧損撥備人民幣72,914,000元（2019年：人民幣31,364,000元）。

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates, details of which are set out in note 41.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the directors of the Group.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the year ended 31 December 2020, an ECL allowance of RMB72,914,000 was provided as a result of guarantees provided to the joint ventures and associates (2019: RMB31,364,000).

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 31. 資產支持證券(「資產支持證券」)所得款項 31. PROCEEDS FROM ASSET-BACKED SECURITIES (“ABS”)

資產支持證券名稱	Name of ABS	本金 人民幣千元 RMB'000	合約年利率 Contractual interest rate per annum (%)	到期 Maturity	2020年 12月31日 期末結餘 31 December 2020 Closing balance 人民幣千元 RMB'000
長城嘉信一中梁地產 購房尾款資產支持 專項計劃 「中梁住房餘款」	長城嘉信一中梁地產購房 尾款資產支持專項計劃 “Zhongliang Housing Residual Payment”	317,170	5.6-7	2022	317,709
					317,709
減：即期部分	Less: Current portion				—
非即期部分	Non-current portion				317,709

結餘指自中國金融機構為發行資產支持證券而設立的特殊目的實體(「特殊目的實體」)收到的所得款項，本集團已將若干未來貿易應收款項作為提供銷售物業的剩餘收入的抵押品。根據本集團與特殊目的實體之間的轉讓安排，當本集團從客戶收取銷售所得款項時，本集團會代表特殊目的實體匯出其收取的任何現金流量。

The balance represented proceeds received from special purpose entities (“SPE”) set up by financial institutions in the PRC for issuance of asset-backed securities, to which the Group has collateralised certain future trade receivables for the remaining receipts from the provision of the sale of properties. Under an assignment arrangement between the Group and the SPE, as and when the Group receives the sales proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

## 32. 優先票據

## 32. SENIOR NOTES

		2020年 2020				2019年 2019			
		原貨幣本金 千美元 Principal at original currency US\$'000	合約 利率(%) Contractual interest rate (%)	到期日 Maturity	人民幣千元 RMB'000	原貨幣本金 千美元 Principal at original currency US\$'000	合約 利率(%) Contractual interest rate (%)	到期日 Maturity	人民幣千元 RMB'000
2020年到期之 2019年優先票據1	2019 Senior notes 1 due 2020	—	—	—	—	200,000	9.75	2020.11.24	1,378,045
2021年到期之2019 年優先票據2	2019 Senior notes 2 due 2021	300,000	11.50	2021.9.26	1,991,842	300,000	11.50	2021.9.26	2,107,742
2021年到期之 2019年優先票據3	2019 Senior notes 3 due 2021	100,000	11.50	2021.9.26	677,312	100,000	11.50	2021.9.26	709,584
2021年到期之 2020年優先票據4	2020 Senior notes 4 due 2021	250,000	8.75	2021.6.27	1,620,060	—	—	—	—
2021年到期之 2020年優先票據5	2020 Senior notes 5 due 2021	250,000	8.75	2021.2.16	1,670,459	—	—	—	—
2022年到期之 2020年優先票據6	2020 Senior notes 6 due 2022	200,000	9.50	2022.7.29	1,298,296	—	—	—	—
2022年到期之 2020年優先票據7	2020 Senior notes 7 due 2022	50,000	9.50	2022.7.29	325,391	—	—	—	—
2021年到期之 2020年優先票據8	2020 Senior notes 8 due 2021	50,000	8.88	2021.11.22	316,255	—	—	—	—
2021年到期之 2020年優先票據9	2020 Senior notes 9 due 2021	150,000	8.88	2021.11.22	977,149	—	—	—	—
					8,876,764				4,195,371
減：即期部分	Less: Current portion				7,306,141				1,378,045
非即期部分	Non-current portion				1,570,623				2,817,326

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 32. 優先票據(續)

#### 32. SENIOR NOTES (Continued)

		2020年 12月31日 31 December 2020 人民幣千元 RMB'000	2019年 12月31日 31 December 2019 人民幣千元 RMB'000
本集團應償還的優先票據如下：	The Group's senior notes were repayable as follows:		
須於一年內償還	Repayable within one year	7,306,141	1,378,045
須於第二年償還	Repayable in the second year	1,570,623	2,817,326
須於第三至第五年償還	Repayable in the third to fifth years	—	—
總計	Total	8,876,764	4,195,371

##### 於2020年到期的2019年優先票據1

於2019年11月26日，本公司發行本金總額為200,000,000美元於2020年到期的2019年優先票據1，票面利率為9.75%，並於2020年內到期。本公司籌得所得款項淨額195,602,824美元(經扣除包銷佣金以及其他開支)。

於2020年11月24日之前任何時間，本公司可隨時選擇按相等於所贖回2020年到期的2019年優先票據1本金額的100%，另加截至贖回日期(不包括該日)的適用溢價以及直至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回全部2020年到期的2019年優先票據1而非部分票據。

於2020年11月24日之前任何時間，本公司可隨時以股本發售中一次或多次出售本公司普通股的所得現金款項淨額，按所贖回2020年到期的2019年優先票據1本金額的109.75%另加截至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回2020年到期的2019年優先票據1本金總額最多35%，惟須受若干條件規限。

##### 2019 Senior notes 1 due 2020

On 26 November 2019, the Company issued 2019 Senior notes 1 due 2020 at a coupon rate of 9.75% due within 2020 with an aggregate principal amount of US\$200,000,000. The Company raised net proceeds of US\$195,602,824 (after deduction of underwriting commissions and other expenses).

At any time prior to 24 November 2020, the Company may at its option redeem 2019 Senior notes 1 due 2020, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2019 Senior notes 1 due 2020 redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 24 November 2020, the Company may, at its option, redeem up to 35% of the aggregate principal amount of 2019 Senior notes 1 due 2020 with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 109.75% of the principal amount of 2019 Senior notes 1 due 2020 redeemed, plus accrued and unpaid interest, if any, by (but not including) the redemption date, subject to certain conditions.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 32. 優先票據 (續)

## 於2020年到期的2019年優先票據1(續)

於2020年11月24日，本公司贖回2020年到期的2019年優先票據1的尚未償還本金以及應計及未付利息。

## 2021年到期的2019年優先票據2&amp;3

於2019年9月26日，本公司發行本金總額為300,000,000美元的2021年到期的2019年優先票據2，票面利率為11.50%，並於2021年內到期。本公司籌得所得款項淨額292,791,737美元(經扣除包銷佣金以及其他開支)。

於2019年10月10日，本公司發行本金總額為100,000,000美元於2021年到期的2019年優先票據3，票面利率為11.50%，並於2021年內到期。本公司籌得所得款項淨額98,741,127美元(經扣除包銷佣金以及其他開支)。

於2021年9月26日之前任何時間，本公司可隨時選擇按相等於所贖回2021年到期的2019年優先票據2&3本金額的100%，另加截至贖回日期(不包括該日)的適用溢價以及直至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回全部2021年到期的2019年優先票據2&3而非部分票據。

於2021年9月26日之前任何時間，本公司可隨時以股本發售中一次或多次出售本公司普通股的所得現金款項淨額，按所贖回2021年到期的2019年優先票據2&3本金額的111.50%另加截至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回2021年到期的2019年優先票據2&3本金總額最多35%，惟須受若干條件規限。

## 32. SENIOR NOTES (Continued)

## 2019 Senior notes 1 due 2020 (Continued)

On 24 November 2020, the Company redeemed the outstanding principal amount of 2019 Senior notes 1 due 2020 with accrued and unpaid interest.

## 2019 Senior notes 2 &amp; 3 due 2021

On 26 September 2019, the Company issued 2019 senior notes 2 due 2021 at a coupon rate of 11.50% due within 2021 with an aggregate principal amount of US\$300,000,000. The Company raised net proceeds of US\$292,791,737 (after the deduction of underwriting commissions and other expenses).

On 10 October 2019, the Company issued 2019 Senior notes 3 due 2021 at a coupon rate of 11.50% due within 2021 with an aggregate principal amount of US\$100,000,000. The Company raised net proceeds of US\$98,741,127 (after the deduction of underwriting commissions and other expenses).

At any time prior to 26 September 2021, the Company may at its option redeem 2019 Senior notes 2 & 3 due 2021, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2019 Senior notes 2 & 3 due 2021 redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 26 September 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of 2019 Senior notes 2 & 3 due 2021 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 111.50% of the principal amount of 2019 Senior notes 2 & 3 Notes due 2021 redeemed, plus accrued and unpaid interest, if any, by (but not including) the redemption date, subject to certain conditions.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 32. 優先票據(續)

##### 2021年到期的2019年優先票據2&3(續)

此外，倘由於特定稅法的若干變動，本公司將有責任支付若干額外款項，則本公司可按相等於所贖回2021年到期的2019年優先票據2&3本金額的100%，另加任何應計及未付利息的贖回價贖回2021年到期的2019年優先票據2&3，惟若干例外情況除外。

##### 2021年到期的2020年優先票據4

於2020年6月29日，本公司發行本金總額為250,000,000美元的2021年到期的2020年優先票據4，票面利率為8.75%，並於2021年內到期。本公司籌得所得款項淨額246,982,730美元(經扣除包銷佣金以及其他開支)。

於2021年6月27日之前任何時間，本公司可隨時選擇按相等於所贖回2021年到期的2020年優先票據4本金額的100%，另加截至贖回日期(不包括該日)的適用溢價以及直至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回全部2021年到期的2020年優先票據4而非部分票據。

於2021年6月27日之前任何時間，本公司可隨時以股本發售中一次或多次出售本公司普通股的所得現金款項淨額，按所贖回2021年到期的2020年優先票據4本金額的108.75%另加截至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回2021年到期的2020年優先票據4本金總額最多35%，惟須受若干條件規限。

#### 32. SENIOR NOTES (Continued)

##### 2019 Senior notes 2 & 3 due 2021 (Continued)

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem 2019 Senior notes 2 & 3 due 2021 at a redemption price equal to 100% of the principal amount of 2019 Senior notes 2 & 3 due 2021, plus any accrued and unpaid interest, subject to certain exceptions.

##### 2020 Senior notes 4 due 2021

On 29 June 2020, the Company issued 2020 Senior notes 4 due 2021 at a coupon rate of 8.75% due within 2021 with an aggregate principal amount of US\$250,000,000. The Company raised net proceeds of US\$246,982,730 (after the deduction of underwriting commissions and other expenses).

At any time prior to 27 June 2021, the Company may at its option redeem 2020 Senior notes 4 due 2021, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2020 Senior notes 4 due 2021 redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 27 June 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of 2020 Senior notes 4 due 2021 with the net cash proceeds from one or more sales transactions of common stock in an equity offering at a redemption price of 108.75% of the principal amount of 2020 Senior notes 4 due 2021 redeemed, plus accrued and unpaid interest, if any, by (but not including) the redemption date, subject to certain conditions.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 32. 優先票據(續)

## 2021年到期的2020年優先票據4(續)

此外，倘由於特定稅法的若干變動，本公司將有責任支付若干額外款項，則本公司可按相等於所贖回2021年到期的2020年優先票據4本金額的100%，另加任何應計及未付利息的贖回價贖回2021年到期的2020年優先票據4，惟若干例外情況除外。

## 2021年到期的2020年優先票據5

於2020年2月18日，本公司發行本金總額為250,000,000美元的2021年到期的2020年優先票據5，票面利率為8.75%，並於2021年內到期。本公司籌得所得款項淨額247,699,957美元(經扣除包銷佣金以及其他開支)。

於2021年2月16日之前任何時間，本公司可隨時選擇按相等於所贖回2021年到期的2020年優先票據5本金額的100%，另加截至贖回日期(不包括該日)的適用溢價以及直至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回全部2021年到期的2020年優先票據5而非部分票據。

於2021年2月16日之前任何時間，本公司可隨時以股本發售中一次或多次出售本公司普通股的所得現金款項淨額，按所贖回2021年到期的2020年優先票據5本金額的108.75%另加截至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回2020年優先票據5本金總額最多35%，惟須受若干條件規限。

此外，倘由於特定稅法的若干變動，本公司將有責任支付若干額外款項，則本公司可按相等於所贖回2021年到期的2020年優先票據5本金額的100%，另加任何應計及未付利息的贖回價贖回2021年到期的2020年優先票據5，惟若干例外情況除外。

## 32. SENIOR NOTES (Continued)

## 2020 Senior notes 4 due 2021 (Continued)

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem 2020 Senior notes 4 due 2021 at a redemption price equal to 100% of the principal amount of 2020 Senior notes 4 due 2021, plus any accrued and unpaid interest, subject to certain exceptions.

## 2020 Senior notes 5 due 2021

On 18 February 2020, the Company issued 2020 Senior notes 5 due 2021 at a coupon rate of 8.75% due within 2021 with an aggregate principal amount of US\$250,000,000. The Company raised net proceeds of US\$247,699,957 (after the deduction of underwriting commissions and other expenses).

At any time prior to 16 February 2021, the Company may at its option redeem 2020 Senior notes 5 due 2021, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2020 Senior notes 5 due 2021 redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 16 February 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of 2020 Senior notes 5 with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 108.75% of the principal amount of 2020 Senior notes 5 due 2021 redeemed, plus accrued and unpaid interest, if any, by (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem 2020 Senior notes 5 due 2021 at a redemption price equal to 100% of the principal amount of 2020 Senior notes 5 due 2021, plus any accrued and unpaid interest, subject to certain exceptions.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 32. 優先票據 (續)

##### 2022年到期的2020年優先票據6

於2020年7月29日，本公司發行本金總額為200,000,000美元的2022年到期的2020年優先票據6，票面利率為9.50%，並於2022年內到期。本公司籌得所得款項淨額195,529,560美元（經扣除包銷佣金以及其他開支）。

於2022年7月29日之前任何時間，本公司可隨時選擇按相等於所贖回2022年到期的2020年優先票據6本金額的100%，另加截至贖回日期（不包括該日）的適用溢價以及直至贖回日期（不包括該日）的應計及未付利息（如有）的贖回價贖回全部2022年到期的2020年優先票據6而非部分票據。

於2022年7月29日之前任何時間，本公司可隨時以股本發售中一次或多次出售本公司普通股的所得現金款項淨額，按所贖回2022年到期的2020年優先票據6本金額的109.5%另加截至贖回日期（不包括該日）的應計及未付利息（如有）的贖回價贖回2022年到期的2020年優先票據6本金總額最多35%，惟須受若干條件規限。

此外，倘由於特定稅法的若干變動，本公司將有責任支付若干額外款項，則本公司可按相等於所贖回2021年到期的2020年優先票據6本金額的100%，另加任何應計及未付利息的贖回價贖回2021年到期的2020年優先票據6，惟若干例外情況除外。

#### 32. SENIOR NOTES (Continued)

##### 2020 Senior notes 6 due 2022

On 29 July 2020, the Company issued 2020 Senior notes 6 due 2022 at a coupon rate of 9.50% due within 2022 with an aggregate principal amount of US\$200,000,000. The Company raised net proceeds of US\$195,529,560 (after the deduction of underwriting commissions and other expenses).

At any time prior to 29 July 2022, the Company may at its option redeem 2020 Senior notes 6 due 2022, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2020 Senior notes 6 due 2022 redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 29 July 2022, the Company may, at its option, redeem up to 35% of the aggregate principal amount of 2020 Senior notes 6 due 2022 with the net cash proceeds from one or more sales transactions of common stock in an equity offering at a redemption price of 109.5% of the principal amount of 2020 Senior notes 6 due 2022 redeemed, plus accrued and unpaid interest, if any, by (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem 2020 Senior notes 6 due 2021 at a redemption price equal to 100% of the principal amount of 2020 Senior notes 6 due 2021, plus any accrued and unpaid interest, subject to certain exceptions.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 32. 優先票據(續)

## 2022年到期的2020年優先票據7

於2020年10月29日，本公司發行本金總額為50,000,000美元的2022年到期的2020年優先票據7，票面利率為9.50%，並於2022年內到期。本公司籌得所得款項淨額49,500,000美元(經扣除包銷佣金以及其他開支)。

於2022年7月29日之前任何時間，本公司可隨時選擇按相等於所贖回2022年到期的2020年優先票據7本金額的100%，另加截至贖回日期(不包括該日)的適用溢價以及直至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回全部2022年到期的2020年優先票據7而非部分票據。

於2022年7月29日之前任何時間，本公司可隨時以股本發售中一次或多次出售本公司普通股的所得現金款項淨額，按所贖回2022年到期的2020年優先票據7本金額的109.5%另加截至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回2022年到期的2020年優先票據7本金總額最多35%。

此外，倘由於特定稅法的若干變動，本公司將有責任支付若干額外款項，則本公司可按相等於所贖回2021年到期的2020年優先票據7本金額的100%，另加任何應計及未付利息的贖回價贖回2021年到期的2020年優先票據7，惟若干例外情況除外。

## 32. SENIOR NOTES (Continued)

## 2020 Senior notes 7 due 2022

On 29 October 2020, the Company issued 2020 Senior notes 7 due 2022 at a coupon rate of 9.50% due within 2022 with an aggregate principal amount of US\$50,000,000. The Company raised net proceeds of US\$49,500,000 (after the deduction of underwriting commissions and other expenses).

At any time prior to 29 July 2022, the Company may at its option redeem 2020 Senior notes 7 due 2022, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2020 Senior notes 7 due 2022 plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 29 July 2022, the Company may, at its option, redeem up to 35% of the aggregate principal amount of 2020 Senior notes 7 due 2022 with the net cash proceeds of one or more sales transactions of common Stock in an equity offering at a redemption price of 109.5% of the principal amount of 2020 Senior notes 7 due 2022 redeemed, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem 2020 Senior notes 7 due 2021 at a redemption price equal to 100% of the principal amount of 2020 Senior notes 7 due 2021, plus any accrued and unpaid interest, subject to certain exceptions.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 32. 優先票據 (續)

##### 2021年到期的2020年優先票據8

於2020年11月23日，本公司發行本金總額為50,000,000美元的2021年到期的2020年優先票據8，票面利率為8.88%，並於2021年內到期。本公司籌得所得款項淨額47,999,993美元（經扣除包銷佣金以及其他開支）。

於2021年11月22日之前任何時間，本公司可隨時選擇按相等於所贖回2021年到期的2020年優先票據8本金額的100%，另加截至贖回日期（不包括該日）的適用溢價以及直至贖回日期（不包括該日）的應計及未付利息（如有）的贖回價贖回全部2021年到期的2020年優先票據8而非部分票據。

於2021年11月22日之前任何時間，本公司可隨時以股本發售中一次或多次出售本公司普通股的所得現金款項淨額，按所贖回2021年到期的2020年優先票據8本金額的108.875%另加截至贖回日期（不包括該日）的應計及未付利息（如有）的贖回價贖回2021年到期的2020年優先票據8本金總額最多35%。

此外，倘由於特定稅法的若干變動，本公司將有責任支付若干額外款項，則本公司可按相等於所贖回2021年到期的2020年優先票據8本金額的100%，另加任何應計及未付利息的贖回價贖回2021年到期的2020年優先票據8，惟若干例外情況除外。

#### 32. SENIOR NOTES (Continued)

##### 2020 Senior notes 8 due 2021

On 23 November 2020, the Company issued 2020 Senior notes 8 due 2021 at a coupon rate of 8.88% due within 2021 with an aggregate principal amount of US\$50,000,000. The Company raised net proceeds of US\$47,999,993 (after the deduction of underwriting commissions and other expenses).

At any time prior to 22 November 2021, the Company may at its option redeem 2020 Senior notes 8 due 2021, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2020 Senior notes 8 due 2021 plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 22 November 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of 2020 Senior notes 8 due 2021 with the net cash proceeds from one or more sales transactions of common stock in an equity offering at a redemption price of 108.875% of the principal amount of 2020 Senior notes 8 due 2021 redeemed, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem 2020 Senior notes 8 due 2021 at a redemption price equal to 100% of the principal amount of 2020 Senior notes 8 due 2021, plus any accrued and unpaid interest, subject to certain exceptions.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 32. 優先票據(續)

## 2021年到期的2020年優先票據9

於2020年11月27日，本公司發行本金總額為150,000,000美元的2021年到期的2020年優先票據9，票面利率為8.88%，並於2021年內到期。本公司籌得所得款項淨額148,596,916美元(經扣除包銷佣金以及其他開支)。

於2021年11月22日之前任何時間，本公司可隨時選擇按相等於所贖回2021年到期的2020年優先票據9本金額的100%，另加截至贖回日期(不包括該日)的適用溢價以及直至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回全部2021年到期的2020年優先票據9而非部分票據。

於2021年11月22日之前任何時間，本公司可隨時以股本發售中一次或多次出售本公司普通股的所得現金款項淨額，按所贖回2021年到期的2020年優先票據9本金額的108.875%另加截至贖回日期(不包括該日)的應計及未付利息(如有)的贖回價贖回2021年到期的2020年優先票據9本金總額最多35%。

此外，倘由於特定稅法的若干變動，本公司將有責任支付若干額外款項，則本公司可按相等於所贖回2021年到期的2020年優先票據9本金額的100%，另加任何應計及未付利息的贖回價贖回2021年到期的2020年優先票據9，惟若干例外情況除外。

上述優先票據由本集團若干現有附屬公司擔保。

提早贖回優先票據選擇的公平值並不重大，因此本集團於2020年及2019年12月31日開始時並未確認。

## 32. SENIOR NOTES (Continued)

## 2020 Senior notes 9 due 2021

On 27 November 2020, the Company issued 2020 Senior notes 9 due 2021 at a coupon rate of 8.88% due within 2021 with an aggregate principal amount of US\$150,000,000. The Company raised net proceeds of US\$148,596,916 (after the deduction of underwriting commissions and other expenses).

At any time prior to 22 November 2021, the Company may at its option redeem 2020 Senior notes 9 due 2021, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2020 Senior notes 9 due 2021 plus the Applicable Premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 22 November 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of 2020 Senior notes 9 due 2021 with the net cash proceeds from one or more sales transactions of common stock in an equity offering at a redemption price of 108.875% of the principal amount of 2020 Senior notes 9 due 2021 redeemed, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem 2020 Senior notes 9 due 2021 at a redemption price equal to 100% of the principal amount of 2020 Senior notes 9 due 2021, plus any accrued and unpaid interest, subject to certain exceptions.

The senior notes above were guaranteed by certain of the Group's existing subsidiaries.

The fair values of the early redemption options of the senior notes were not significant and therefore were not recognised by the Group on inception as at 31 December 2020 and 2019.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 33. 股本

### 33. SHARE CAPITAL

股份	Shares	2020年 12月31日 31 December 2020 港元 HK\$	2019年 12月31日 31 December 2019 港元 HK\$
已發行及繳足： 3,581,791,500股 (2019年：3,581,791,500股) 每股面值0.01港元(2019年： 每股面值0.01港元)的普通股	Issued and fully paid: 3,581,791,500 (2019: 3,581,791,500) ordinary shares of HK\$0.01 each (2019: HK\$0.01 each)	35,817,915	35,817,915

以下為本公司股本變動摘要：

A summary of movements in the Company's share capital is as follows:

		已發行股份 數目 Number of shares in issue	股本 Share capital 人民幣千元 RMB'000
於2019年1月1日	At 1 January 2019	9,694,675	85
發行普通股	Issuance of ordinary shares	530,000,000	4,653
因資本化發行普通股	Issuance of ordinary shares on capitalisation	2,990,305,325	26,249
因超額配股權發行普通股	Issuance of ordinary shares on an over-allotment option	51,791,500	463
於2019年12月31日及 2020年1月1日	At 31 December 2019 and 1 January 2020	3,581,791,500	31,450
於2020年12月31日	At 31 December 2020	3,581,791,500	31,450

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 33. 股本(續)

## 股份(續)

於2019年7月16日，在香港聯合交易所上市時，本公司以每股5.55港元的價格發行530,000,000股每股面值0.01港元的新普通股，總現金代價為2,915,000,000港元(相當於約人民幣2,558,787,000元)。相關股本金額為約人民幣4,653,000元及發行產生的股份溢價為約人民幣2,453,777,000元(經扣除股份發行成本)。已付及應付的股份發行成本主要包括股份包銷佣金、律師費用、申報會計師費用及其他相關成本，屬直接歸屬於發行新股的增量成本。該等成本人民幣100,357,000元已於發行產生的股份溢價中扣除。

於2019年7月16日，以資本化方式發行2,990,305,325股每股面值0.01港元的股份，相關股本金額為約人民幣26,249,000元。

於2019年8月5日，在香港聯交所上市後，超額配股權獲部分行使，因此本公司按每股面值5.55港元配發及發行51,791,500股額外股份，總現金代價為287,443,000港元(相當於約人民幣256,715,000元)。相關股本金額為約人民幣462,550元及發行產生的股份溢價為約人民幣247,504,554元(經扣除股份發行成本)。已付及應付的股份發行成本主要包括股份包銷佣金及其他相關成本，屬直接歸屬於發行新股的增量成本。該等成本人民幣8,748,000元已於發行產生的股份溢價中扣除。

## 33. SHARE CAPITAL (Continued)

## Shares (Continued)

On 16 July 2019, upon its listing on the Hong Kong Stock Exchange, the Company issued 530,000,000 new ordinary shares with par value of HK\$0.01 each at HK\$5.55 per share for a total cash consideration of HK\$2,915,000,000 (equivalent to approximately RMB2,558,787,000). The corresponding share capital amount was approximately RMB4,653,000 and the share premium arising from the issuance was approximately RMB2,453,777,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which were incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB100,357,000 were treated as a deduction against the share premium arising from the issuance.

On 16 July 2019, 2,990,305,325 shares were issued by way of capitalisation with a par value of HK\$0.01 each, the corresponding share capital amount was approximately RMB26,249,000.

On 5 August 2019, upon its listing on the Hong Kong Stock Exchange, an over-allotment option has been partially exercised and the Company allotted and issued 51,791,500 additional shares at HK\$5.55 per share for a total cash consideration of HK\$287,443,000 (equivalent to approximately RMB256,715,000). The corresponding share capital amount was approximately RMB462,550 and the share premium arising from the issuance was approximately RMB247,504,554, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB8,748,000 were treated as a deduction against the share premium arising from the issuance.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 34. 購股權計劃

本公司設有一項購股權計劃（「該計劃」），旨在為選定參與者提供機會獲取本公司自有權益，並激勵選定參與者為本公司及股東的整體利益作出努力，提升本公司及其股份價值。該計劃使本公司靈活地挽留、激勵、獎勵選定參與者並給予彼等酬勞、補償及／或福利。該計劃於2020年7月7日生效，並且除非經另行註銷或修訂，否則該計劃會於該日起計十年內一直有效。

根據該計劃目前獲准授出的未行使購股權涉及的股份數目最多為353,000,000股，佔緊隨全球發售完成後於2019年7月及8月已發行股份的9.9%。該計劃項下購股權的行使價為5.83港元。

#### 34. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing selected participants with the opportunity to acquire propriety interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants. The Scheme became effective on 7 July 2020 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is 353,000,000 shares, representing 9.9% shares in issue immediately upon completion of the Global Offering in July and August 2019. The exercise price of the share options under the Scheme is HK\$5.83.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 34. 購股權計劃(續)

購股權歸屬計劃為：

#### 34. SHARE OPTION SCHEME (Continued)

The share option vesting schedules are:

		相關股份的最高百分比 Maximum percentage of underlying shares
可能獲行使之有關購股權的歸屬日期	Vesting date in respect of the option may be vested	
2021年7月7日	7 July 2021	10%
2022年7月7日	7 July 2022	20%
2023年7月7日	7 July 2023	20%
2024年7月7日	7 July 2024	20%
2025年7月7日	7 July 2025	30%

年內，該計劃項下的下列購股權尚未行使：

The following share options were outstanding under the Scheme during the year:

		2020年 2020	購股權數目 Number of options
		加權平均 行使價 Weighted average exercise price 每股 港元 HK\$ per share	千份 '000
於1月1日	At 1 January	—	—
年內授出	Granted during the year	5.83	62,300
年內失效	Lapsed during the year	—	(1,300)
於12月31日	At 31 December	5.83	61,000

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 34. 購股權計劃(續)

於報告期末，尚未行使之購股權的行使價及行使期如下：

2020年

購股權數目  
Number of options  
千份  
'000

### 34. SHARE OPTION SCHEME (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2020

行使價  
Exercise price  
每股港元  
HK\$ per share

行使期  
Exercise period

6,100	5.83	2021年7月7日至2030年7月6日 7 July 2021 to 6 July 2030
12,200	5.83	2022年7月7日至2030年7月6日 7 July 2022 to 6 July 2030
12,200	5.83	2023年7月7日至2030年7月6日 7 July 2023 to 6 July 2030
12,200	5.83	2024年7月7日至2030年7月6日 7 July 2024 to 6 July 2030
18,300	5.83	2025年7月7日至2030年7月6日 7 July 2025 to 6 July 2030

年內授出的購股權的公平值為人民幣51,913,000元(每股1.01港元)，其中本集團於截至2020年12月31日止年度確認購股權開支人民幣9,932,000元。

The fair value of the share options granted during the year was RMB51,913,000 (HK\$1.01 each), of which the Group recognised a share option expense of RMB9,932,000 during the year ended 31 December 2020.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 34. 購股權計劃(續)

年內授出的以股本結算結算購股權的公平值乃於授出日期以二項式模式估計，並考慮到授出購股權的條款及條件。下表載列所用模式的輸入數據：

## 34. SHARE OPTION SCHEME (Continued)

The fair value of equity-settled share options granted during the year, 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:

		2020年 2020
股息收益率(%)	Dividend yield (%)	9.05
預期波幅(%)	Expected volatility (%)	37.37
無風險利率(%)	Risk-free interest rate (%)	0.43
加權平均股價 (每股港元)	Weighted average share price (HK\$ per share)	5.83

購股權預計年期乃基於行業基準，未必反映可能發生的行使模式。預期波幅反映管理層假設及未來的趨勢，亦未必代表實際結果。

The expected life of the options is based on the benchmark of the industry and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumptions management made and is indicative of future trends, which may also not necessarily be the actual outcome.

計量公平值時並無計及所授出的購股權任何其他特徵。

No other feature of the options granted was incorporated into the measurement of fair value.

於報告期末，本公司根據該計劃擁有61,000,000份尚未行使購股權。根據本公司目前的資本架構，未行使購股權獲悉數行使將導致本公司發行額外61,000,000股普通股及新增股本人民幣610,000元(未扣除發行費用)。

At the end of the reporting period, the Company had 61,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 61,000,000 additional ordinary shares of the Company and additional share capital of RMB610,000 (before issue expenses).

於該等財務報表獲批准當日，本公司根據該計劃擁有61,000,000份尚未行使購股權，佔本公司於該日已發行股份約1.7%。

At the date of approval of these financial statements, the Company had 61,000,000 share options outstanding under the Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 35. 儲備

截至2020年12月31日止年度，本集團的儲備金額及其變動呈列於綜合權益變動表。

##### (a) 股份溢價

股份溢價代表已發行股份面值與收到對價之間的差額。

##### (b) 合併儲備

本集團的合併儲備指重組完成前本集團現時旗下公司的當時控股公司的已發行股本及本集團現時旗下公司的若干附屬公司權益持有人的注資。

##### (c) 法定盈餘儲備

根據中國公司法及於中國成立的附屬公司的組織章程細則，本集團須按稅後淨溢利的10%提取法定盈餘儲備，此乃根據中國公認會計準則釐定，直至儲備累計額達到其註冊資本50%為止。受相關中國法規及本集團組織章程細則所載若干限制的規限，法定盈餘儲備可用於抵銷虧損或轉換為增加股本，但轉換後儲備餘額不得少於本集團註冊資本的25%。儲備不得用作其設立目的以外的其他用途，亦不得作為現金股息分派。

#### 35. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2020 are presented in the consolidated statement of changes in equity.

##### (a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

##### (b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

##### (c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 35. 儲備(續)

## (d) 資本儲備

資本儲備主要指收購成本與所收購的非控股權益(即收購附屬公司新增的非控股權益)的差額,或出售所得款項與所出售非控股權益(即在並無失去控制權的情況下向非控股股東出售附屬公司部分權益)的差額。資本儲備的變動詳情載於綜合權益變動表。

## (e) 匯兌波動儲備

匯兌波動儲備包括換算集團實體財務報表產生的所有外匯差額。該儲備根據附註2.4所載的會計政策處理。

## 36. 綜合現金流量表附註

## (a) 主要非現金交易

於本年度,本集團錄得有關樓宇及辦公室租賃安排的使用權資產及租賃負債非現金增添分別為人民幣37,669,000元(2019年:73,511,000元)及人民幣37,669,000元(2019年:人民幣73,511,000元)。

## 35. RESERVES (Continued)

## (d) Capital reserve

Capital reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries, or, the difference between the proceeds from disposal and the non-controlling interests disposed of in the case of disposal of partial equity interests in subsidiaries to non-controlling shareholders without loss of control. Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

## (e) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

## 36. 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 RMB37,669,000 (2019: RMB73,511,000) and RMB37,669,000 (2019: RMB73,511,000), respectively, in respect of lease arrangements for buildings and offices.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 36. 綜合現金流量表附註(續)

### 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) 融資活動產生的負債變動

#### (b) Changes in liabilities arising from financing activities

		計息銀行及 其他借款 Interest- bearing bank and other borrowings	應付關聯 公司款項 Due to related companies	資產支持證券 所得款項 Proceeds from asset-backed securities	優先票據 Senior notes	租賃負債 Lease liabilities	融資活動產生 的負債總額 Total liabilities from financing activities
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
於2019年1月1日 (經重列)	At 1 January 2019	27,004,917	7,419,138	—	—	108,485	34,532,540
融資現金流量產生的 變動	Changes from financing cash flow	9,244,952	4,480,153	—	4,195,371	(35,552)	17,884,924
新租賃	New leases	—	—	—	—	73,511	73,511
利息開支	Interest expense	—	—	—	—	6,509	6,509
分類為經營現金流量的 已付利息	Interest paid classified as operating cash flows	—	—	—	—	(6,509)	(6,509)
因應付關聯公司款項分 類為經營現金流量而 增加	Increase arising from due to related companies classified as operating cash flows	—	86,344	—	—	—	86,344
因出售附屬公司 而減少	Decrease arising from disposal of subsidiaries	(264,000)	—	—	—	—	(264,000)
於2019年12月31日	At 31 December 2019	35,985,869	11,985,635	—	4,195,371	146,444	52,313,319
融資現金流量產生的 變動	Changes from financing cash flow	11,284,884	6,036,527	317,170	5,094,288	(64,171)	22,668,698
新租賃	New leases	—	—	—	—	37,669	37,669
利息開支	Interest expense	—	—	—	—	8,673	8,673
分類為經營現金流量的 已付利息	Interest paid classified as operating cash flows	—	—	—	—	(8,673)	(8,673)
因應付關聯公司款項分 類為經營現金流量而 增加	Increase arising from due to related companies classified as operating cash flows	—	108,417	—	—	—	108,417
因收購附屬公司而增加	Increase arising from acquisition of subsidiaries	349,500	—	—	—	—	349,500
因出售附屬公司 而減少	Decrease arising from disposal of subsidiaries	(2,722,500)	—	—	—	—	(2,722,500)
其他非現金變動	Other non-cash movements	—	—	539	(412,895)	—	(412,356)
於2020年12月31日	At 31 December 2020	44,897,753	18,130,579	317,709	8,876,764	119,942	72,342,747

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 36. 綜合現金流量表附註(續)

## (c) 租賃現金流出總額

計入現金流量表的租賃現金流出總額如下：

## 36. 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:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
於經營活動內	Within operating activities	18,318	22,233
於融資活動內	Within financing activities	64,171	35,552
		82,489	57,785

## 37. 業務合併

收購常州金宸房地產開發有限公司  
(「常州金宸」)

根據2020年10月31日的股東決議案及組織章程細則修訂，常州金宸的註冊資本由人民幣756,000,000元增加至人民幣848,570,000元。增資人民幣118,410,000元由本集團作出。本集團於常州金宸的股權由45%增至51%。於增資完成後，本集團其後獲得常州金宸的控制權。此交易使用收購法相應入賬。

## 37. BUSINESS COMBINATIONS

## Acquisition of Changzhou Jinchen Real Estate Development Co., Ltd (“Changzhou Jinchen”)

Pursuant to the resolutions of shareholders and amendments to the articles of association dated 31 October 2020, the registered capital of Changzhou Jinchen increased from RMB756,000,000 to RMB848,570,000. The additional capital of RMB118,410,000 was contributed by the Group. The Group's equity interest in Changzhou Jinchen increased from 45% to 51%. Upon the completion of the additional capital contribution, the Group obtained control over Changzhou Jinchen thereafter. This transaction is accounted for using acquisition method accordingly.



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 37. 業務合併(續)

收購常州金宸房地產開發有限公司  
(「常州金宸」)(續)

上述被收購附屬公司可識別資產及  
負債於收購日期的公平值如下：

### 37. BUSINESS COMBINATIONS (Continued)

Acquisition of Changzhou Jinchen Real Estate  
Development Co., Ltd (“Changzhou Jinchen”) (Continued)

The fair values of the identifiable assets and liabilities of the  
aforementioned subsidiary acquired as at the date of acquisition  
were as follows:

		2020年 2020 於收購時確認 的公平值 Fair value recognised on acquisition 人民幣千元 RMB'000
在建物業	Properties under development	1,753,920
現金及現金等價物	Cash and cash equivalents	382,070
預付款項及其他應收款項	Prepayments and other receivables	917,936
遞延稅項資產	Deferred tax assets	205
其他應付款項及應計費用	Other payables and accruals	(2,209)
貿易應付款項及應付票據	Trade and bills payables	(105,959)
合約負債	Contract liabilities	(1,618,839)
應繳稅項	Tax payable	(10,215)
遞延稅項負債	Deferred tax liabilities	(59,199)
計息銀行及其他借款	Interest-bearing bank and other borrowings	(349,500)
可識別資產淨值(以公平值計)總額	Total identifiable net assets at fair value	908,210
本集團注資	Capital injection by the group	
非控股權益(以非控股權益佔資產 淨值相應份額計)	Non-controlling interests measured at non-controlling interests' proportionate share of the net assets	(503,044)
收購所得資產淨值	Net assets acquired	523,576
議價購買收益	Gain on bargain purchase	
代價按以下方式償付：	Consideration satisfied by:	
本集團注資	Capital injection by the Group	118,410
重新計量於常州金宸的45%股權	Remeasurement of 45% equity interest in Changzhou Jinchen	344,778
收購附屬公司收益	Gain on acquisition of a subsidiary	(60,388)
重新計量於常州金宸的45%股權	Remeasurement of 45% equity interest in Changzhou Jinchen	344,778
本集團先前持有常州金宸的股權	Equity Interest in Changzhou Jinchen previously held by the Group	340,200
重新計量於聯營公司投資的收益	Remeasurement gain on investment in an associate	4,578

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 37. 業務合併(續)

收購常州金宸房地產開發有限公司  
(「常州金宸」)(續)

有關收購一家附屬公司的現金流量  
分析如下：

#### 37. BUSINESS COMBINATIONS (Continued)

Acquisition of Changzhou Jinchen Real Estate  
Development Co., Ltd (“Changzhou Jinchen”) (Continued)

An analysis of the cash flows in respect of the acquisition of a  
subsidiary is as follows:

		2020年 2020 人民幣千元 RMB'000
現金對價	Cash consideration	—
獲得的現金及現金等價物	Cash and cash equivalents acquired	382,070
計入來自投資活動的現金流量的 現金及現金等價物流入淨額	Net inflow of cash and cash equivalents included in cash flows from investing activities	382,070

自收購以來，截至2020年12月31日止年度，常州金宸對本集團的收益貢獻為零，並於綜合溢利中應佔虧損人民幣12,543,000元。倘合併於2020年1月1日發生，本集團的收益及溢利分別為人民幣65,941,128,000元及人民幣6,574,944,000元。

Since the acquisition, Changzhou Jinchen contributed nil to the Group's revenue and a loss of RMB12,543,000 to the consolidated profit for the year ended 31 December 2020. Had the combination taken place at 1 January 2020, the revenue and profit of the Group would have been RMB65,941,128,000 and RMB6,574,944,000, respectively.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 38. 出售附屬公司

截至2020年12月31日止年度

(a) 濟寧梁順置業有限公司

根據日期為2020年3月13日的股東決議案及組織章程細則的修訂，濟寧梁順置業有限公司（「濟寧梁順」）的註冊資本由人民幣10,000,000元增至人民幣200,000,000元。人民幣50,000,000元的額外資本由本集團附屬公司棗莊梁信房地產有限公司注資，而人民幣140,000,000元由新股東注資。棗莊梁信於濟寧梁順的股權由100%下降至30%。於完成注資後，本集團失去對濟寧梁順的控制權。此交易入賬列為視作出售一間附屬公司。

(b) 上海博琛置業有限公司

根據日期為2020年1月22日的股份轉讓協議，本集團出售其於上海博琛置業有限公司的94%股權予瑞安市中茂置業有限公司，對價為人民幣9,400,000元。

(c) 寧波建本置業有限公司

根據日期為2020年4月20日的股份轉讓協議，本集團出售其於寧波建本置業有限公司的66%股權予杭州建杭和樂置業有限公司及上海花樣年房地產開發有限公司，對價為人民幣6,600,000元。

(d) 棗莊中梁置業有限公司

根據日期為2020年7月21日的股份轉讓協議，本集團出售其於棗莊中梁置業有限公司的70%股權予山東匯眾置業有限公司，對價為人民幣35,000,000元。

#### 38. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020

(a) 濟寧梁順置業有限公司 (“Jining Liangshun Property Co., Ltd.”)

Pursuant to the resolutions of shareholders and amendments to the articles of association dated 13 March 2020, the registered capital of Jining Liangshun Property Co., Ltd. (“Jining Liangshun”) increased from RMB10,000,000 to RMB200,000,000. The additional capital of RMB50,000,000 was injected by a subsidiary of the Group, 棗莊梁信房地產有限公司 (“Zaozhuang Liangxin Real Estate Co., Ltd.”), while RMB140,000,000 was injected by the new shareholders. Zaozhuang Liangxin’s equity interest in Jining Liangshun decreased from 100% to 30%. Upon the completion of the capital injection, the Group lost control over Jining Liangshun thereafter. This transaction is accounted for as deemed disposal of a subsidiary.

(b) 上海博琛置業有限公司 (“Shanghai Bochen Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 22 January 2020, the Group disposed of its 94% equity interest in Shanghai Bochen Property Co., Ltd. to 瑞安市中茂置業有限公司 (“Ruian Zhongmao Property Co., Ltd.”) for a consideration of RMB9,400,000.

(c) 寧波建本置業有限公司 (“Ningbo Jianben Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 20 April 2020, the Group disposed of its 66% equity interest in Ningbo Jianben Property Co., Ltd. to 杭州建杭和樂置業有限公司 (“Hangzhou Jianhang Heyue Property Co., Ltd.”) and 上海花樣年房地產開發有限公司 (“Shanghai Fantasia Real Estate Development Co., Ltd.”) for a consideration of RMB6,600,000.

(d) 棗莊中梁置業有限公司 (“Zaozhuang Zhongliang Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 21 July 2020, the Group disposed of its 70% equity interest in Zaozhuang Zhongliang Property Co., Ltd. to 山東匯眾置業有限公司 (“Shandong Huizhong Property Co., Ltd.”) for a consideration of RMB35,000,000.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 38. 出售附屬公司(續)

截至2020年12月31日止年度(續)

## (e) 廣西梁宸置業有限公司

根據日期為2020年8月20日的股份轉讓協議，本集團出售其於廣西梁宸置業有限公司的60%股權予桂林宏軒置業有限公司，對價為人民幣6,000,000元。

## (f) 上海紹恒置業有限公司

根據日期為2020年8月20日的股份轉讓協議，本集團分別出售其於上海紹恒置業有限公司的34%股權予溫州市垠基置業有限公司及其於上海紹恒置業有限公司的33%股權予瑞安市鴻騁置業有限公司，對價為人民幣6,700,000元。

## (g) 徐州祥恒置業有限公司

根據日期為2020年11月17日的股份轉讓協議，本集團分別出售其於徐州祥恒置業有限公司的35%、25%及5%股權予恒通建設集團有限公司、徐州墟瑯房地產開發有限公司及杭州江左投資管理合夥企業(有限合夥)，對價為人民幣6,500,000元。

## (h) 南昌市和映置業有限公司

根據日期為2020年12月25日的股份轉讓協議，本集團出售其於南昌市和映置業有限公司的100%股權予江西華西投資有限公司，對價為人民幣10,000,000元。

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

## (e) 廣西梁宸置業有限公司 (“Guangxi Liangchen Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 20 August 2020, the Group disposed of its 60% equity interest in Guangxi Liangchen Property Co., Ltd. to 桂林宏軒置業有限公司 (“Guilin Hongxuan Property Co., Ltd.”) for a consideration of RMB6,000,000.

## (f) 上海紹恒置業有限公司 (“Shanghai Shaoheng Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 20 August 2020, the Group disposed of its 34% equity interest in Shanghai Shaoheng Property Co., Ltd. to 溫州市垠基置業有限公司 (“Wenzhou Yinji Property Co., Ltd.”) and its 33% equity interest in Shanghai Shaoheng Property Co., Ltd. to 瑞安市鴻騁置業有限公司 (“Ruian Hongcheng Property Co., Ltd.”) for a consideration of RMB6,700,000.

## (g) 徐州祥恒置業有限公司 (“Xuzhou Xiangheng Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 17 November 2020, the Group disposed of its 35% equity interest in Xuzhou Xiangheng Property Co., Ltd. to 恒通建設集團有限公司 (“Hengtong Construction Group Co., Ltd.”), its 25% equity interest to 徐州墟瑯房地產開發有限公司 (“Xuzhou Lujun Real Estate Development Limited”) and its 5% equity interest to 杭州江左投資管理合夥企業(有限合夥) (“Hangzhou Jiangzuo Investment Management Partnership Co., Ltd.”) for a consideration of RMB6,500,000.

## (h) 南昌市和映置業有限公司 (“Nanchang Heying Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 25 December 2020, the Group disposed of its 100% equity interest in Nanchang Heying Property Co., Ltd. to 江西華西投資有限公司 (“Jiangxi Huaxi Investment Co., Ltd.”) for a consideration of RMB10,000,000.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 38. 出售附屬公司(續)

截至2020年12月31日止年度(續)

(i) 常州梁悅置業有限公司

根據日期為2020年12月11日的股東決議案及組織章程細則的修訂，常州梁悅置業有限公司(「常州梁悅」)的註冊資本由人民幣560,000,000元增至人民幣728,000,000元。人民幣168,000,000元的額外資本由另一股東南京億啟房地產開發有限公司注資。附屬公司南京梁寧置業有限公司於常州梁悅的股權由65%下降至50%。於完成注資後，本集團失去對常州梁悅的控制權。此交易入賬列為視作出售一間附屬公司。

(j) 台州市梁融置業有限公司

根據日期為2020年7月13日的股份轉讓協議，本集團分別出售其於台州市梁融置業有限公司的50%及50%股權予浙江君璽房地產開發有限公司及浙江台州德康投資有限公司，對價為零。

(k) 衡陽梁宏房地產開發有限公司

根據日期為2020年12月24日的股份轉讓協議，本集團出售其於衡陽梁宏房地產開發有限公司的70%股權予萍鄉市灣田企業管理合夥企業(有限合夥)，對價為人民幣69,117,299元。

#### 38. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

(i) 常州梁悅置業有限公司 (“Changzhou Liangyue Property Co., Ltd.”)

Pursuant to the resolutions of shareholders and amendments to the articles of association dated 11 December 2020, the registered capital of Changzhou Liangyue Property Co., Ltd. (“Changzhou Liangyue”) increased from RMB560,000,000 to RMB728,000,000. The additional capital of RMB168,000,000 was injected by the another shareholder, 南京億啟房地產開發有限公司 (“Nanjing Yiqi Real Estate Development Limited”). The equity of the subsidiary 南京梁寧置業有限公司 (“Nanjing Liangning Property Co., Ltd.”) in Changzhou Liangyue decreased from 65% to 50%. Upon the completion of the capital injection, the Group lost control over Changzhou Liangyue thereafter. This transaction is accounted for as deemed disposal of a subsidiary.

(j) 台州市梁融置業有限公司 (“Taizhou Liangrong Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 13 July 2020, the Group disposed of its 50% equity interest in Taizhou Liangrong Property Co., Ltd. to 浙江君璽房地產開發有限公司 (“Zhejiang Junxi Real Estate Development Limited”) and its 50% equity interest to 浙江台州德康投資有限公司 (“Zhejiang Taizhou Dekang Investment Co., Ltd.”) for a consideration of nil.

(k) 衡陽梁宏房地產開發有限公司 (“Hengyang Lianghong Real Estate Development Limited”)

Pursuant to the share transfer agreement dated 24 December 2020, the Group disposed of its 70% equity interest in Hengyang Lianghong Real Estate Development Limited to 萍鄉市灣田企業管理合夥企業(有限合夥) (“Pingxiang Wantian Enterprise Management Partnership Co., Ltd.”) for a consideration of RMB69,117,299.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 38. 出售附屬公司(續)

截至2020年12月31日止年度(續)

## (l) 廈門梁晟置業有限公司

根據日期為2020年9月17日的股份轉讓協議，本集團出售其於廈門梁晟置業有限公司的51%股權予北京遠東新地置業有限公司，對價為零。

## (m) 合肥梁錦企業管理諮詢有限公司

根據日期為2020年7月17日的股份轉讓協議，本集團分別出售其於合肥梁錦企業管理諮詢有限公司的17.34%、33%及16.66%股權予合肥榮冠置業發展有限公司、合肥誠巽置業有限公司及合肥融闕房地產開發有限公司，對價為人民幣134,000,000元。

截至2019年12月31日止年度

## (a) 揚州錦鴻置業有限公司

根據日期為2019年1月8日的股份轉讓協議，本集團出售其於揚州錦鴻置業有限公司的30%股權予上海融創房地產開發集團有限公司，對價為人民幣15,000,000元。

## (b) 揚州梁瑞置業有限公司

根據日期為2019年1月29日的股份轉讓協議，本集團出售其於揚州梁瑞置業有限公司的67%股權予南京正惠置業有限公司及恒通建設集團有限公司，對價為零。

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

## (l) 廈門梁晟置業有限公司 (“Xiamen Liangsheng Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 17 September 2020, the Group disposed of its 51% equity interest in Xiamen Liangsheng Property Co., Ltd. to 北京遠東新地置業有限公司 (“Beijing Yuandong Xindi Property Co., Ltd.”) for a consideration of nil.

## (m) 合肥梁錦企業管理諮詢有限公司 (“Hefei Liangjin Enterprise Management Consulting Co., Ltd.”)

Pursuant to the share transfer agreement dated 17 July 2020, the Group disposed of its 17.34% equity interest in Hefei Liangjin Enterprise Management Consulting Co., Ltd. to 合肥榮冠置業發展有限公司 (“Heifei Rongguan Property Development Co., Ltd.”), its 33% equity interest to 合肥誠巽置業有限公司 (“Hefei Chengxun Property Co., Ltd.”) and its 16.66% equity interest to 合肥融闕房地產開發有限公司 (“Hefei Rongque Real Estate Development Limited”) for a consideration of RMB134,000,000.

For the year ended 31 December 2019

## (a) 揚州錦鴻置業有限公司 (“Yangzhou Jinhong Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 8 January 2019, the Group disposed of its 30% equity interest in Yangzhou Jinhong Property Co., Ltd. to 上海融創房地產開發集團有限公司 (“Shanghai Rongchuang Real Estate Development Group Co., Ltd.”) for a consideration of RMB15,000,000.

## (b) 揚州梁瑞置業有限公司 (“Yangzhou Liangrui Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 29 January 2019, the Group disposed of its 67% equity interest in Yangzhou Liangrui Property Co., Ltd. to 南京正惠置業有限公司 (“Nanjing Zhenghui Real Estate Co., Ltd.”) and 恒通建設集團有限公司 (“Hengtong Construction Group Co., Ltd.”) for a consideration of nil.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 38. 出售附屬公司(續)

截至2019年12月31日止年度(續)

(c) 杭州金悅企業管理有限公司

根據日期為2019年2月15日的股份轉讓協議，本集團出售其於杭州金悅企業管理有限公司的47%股權予溫州城際投資管理有限公司，對價為人民幣2,078,685元。

(d) 南寧梁悅置業有限公司

根據日期為2019年4月1日的股份轉讓協議，本集團出售其於南寧梁悅置業有限公司的71%股權予杭州金翰控股集團有限公司及寧波梅山保稅港區桂悅投資合夥企業(有限合夥)，對價為零。

(e) 宜城市御融置業有限公司

根據日期為2019年4月26日的股份轉讓協議，本集團出售其於宜城市御融置業有限公司的35%股權予湖北恒鑫力置業有限公司，對價為人民幣28,917,808元。

(f) 蘇州恒信置業有限公司

根據日期為2019年4月28日的股份轉讓協議，本集團出售其於蘇州恒信置業有限公司的50%股權予蘇州新力創悅房地產有限公司，對價為人民幣5,000,000元。

### 38. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

(c) 杭州金悅企業管理有限公司 (“Hangzhou Jinyue Enterprise Management Co., Ltd.”)

Pursuant to the share transfer agreement dated 15 February 2019, the Group disposed of its 47% equity interest in Hangzhou Jinyue Enterprise Management Co., Ltd. to 溫州城際投資管理有限公司 (“Wenzhou Chengji Capital Management Co., Ltd.”) for a consideration of RMB2,078,685.

(d) 南寧梁悅置業有限公司 (“Nanning Liangyue Group Co., Ltd.”)

Pursuant to the share transfer agreement dated 1 April 2019, the Group disposed of its 71% equity interest in Nanning Liangyue Group Co., Ltd. to 杭州金翰控股集團有限公司 (“Hangzhou Jinhan Holding Group Co., Ltd.”) and 寧波梅山保稅港區桂悅投資合夥企業(有限合夥) (“Ningbo Meishan Bonded Port Area Guiyue Investment Partnership (Limited Partnership)”) for a consideration of nil.

(e) 宜城市御融置業有限公司 (“Yicheng Yurong Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 26 April 2019, the Group disposed of its 35% equity interest in Yicheng Yurong Property Co., Ltd. to 湖北恒鑫力置業有限公司 (“Hubei Hengxinli Real Estate Co., Ltd.”) for a consideration of RMB28,917,808.

(f) 蘇州恒信置業有限公司 (“Suzhou Hengxin Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 28 April 2019, the Group disposed of its 50% equity interest in Suzhou Hengxin Property Co., Ltd. to 蘇州新力創悅房地產有限公司 (“Suzhou Xinli Chuangyue Real Estate Co., Ltd.”) for a consideration of RMB5,000,000.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 38. 出售附屬公司(續)

截至2019年12月31日止年度(續)

##### (g) 贛州瑞御置業有限公司

根據日期為2019年5月30日的股份轉讓協議，本集團出售其於贛州瑞御置業有限公司的67%股權予池州梁鑫企業管理諮詢服務有限公司、吉安市宏盛企業管理有限公司及萍鄉中梁榮房地產信息諮詢合夥企業(有限合夥)，對價為零。

##### (h) 鹽城市中梁信置業有限公司

根據日期為2019年8月13日的股份轉讓協議，本集團出售其於鹽城市中梁信置業有限公司的70%股權予鹽城通達置業有限公司，對價為零。

##### (i) 杭州梁信置業有限公司

根據日期為2019年8月20日的股份轉讓協議，本集團出售其於杭州梁信置業有限公司的50%股權予杭州金地自在城房地產發展有限公司，對價為人民幣200,000,000元。

#### 38. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

##### (g) 贛州瑞御置業有限公司 (“Ganzhou Ruiyu Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 30 May 2019, the Group disposed of its 67% equity interest in Ganzhou Ruiyu Property Co., Ltd. to 池州梁鑫企業管理諮詢服務有限公司 (“Chizhou Liangxin Enterprise Management Consulting Service Co., Ltd.”), 吉安市宏盛企業管理有限公司 (“Ji’an Hongsheng Enterprise Management Co., Ltd.”) and 萍鄉中梁榮房地產信息諮詢合夥企業(有限合夥) (“Pingxiang Zhongliangrong Real Estate Information Consulting Partnership (Limited Partnership)”) for a consideration of nil.

##### (h) 鹽城市中梁信置業有限公司 (“Yancheng Zhongliangxin Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 13 August 2019, the Group disposed of its 70% equity interest in Yancheng Zhongliangxin Property Co., Ltd. to 鹽城通達置業有限公司 (“Yancheng Tongda Property Co., Ltd.”) for a consideration of nil.

##### (i) 杭州梁信置業有限公司 (“Hangzhou Liangxin Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 20 August 2019, the Group disposed of its 50% equity interest in Hangzhou Liangxin Property Co., Ltd. to 杭州金地自在城房地產發展有限公司 (“Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.”) for a consideration of RMB200,000,000.



## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 38. 出售附屬公司(續)

截至2019年12月31日止年度(續)

(j) 義烏市梁恒置業有限公司

根據日期為2019年8月20日的股份轉讓協議，本集團出售其於義烏市梁恒置業有限公司的50%股權予杭州金地自在城房地產發展有限公司，對價為零。

(k) 三門縣中梁恒置業有限公司

根據日期為2019年12月11日的股份轉讓協議，本集團出售其於三門縣中梁恒置業有限公司的57%股權予三門華順投資有限公司，對價為零。

#### 38. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

(j) 義烏市梁恒置業有限公司 (“Yiwu Liangheng Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 20 August 2019, the Group disposed of its 50% equity interest in Yiwu Liangheng Property Co., Ltd. to 杭州金地自在城房地產發展有限公司 (“Hangzhou Jindi Zizai Cheng Real Estate Development Co., Ltd.”) for a consideration of nil.

(k) 三門縣中梁恒置業有限公司 (“Sanmen Zhongliangheng Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 11 December 2019, the Group disposed of its 57% equity interest in Sanmen Zhongliangheng Real Estate Co., Ltd. to 三門華順投資有限公司 (“Sanmen Huashuang Investment Co., Ltd.”) for a consideration of nil.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 38. 出售附屬公司(續)

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

於出售日期的資產及負債的賬面值如下：

The carrying values of the assets and liabilities on the dates of disposal were as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
出售下列各項的資產淨值：	Net assets disposed of:		
物業、廠房及設備(附註13)	Property, plant and equipment (note 13)	428	1,032
投資物業	Investment properties	—	69,500
遞延稅項資產(附註19)	Deferred tax assets (note 19)	86,153	24,418
開發中物業(附註21)	Properties under development (note 21)	9,364,417	1,936,105
持作銷售的竣工物業(附註22)	Completed properties held for sale (note 22)	15,443	—
可收回稅項	Tax recoverable	61,167	37,495
現金及現金等價物	Cash and cash equivalents	1,953,753	380,058
受限制現金	Restricted cash	75,568	—
於聯營公司的投資	Investments in associates	—	670,000
預付款項及其他應收款項	Prepayments and other receivables	5,032,953	2,062,275
貿易應付款項及應付票據	Trade and bills payables	(195,202)	(216,482)
合約負債	Contract liabilities	(4,660,544)	(1,420,847)
計息銀行及其他借款	Interest-bearing bank and other borrowings	(2,722,500)	(264,000)
應繳稅項	Tax payable	(35,466)	(16,271)
遞延稅項負債(附註19)	Deferred tax liabilities (note 19)	—	(9,406)
其他應付款項及應計費用	Other payables and accruals	(7,974,235)	(3,117,629)
非控股權益	Non-controlling interests	(339,400)	(81,129)
		662,535	55,119
出售附屬公司收益	Gain on disposal of subsidiaries	83,784	4,029
以現金償付	Satisfied by cash	746,319	59,148

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 38. 出售附屬公司(續)

有關出售附屬公司的現金及現金等價物流出淨額分析如下：

### 38. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
現金對價	Cash consideration	746,319	59,148
出售之現金及銀行結餘	Cash and bank balances disposed of	(1,953,753)	(380,058)
就出售附屬公司現金及現金等價物 流出淨額	Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(1,207,434)	(320,910)

本公司董事認為並非所有出售的附屬公司對本集團而言均屬重大，因此部分附屬公司於出售日期的個別財務資料並未披露。

The directors of the Company consider that not all subsidiaries disposed of were significant to the Group and thus the individual financial information of some subsidiaries on the disposal date was not disclosed.

### 39. 或然負債

於報告期末，未於綜合財務報表內撥備的或然負債如下：

### 39. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

		附註 Notes	2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
就授予本集團物業買家的 融資向銀行提供的擔保	Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	56,769,417	51,717,760
就授予合營企業及聯營公司 的融資向銀行提供的擔保	Guarantees given to banks in connection with facilities granted to joint ventures and associates	(2), 41(2)	12,193,470	10,228,866

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 39. 或然負債(續)

- (1) 本集團就若干銀行向本集團持作出售的已完工物業買家授出的抵押融資提供擔保。根據擔保安排的條款，如買家拖欠按揭付款，本集團負責向該等銀行償還未償還抵押本金及違約買家所欠的任何應計利息及罰款。

根據上述安排，相關物業已抵押予該等銀行作為抵押貸款的抵押品。倘該等買家拖欠抵押還款，該等銀行有權接管有關法定業權，並通過公開拍賣將抵押物業變現。

本集團的擔保期由授出相關抵押貸款日期起至買家獲發物業所有權證及辦理登記止，有關證明一般會於買家接管相關物業後的半年至兩年內取得。

於年內，本集團並未就向本集團持作出售的已完工物業買家授出的抵押融資提供擔保產生任何重大損失。本公司董事認為如出現違約付款，相關物業的可變現淨值可足以償還未償還抵押貸款連同任何應計利息及罰款，故並無對擔保計提撥備。

- (2) 本集團就向合營企業及聯營公司作出借款向銀行及其他機構提供擔保。截至2020年12月31日，因提供關聯公司擔保，計提撥備人民幣72,914,000元(2019年：人民幣31,364,000元)。

## 39. CONTINGENT LIABILITIES (Continued)

- (1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in the case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in the case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

- (2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the joint ventures and associates. As of 31 December 2020, an allowance of RMB72,914,000 (2019: RMB31,364,000) was provided for as a result of the guarantees provided to the related companies.

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 40. 承擔

於報告期末，本集團擁有以下資本承擔：

### 40. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
已訂約但尚未撥備：	Contracted, but not provided for:		
物業開發活動	Property development activities	46,002,582	68,331,392
收購土地使用權	Acquisition of land use rights	1,565,689	2,887,197
應付合營企業及聯營公司 注資	Capital contributions payable to joint ventures and associates	4,324,605	3,999,720
		<b>51,892,876</b>	<b>75,218,309</b>

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 41. 關聯方交易

## 41. RELATED PARTY TRANSACTIONS

## (1) 重大關聯方交易

除此等財務報表另行詳述的交易外，於年內本集團與關聯方進行以下交易：

## (1) Significant related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
向關聯公司墊款：	Advances to related companies:		
由若干董事及／或彼等親密家庭成員控制的公司	Companies controlled by certain directors and/or their close family members	—	653
合營企業及聯營公司	Joint ventures and associates	16,645,156	18,046,174
受最終控股股東控制的公司	Companies controlled by the ultimate controlling shareholders	—	79,352
償還向關聯公司墊款：	Repayment of advances to related companies:		
由若干董事及／或彼等親密家庭成員控制的公司	Companies controlled by certain directors and/or their close family members	—	14,591
合營企業及聯營公司	Joint ventures and associates	15,109,105	18,205,777
受最終控股股東控制的公司	Companies controlled by the ultimate controlling shareholders	—	302,243
來自關聯公司墊款：	Advances from related companies:		
合營企業及聯營公司	Joint ventures and associates	17,779,812	15,215,605
受最終控股股東控制的公司	Companies controlled by the ultimate controlling shareholders	—	94,494
償還來自關聯公司墊款：	Repayment of advances from related companies:		
由若干董事及／或彼等親密家庭成員控制的公司	Companies controlled by certain directors and/or their close family members	—	119,458
合營企業及聯營公司	Joint ventures and associates	11,743,285	10,545,731
受最終控股股東控制的公司	Companies controlled by the ultimate controlling shareholders	—	164,757
向合營企業及聯營公司提供管理諮詢服務 <sup>(附註)</sup>	Management consulting services to joint ventures and associates <sup>(Note)</sup>	355,799	181,276
來自受若干董事重大影響的公司的融資成本 <sup>(附註)</sup>	Finance costs from a company significantly impacted by certain directors <sup>(Note)</sup>	—	3,750
受最終控股股東控制的公司提供物業管理服務 <sup>(附註)</sup>	Property management services from companies controlled by the ultimate controlling shareholders <sup>*(Note)</sup>	296,012	221,575

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 41. 關聯方交易(續)

#### (1) 重大關聯方交易(續)

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
受最終控股股東控制的公司 提供設計、裝修及舾裝 服務*(附註)	Design, decoration and outfitting service from companies controlled by the ultimate controlling shareholders*(Note)	268,189	8,238
受最終控股股東控制的公司 提供的銷售代理服務及其他 配套服務*(附註)	Sales agency services and other ancillary services from companies controlled by the ultimate controlling shareholders*(Note)	4,187	—
向若干董事及/或彼等親密家 庭成員控制的公司捐款	Donation to a company controlled by certain directors and/or their close family members	7,000	—

附註：該等交易乃根據相關訂約方相互協定的條款及條件進行。

\* 上述的關聯方交易亦構成關連交易或持續關連交易(定義見上市規則第14A章)。

於2020年12月31日，本集團已向董事為本公司控股股東的親密家庭成員的上海中梁公益基金會捐款高達人民幣7,000,000元(2019年12月31日：無)。

### 41. RELATED PARTY TRANSACTIONS (Continued)

#### (1) Significant related party transactions (Continued)

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

\* The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

As at 31 December 2020, the Group has donated up to RMB 7,000,000 (31 December 2019: Nil) to 上海中梁公益基金會 (“Zhongliang Foundation”), the director of which is a close family member of the controlling shareholders of the Company.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 41. 關聯方交易(續)

##### (2) 與關聯方的其他交易

- i. 於2020年12月31日，德清錦皓置業有限公司已為金額最多為人民幣235,200,000元(2019年12月31日：人民幣235,200,000元)的若干銀行及其他借款提供擔保。
- ii. 於2020年12月31日，本集團已為授予其合營企業及聯營公司的金額最多為人民幣12,193,470,000元(2019年12月31日：人民幣10,228,866,000元)的若干銀行及其他借款提供擔保。

#### 41. RELATED PARTY TRANSACTIONS (Continued)

##### (2) Other transactions with related parties

- i. As at 31 December 2020, Deqing Jinhao Property Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB235,200,000 (31 December 2019: RMB235,200,000).
- ii. As at 31 December 2020, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures and associates up to RMB12,193,470,000 (31 December 2019: RMB10,228,866,000).



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 41. 關聯方交易(續)

#### (3) 與關聯方的未清償結餘

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
應收受若干董事及／或彼等親密家庭成員控制的公司款項	Due from companies controlled by certain directors and/or their close family members	—	43,717
應收合營企業及聯營公司款項	Due from joint ventures and associates	10,931,355	9,401,294
應收受最終控股股東控制的公司款項	Due from companies controlled by the ultimate controlling shareholders	—	1,189
應付合營企業及聯營公司款項	Due to joint ventures and associates	17,935,303	11,898,776
應付受最終控股股東控制的公司款項	Due to companies controlled by the ultimate controlling shareholders	195,276	86,859

與上述關聯方的結餘為無抵押、不計息及按要求償還。

Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

#### (4) 本集團主要管理人員薪酬

		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
短期僱員福利	Short-term employee benefits	47,919	77,369
養老金計劃供款	Pension scheme contributions	262	512
以權益結算的購股權開支	Equity-settled share option expense	466	—
向主要管理人員支付的薪酬總額	Total compensation paid to key management personnel	48,647	77,881

有關董事酬金的進一步詳情載於財務報表附註8。

Further details of directors' emoluments are included in note 8 to the financial statements.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 42. 按類別劃分的金融工具

於報告期末各類金融工具的賬面值如下：

2020年12月31日

金融資產

## 42. 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:

31 December 2020

Financial assets

		按攤銷成本 列賬的 金融資產 Financial assets at amortised cost 人民幣千元 RMB'000	按公平值 計入損益的 金融資產 Financial assets at FVTPL 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
計入預付款項及其他 應收款項的金融資產 (附註24)	Financial assets included in prepayments and other receivables (note 24)	26,279,670	—	26,279,670
按公平值計入損益的 金融資產(附註20)	Financial assets at fair value through profit or loss (note 20)	—	552,413	552,413
應收關聯公司款項 (附註41)	Due from related companies (note 41)	10,931,355	—	10,931,355
受限制現金(附註25)	Restricted cash (note 25)	6,186,597	—	6,186,597
已抵押存款(附註25)	Pledged deposits (note 25)	2,135,604	—	2,135,604
現金及現金等價物 (附註25)	Cash and cash equivalents (note 25)	25,910,244	—	25,910,244
		71,443,470	552,413	71,995,883

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 42. 按類別劃分的金融工具(續)

於報告期間各類金融工具的賬面值如下：(續)

2020年12月31日(續)

金融負債

### 42. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:  
(Continued)

31 December 2020 (Continued)

Financial liabilities

		按攤銷成本 列賬的 金融負債 Financial liabilities at amortised cost 人民幣千元 RMB'000	按公平值 計入損益的 金融負債 Financial liabilities at FVTPL 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
優先票據(附註32)	Senior notes (note 32)	8,876,764	—	8,876,764
租賃負債(附註16)	Lease liabilities (note 16)	119,942	—	119,942
貿易應付款項及應付 票據(附註26)	Trade and bills payables (note 26)	17,082,883	—	17,082,883
其他金融負債	Other financial liabilities	—	68,315	68,315
計入其他應付款項及 應計費用的金融負債 (附註27)	Financial liabilities included in other payables and accruals (note 27)	19,959,372	—	19,959,372
應付關聯公司款項 (附註41)	Due to related companies (note 41)	18,130,579	—	18,130,579
計息銀行及其他借款 (附註29)	Interest-bearing bank and other borrowings (note 29)	44,897,753	—	44,897,753
資產支持證券所得款項 (附註31)	Proceeds from asset-backed securities (note 31)	317,709	—	317,709
財務擔保合約撥備	Provision for financial guarantee contracts	—	72,914	72,914
		109,385,002	141,229	109,526,231

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 42. 按類別劃分的金融工具(續)

於報告期間各類金融工具的賬面值如下：(續)

2019年12月31日

金融資產

42. FINANCIAL INSTRUMENTS BY CATEGORY  
(Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:  
(Continued)

31 December 2019

Financial assets

		按攤銷成本 列賬的 金融資產 Financial assets at amortised cost 人民幣千元 RMB'000	按公平值 計入損益的 金融資產 Financial assets at FVTPL 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
計入預付款項及其他 應收款項的金融資產 (附註24)	Financial assets included in prepayments and other receivables (note 24)	23,560,227	—	23,560,227
按公平值計入損益的 金融資產(附註20)	Financial assets at fair value through profit or loss (note 20)	—	290,723	290,723
應收關聯公司款項 (附註41)	Due from related companies (note 41)	9,446,200	—	9,446,200
受限制現金(附註25)	Restricted cash (note 25)	10,194,619	—	10,194,619
已抵押存款(附註25)	Pledged deposits (note 25)	1,344,886	—	1,344,886
現金及現金等價物 (附註25)	Cash and cash equivalents (note 25)	14,955,756	—	14,955,756
		59,501,688	290,723	59,792,411

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 42. 按類別劃分的金融工具(續)

於報告期間各類金融工具的賬面值如下：(續)

2019年12月31日(續)

金融負債

### 42. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:  
(Continued)

31 December 2019 (Continued)

Financial liabilities

		按攤銷成本 列賬的 金融負債 Financial liabilities at amortised cost 人民幣千元 RMB'000	按公平值 計入損益的 金融負債 Financial liabilities at FVTPL 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
優先票據(附註32)	Senior notes (note 32)	4,195,371	—	4,195,371
租賃負債(附註16)	Lease liabilities (note 16)	146,444	—	146,444
貿易應付款項及應付 票據(附註26)	Trade and bills payables (note 26)	12,060,536	—	12,060,536
其他金融負債	Other financial liabilities	—	92,378	92,378
計入其他應付款項及 應計費用的金融負債 (附註27)	Financial liabilities included in other payables and accruals (note 27)	15,434,018	—	15,434,018
應付關聯公司款項 (附註41)	Due to related companies (note 41)	11,985,635	—	11,985,635
計息銀行及其他借款 (附註29)	Interest-bearing bank and other borrowings (note 29)	35,985,869	—	35,985,869
財務擔保合約撥備	Provision for financial guarantee contracts	—	31,364	31,364
		79,807,873	123,742	79,931,615

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 43. 金融工具的公平值及公平值層級

除賬面值與公平值合理相若的金融工具外，本集團金融工具的賬面值及公平值如下：

## 43. 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:

		賬面值		公平值	
		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000	2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>金融資產</b>	<b>Financial assets</b>				
按公平值計入損益的金融資產	Financial assets at FVTPL	552,413	290,723	552,413	290,723
<b>金融負債</b>	<b>Financial liabilities</b>				
優先票據(附註32)	Senior notes (note 32)	8,876,764	4,195,371	8,970,174	4,205,800
計息銀行及其他借款(附註29)	Interest-bearing bank and other borrowings (note 29)	44,897,753	35,985,869	52,228,712	36,000,290
其他金融負債	Other financial liabilities	68,315	92,378	68,315	92,378
資產支持證券所得款項(附註31)	Proceed from assets-backed securities (note 31)	317,709	—	322,080	—
財務擔保合約撥備(附註30)	Provision for financial guarantee contracts (note 30)	72,914	31,364	72,914	31,364
		54,233,455	40,304,982	61,662,195	40,329,832

管理層已評估現金及現金等價物、已抵押存款、受限制現金、應收關聯公司款項、計入預付款項及其他應收款項的金融資產、貿易應付款項及應付票據、計入其他應付款項及應計費用的金融負債及應付關聯公司款項的公平值與其賬面值相若，乃主要由於該等工具的到期期限較短所致。

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 43. 金融工具的公平值及公平值層級(續)

本集團的公司融資團隊由集團財務總監帶領，負責釐定金融工具公平值計量的政策及程序。公司融資團隊直接向集團財務總監及董事會匯報。於各報告日期，公司融資團隊分析金融工具價值的變動並決定應用於估值的主要輸入數據。估值由集團財務總監審核及批准。每年就中期及年度財務報告與董事會對估值程序及結果進行兩次討論。

金融資產及負債的公平值按自願訂約方之間現時進行交易(強迫或清盤出售交易除外)中買賣該等工具的金額入賬。

計息銀行及其他借款的公平值及資產支持證券所得款項已通過使用目前可用於具有類似條款、信貸風險及剩餘到期日的工具的利率折現預期未來現金流量進行計算。於2020年12月31日，本集團有關計息銀行及其他借款的不良風險被評估為屬不重大。

對於按公平值計入損益的金融資產的公平值，管理層已通過使用目前可用於具有類似條款、信貸風險及剩餘到期日的工具的利率折現預期未來現金流量進行估計。按公平值計入損益的金融資產的公平值計量分類為公平值層級的第三層。

對於其他金融負債的公平值，管理層已通過使用相關資產的預期回報率折現預期未來現金流量以估計償還負債的現金流出金額。金融負債的公平值計量分類為公平值層級的第三層。

#### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's corporate finance team headed by the group financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the group financial controller and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the group financial controller. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

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 fair values of interest-bearing bank and other borrowings and proceeds from asset-backed securities 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 Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 was assessed to be insignificant.

For the fair values of the financial assets at FVTPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVTPL is categorised within level 3 of the fair value hierarchy.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liabilities. The fair value measurement of the financial liabilities is categorised within level 3 of the fair value hierarchy.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 43. 金融工具的公平值及公平值層級(續)

## 公平值層級

下表說明本集團金融工具的公平值計量層級：

按公平值計量的資產：

2020年12月31日

## 43. 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:

As at 31 December 2020

		於使用下列各項計量的公平值 Fair value measurement using			
		於活躍市場的報價 (第一層) Quoted prices in active markets (Level 1) 人民幣千元 RMB'000	重大可觀察輸入數據 (第二層) Significant observable inputs (Level 2) 人民幣千元 RMB'000	重大不可觀察輸入數據 (第三層) Significant unobservable inputs (Level 3) 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
按公平值計入損益的金融資產	Financial assets at FVTPL	348,632	—	203,781	552,413

於2019年12月31日

As at 31 December 2019

		使用下列各項計量的公平值 Fair value measurement using			
		於活躍市場的報價 (第一層) Quoted prices in active markets (Level 1) 人民幣千元 RMB'000	重大可觀察輸入數據 (第二層) Significant observable inputs (Level 2) 人民幣千元 RMB'000	重大不可觀察輸入數據 (第三層) Significant unobservable inputs (Level 3) 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
按公平值計入損益的金融資產	Financial assets at FVTPL	77,147	—	213,576	290,723



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 43. 金融工具的公平值及公平值層級(續)

公平值層級(續)

按公平值計量的負債：  
2020年12月31日

### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:  
As at 31 December 2020

		於使用下列各項計量的公平值 Fair value measurement using			
		於活躍市場的報價 (第一層) Quoted prices in active markets (Level 1) 人民幣千元 RMB'000	重大可觀察 輸入數據 (第二層) Significant observable inputs (Level 2) 人民幣千元 RMB'000	重大不可觀察 輸入數據 (第三層) Significant unobservable inputs (Level 3) 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
其他金融負債	Other financial liabilities	—	—	68,315	68,315
財務擔保合約撥備	Provision for financial guarantee contracts	—	—	72,914	72,914
		—	—	141,229	141,229

於2019年12月31日

As at 31 December 2019

		使用下列各項計量的公平值 Fair value measurement using			
		於活躍市場的報價 (第一層) Quoted prices in active markets (Level 1) 人民幣千元 RMB'000	重大可觀察 輸入數據 (第二層) Significant observable inputs (Level 2) 人民幣千元 RMB'000	重大不可觀察 輸入數據 (第三層) Significant unobservable inputs (Level 3) 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
其他金融負債	Other financial liabilities	—	—	92,378	92,378
財務擔保合約撥備	Provision for financial guarantee contracts	—	—	31,364	31,364
		—	—	123,742	123,742

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 43. 金融工具的公平值及公平值層級(續)

公平值層級(續)

就公平值披露的負債：  
2020年12月31日

## 43. 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 2020

		於使用下列各項計量的公平值 Fair value measurement using			
		於活躍市場的報價 (第一層) Quoted prices in active markets (Level 1) 人民幣千元 RMB'000	重大可觀察 輸入數據 (第二層) Significant observable inputs (Level 2) 人民幣千元 RMB'000	重大不可觀察 輸入數據 (第三層) Significant unobservable inputs (Level 3) 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
優先票據	Senior notes	—	8,970,174	—	8,970,174
資產支持證券所得 款項	Proceeds from asset- backed securities	—	322,080	—	322,080
計息銀行及 其他借款	Interest-bearing bank and other borrowings	—	52,228,712	—	52,228,712
		—	61,520,996	—	61,520,966

於2019年12月31日

As at 31 December 2019

		於使用下列各項計量的公平值 Fair value measurement using			
		於活躍市場的報價 (第一層) Quoted prices in active markets (Level 1) 人民幣千元 RMB'000	重大可觀察 輸入數據 (第二層) Significant observable inputs (Level 2) 人民幣千元 RMB'000	重大不可觀察 輸入數據 (第三層) Significant unobservable inputs (Level 3) 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
優先票據	Senior notes	—	4,205,800	—	4,205,800
計息銀行及 其他借款	Interest-bearing bank and other borrowings	—	36,000,290	—	36,000,290
		—	40,206,090	—	40,206,090

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 43. 金融工具的公平值及公平值層級(續)

#### 公平值層級(續)

以下為於2020年及2019年12月31日對金融工具估值之重大不可觀察輸入數據概要連同定量敏感度分析：

	估值技術 Valuation technique	重大不可觀察輸入數據 Significant unobservable input	幅度 Range	公平值對輸入數據之敏感度 Sensitivity of fair value to the input
其他金融負債	現金流量貼現法	增量借款成本	2020年：7.20%-22.75%	增量借款成本增加/減少1%將致使公平值減少/增加人民幣31,000元/人民幣31,000元
Other financial liabilities	Discounted cash flow method	Incremental borrowing cost	2020: 7.20%-22.75%	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB31,000/RMB31,000
			2019年：7.20%至22.75%	增量借款成本增加/減少1%將致使公平值減少/增加人民幣103,000元/人民幣103,000元
			2019: 7.20%-22.75%	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB103,000/RMB103,000
		預期年收益率	2019年：16.97%至21.45%	預期年收益率增加/減少1%將致使公平值增加/減少人民幣22,000元/人民幣22,000元
		Expected rate of return per annum	2019: 16.97%-21.45%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB22,000/RMB22,000
按公平值計入損益的金融資產	市場法	資產淨值	2020年：0.8134	資產淨值增加/減少1%將致使公平值增加/減少人民幣1,789,480元/人民幣1,789,480元
Financial assets at FVTPL	Market approach	Net asset value	2020: 0.8134	1% increase/decrease in net asset value would result in an increase/decrease in fair value by RMB 1,789,480/RMB1,789,480
		資產淨值	2019年：0.9708	資產淨值增加/減少1%將致使公平值增加/減少人民幣2,135,760元/人民幣2,135,760元
		Net asset value	2019: 0.9708	1% increase/decrease in net asset value would result in an increase/decrease in fair value by RMB2,135,760/RMB2,135,760

### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 43. 金融工具的公平值及公平值層級(續)

##### 公平值層級(續)

以下為於2020年及2019年12月31日對金融工具估值之重大不可觀察輸入數據概要連同定量敏感度分析：(續)

#### 43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

##### Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019: (Continued)

	估值技術 Valuation technique	重大不可觀察輸入數據 Significant unobservable input	幅度 Range	公平值對輸入數據之敏感度 Sensitivity of fair value to the input
財務擔保合約撥備	預期信貸虧損 模型	收回率	2020年：37.30%至39.6%	收回率增加/減少1%將致使公平值減少/增加 人民幣83,240元/人民幣83,240元
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	2020: 37.30%-39.6%	1% increase/decrease in recovery rate would result in a decrease/increase in fair value by RMB83,240/RMB83,240
			2019年：37.30%至40.00%	收回率增加/減少1%將致使公平值減少/增加 人民幣52,905元/人民幣52,382元
			2019: 37.30%-40.00%	1% increase/decrease in recovery rate would result in a decrease/increase in fair value by RMB52,905/RMB52,382
		貼現率	2020年：1.20%至3.70%	貼現率增加/減少1%將致使公平值減少/增加 人民幣4,189元/人民幣4,189元
		Discount rate	2020: 1.20%-3.70%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB4,189/ RMB4,189
			2019年：1.26%至2.73%	貼現率增加/減少1%將致使公平值減少/增加 人民幣2,663元/人民幣2,639元
			2019: 1.26%-2.73%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB2,663/ RMB2,639

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 44. 財務風險管理目標及政策

本集團的主要金融工具主要包括現金及銀行等價物、受限制現金、已抵押存款、貿易應收款項、其他應收款項、貿易應付款項及應付票據及其他應付款項，該等金融工具自其經營中直接產生。本集團擁有其他金融資產及負債，如計息銀行及其他借款、優先票據、按公平值計入損益的金融資產、其他金融負債、應付關聯公司款項及應收關聯公司款項。該等金融工具的主要目的在於為本集團的運營融資。

本集團金融工具產生的主要風險為利率風險、信貸風險、外匯風險及流動資金風險。一般而言，本集團對其風險管理採取保守策略。為將本集團所面臨的該等風險保持最低，本集團並無使用任何衍生及其他工具作對沖目的。本集團未持有或發行可供交易的衍生金融工具。董事會檢討並同意各項風險管理政策，其概述如下：

##### (a) 利率風險

本集團面臨的市場利率變動風險主要與附註29所載的本集團計息銀行及其他借款有關。本集團並無使用衍生金融工具對沖利率風險。本集團使用浮息銀行借款及其他借款管理其利息成本。

於2020年12月31日，倘在所有其他變量維持不變情況下銀行借款及其他借款的利率上升/下降1%，則本集團的稅前溢利（通過對浮息借款的影響）將減少/增加約人民幣13,383,000元（2019年：人民幣12,202,000元）。

#### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank equivalents, restricted cash, pledged deposits, trade receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, senior notes, financial assets at fair value through profit or loss, other financial liabilities, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

##### (a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

As at 31 December 2020, if the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB13,383,000 (2019: RMB12,202,000).

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 44. 財務風險管理目標及政策(續)

## (b) 外匯風險

本集團已面臨交易性貨幣風險。該等風險源自以各單位功能貨幣以外的貨幣進行的交易。

此外，本集團已面臨有關其現金及現金等價物、計息銀行及其他借貸及優先票據的貨幣風險。

下表顯示於報告期末，本集團的稅前溢利(由於貨幣資產及負債的公平值發生變動)對美元、港元及人民幣匯率可能出現的合理變動(所有其他變數維持不變)的敏感度。

## 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

## (b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

In addition, the Group has currency exposures from its cash and cash equivalents, interest-bearing bank and other borrowings and senior notes.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US\$, HK\$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

		匯率 上升/(下降)	稅前溢利 增加/(減少)
		Increase/ (decrease) in rate	Increase/ (decrease) in profit before tax
		%	人民幣千元
		%	RMB'000
<b>2020年</b>	<b>2020</b>		
倘人民幣兌美元貶值	If the RMB weakens against the US\$	-5%	(528,193)
倘人民幣兌美元升值	If the RMB strengthens against the US\$	+5%	528,193
倘人民幣兌港元貶值	If the RMB weakens against the HK\$	-5%	(3,750)
倘人民幣兌港元升值	If the RMB strengthens against the HK\$	+5%	3,750
<b>2019年</b>	<b>2019</b>		
倘人民幣兌美元貶值	If the RMB weakens against the US\$	-5%	(188,685)
倘人民幣兌美元升值	If the RMB strengthens against the US\$	+5%	188,685
倘人民幣兌港元貶值	If the RMB weakens against the HK\$	-5%	1,373
倘人民幣兌港元升值	If the RMB strengthens against the HK\$	+5%	(1,373)

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 44. 財務風險管理目標及政策 (續)

##### (c) 信貸風險

本集團僅與享譽盛名兼信譽可靠的第三方進行交易。本集團的政策規定，所有擬按信貸期進行交易的客戶均須辦理信用核實程序。此外，本集團持續監控應收款項餘額，故壞賬風險並不重大。對於未以相關經營單位的功能貨幣計值的交易，在未經信貸控制主管的特別批准下，本集團不會給予信貸期。

##### 最大風險及年終分級

下表載列基於本集團信貸政策 (主要基於逾期資料，除非無需付出過多成本或精力即可獲得其他資料) 列示的信貸質素及最大信貸風險，以及於12月31日的年終級別分類。呈列金額為金融資產的賬面總值及面臨的財務擔保合約信貸風險。

#### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### (c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

##### 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.

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 44. 財務風險管理目標及政策(續)

#### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### (c) 信貸風險(續)

最大風險及年終分級(續)  
於2020年12月31日

##### (c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)  
As at 31 December 2020

		於12個月 預期信貸虧損 12-month ECLs	存續期預期信貸虧損 Lifetime ECLs			Total
		第1階段 Stage 1 人民幣千元 RMB'000	第2階段 Stage 2 人民幣千元 RMB'000	第3階段 Stage 3 人民幣千元 RMB'000	簡化方法 Simplified approach 人民幣千元 RMB'000	人民幣千元 RMB'000
貿易應收款項*	Trade receivables*	—	—	—	5,209	5,209
計入預付款項及其他應 收款項的金融資產	Financial assets included in prepayments and other receivables					
— 正常**	— Normal**	26,279,670	—	—	—	26,279,670
應收關聯公司款項	Due from related companies	10,931,355	—	—	—	10,931,355
受限制現金	Restricted cash					
— 尚未逾期	— Not yet past due	6,186,597	—	—	—	6,186,597
已抵押存款	Pledged deposits					
— 尚未逾期	— Not yet past due	2,135,604	—	—	—	2,135,604
現金及現金等價物	Cash and cash equivalents					
— 尚未逾期	— Not yet past due	25,910,244	—	—	—	25,910,244
提供予聯營公司及合營 企業的財務擔保	Financial guarantees provided to associates and joint ventures					
— 尚未逾期	— Not yet past due	12,193,470	—	—	—	12,193,470
		83,636,940	—	—	5,209	83,642,149



## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 44. 財務風險管理目標及政策(續)

#### (c) 信貸風險(續)

最大風險及年終分級(續)  
於2019年12月31日

		12個月		存續期預期信貸虧損		總計
		預期信貸虧損		Lifetime ECLs		
		12-month		Simplified		
		第1階段	第2階段	第3階段	簡化方法	
		Stage 1	Stage 2	Stage 3	approach	Total
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
貿易應收款項*	Trade receivables*	—	—	—	3,035	3,035
計入預付款項及其他應收款項的金融資產	Financial assets included in prepayments and other receivables					
— 正常**	— Normal**	23,560,227	—	—	—	23,560,227
應收關聯公司款項	Due from related companies	9,446,200	—	—	—	9,446,200
受限制現金	Restricted cash					
— 尚未逾期	— Not yet past due	10,194,619	—	—	—	10,194,619
已抵押存款	Pledged deposits					
— 尚未逾期	— Not yet past due	1,344,886	—	—	—	1,344,886
現金及現金等價物	Cash and cash equivalents					
— 尚未逾期	— Not yet past due	14,955,756	—	—	—	14,955,756
提供予聯營公司及合營企業的財務擔保	Financial guarantees provided to associates and joint ventures					
— 尚未逾期	— Not yet past due	10,228,866	—	—	—	10,228,866
		69,730,554	—	—	3,035	69,733,589

\* 有關貿易應收款項(本集團對此應用簡化方法計算減值)基於預期信貸虧損的資料披露於附註23。信貸風險並無出現重大集中。

\*\* 當應收關聯公司款項及計入預付款項及其他應收款項的金融資產並無逾期及並無資料顯示該等金融資產自初始確認以來出現信貸風險大幅增加，其信貸質素視為「正常」。

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)  
As at 31 December 2019

		12個月		存續期預期信貸虧損		總計
		預期信貸虧損		Lifetime ECLs		
		12-month		Simplified		
		第1階段	第2階段	第3階段	簡化方法	
		Stage 1	Stage 2	Stage 3	approach	Total
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
貿易應收款項*	Trade receivables*	—	—	—	3,035	3,035
計入預付款項及其他應收款項的金融資產	Financial assets included in prepayments and other receivables					
— 正常**	— Normal**	23,560,227	—	—	—	23,560,227
應收關聯公司款項	Due from related companies	9,446,200	—	—	—	9,446,200
受限制現金	Restricted cash					
— 尚未逾期	— Not yet past due	10,194,619	—	—	—	10,194,619
已抵押存款	Pledged deposits					
— 尚未逾期	— Not yet past due	1,344,886	—	—	—	1,344,886
現金及現金等價物	Cash and cash equivalents					
— 尚未逾期	— Not yet past due	14,955,756	—	—	—	14,955,756
提供予聯營公司及合營企業的財務擔保	Financial guarantees provided to associates and joint ventures					
— 尚未逾期	— Not yet past due	10,228,866	—	—	—	10,228,866
		69,730,554	—	—	3,035	69,733,589

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 23. There is no significant concentration of credit risk.

\*\* The credit quality of amounts due from related companies and the financial assets included in prepayments and other receivables 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.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 44. 財務風險管理目標及政策(續)

## (d) 流動資金風險

本集團的目標是通過使用計息銀行及其他借款、資產支持證券所得款項及優先票據維持資金持續性及靈活性之間的平衡。現金流量受持續密切監控。

本集團於報告期末按合約未貼現付款計算的金融負債的到期情況如下：

## 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

## (d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, proceeds from asset-backed securities and senior notes. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted payments, is as follows:

		按要求 On demand 人民幣千元 RMB'000	少於3個月 Less than 3 months 人民幣千元 RMB'000	3至12個月 3 to 12 months 人民幣千元 RMB'000	1年以上 Over 1 year 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
2020年12月31日	31 December 2020					
優先票據	Senior notes	—	1,804,930	5,501,211	1,570,623	8,876,764
貿易應付款項及應付票據	Trade and bills payables	—	17,082,883	—	—	17,082,883
計入其他應付款項及應計 費用的金融負債	Financial liabilities included in other payables and accruals	—	19,959,372	—	—	19,959,372
應付關聯公司款項	Due to related companies	18,130,579	—	—	—	18,130,579
財務擔保合約	Financial guarantee contracts	12,193,470	—	—	—	12,193,470
其他金融負債	Other financial liabilities	68,315	—	—	—	68,315
計息銀行及其他借款	Interest-bearing bank and other borrowings	—	2,266,224	14,211,673	28,419,856	44,897,753
資產支持證券所得 款項	Proceeds from assets- backed securities	—	—	—	317,709	317,709
租賃負債	Lease liabilities	—	867	46,380	72,695	119,942
		30,392,364	41,114,276	19,759,264	30,380,883	121,646,787

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 44. 財務風險管理目標及政策 (續)

#### (d) 流動資金風險 (續)

		按要求	少於3個月	3至12個月	1年以上	總計
		On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2019年12月31日	31 December 2019					
優先票據	Senior notes	—	—	1,378,045	2,817,326	4,195,371
貿易應付款項及應付票據	Trade and bills payables	—	12,060,536	—	—	12,060,536
計入其他應付款項及應計 費用的金融負債	Financial liabilities included in other payables and accruals	—	15,436,018	—	—	15,436,018
應付關聯公司款項	Due to related companies	11,985,635	—	—	—	11,985,635
財務擔保合約	Financial guarantee contracts	10,228,866	—	—	—	10,228,866
其他金融負債	Other financial liabilities	92,378	—	—	—	92,378
計息銀行及其他借款	Interest-bearing bank and other borrowings	—	3,632,856	16,352,478	21,006,979	40,992,313
租賃負債	Lease liabilities	—	1,537	80,952	91,068	173,557
		22,306,879	31,130,947	17,811,475	23,915,373	95,164,674

#### (e) 資本管理

本集團資本管理的主要目標是為保障本集團持續經營並維持穩健的資本比率的能力，以支持其業務並使股東價值最大化。

本集團會根據經濟狀況的變化管理及調整其資本架構。為維持或調整資本架構，本集團或會對派付予股東的股息作出調整、返還股東資本或發行新股份。

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (d) Liquidity risk (Continued)

		按要求	少於3個月	3至12個月	1年以上	總計
		On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2019年12月31日	31 December 2019					
優先票據	Senior notes	—	—	1,378,045	2,817,326	4,195,371
貿易應付款項及應付票據	Trade and bills payables	—	12,060,536	—	—	12,060,536
計入其他應付款項及應計 費用的金融負債	Financial liabilities included in other payables and accruals	—	15,436,018	—	—	15,436,018
應付關聯公司款項	Due to related companies	11,985,635	—	—	—	11,985,635
財務擔保合約	Financial guarantee contracts	10,228,866	—	—	—	10,228,866
其他金融負債	Other financial liabilities	92,378	—	—	—	92,378
計息銀行及其他借款	Interest-bearing bank and other borrowings	—	3,632,856	16,352,478	21,006,979	40,992,313
租賃負債	Lease liabilities	—	1,537	80,952	91,068	173,557
		22,306,879	31,130,947	17,811,475	23,915,373	95,164,674

#### (e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 44. 財務風險管理目標及政策(續)

## 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

## (e) 資本管理(續)

本集團採用資本負債比率(即債務淨額除以資本總額加債務淨額)來監控資本。債務淨額包括貿易應付款項及應付票據、計入其他應付款項及應計費用的金融負債、應付關聯公司款項、財務擔保合約撥備、其他金融負債、計息銀行及其他借款(可換股債券除外)、租賃負債、優先票據及資產支持證券所得款項,減現金及現金等價物。資本指母公司擁有人應佔權益。於報告期末的資本負債比率如下:

## (e) Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related companies, provision for financial guarantee contracts, other financial liabilities, interest-bearing bank and other borrowings (other than convertible bonds), lease liabilities, senior notes and proceeds from asset-backed securities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratio as at the end of the reporting period was as follows:

		2020年 12月31日 31 December 2020 人民幣千元 RMB'000	2019年 12月31日 31 December 2019 人民幣千元 RMB'000
貿易應付款項及應付票據	Trade and bills payables	17,082,883	12,060,536
計入其他應付款項及應計費用的 金融負債	Financial liabilities included in other payables and accruals	24,488,785	19,019,087
應付關聯公司款項	Due to related companies	18,130,579	11,985,635
財務擔保合約撥備	Provision for financial guarantee contracts	72,914	31,364
其他金融負債	Other financial liabilities	68,315	92,378
計息銀行及其他借款	Interest-bearing bank and other borrowings	44,897,753	35,985,869
資產支持證券所得款項	Proceeds from asset-backed securities	317,709	—
優先票據	Senior notes	8,876,764	4,195,371
租賃負債	Lease liabilities	119,942	146,444
減: 現金及現金等價物	Less: Cash and cash equivalents	(25,910,244)	(14,955,756)
債務淨額	Net debt	88,145,400	68,560,928
母公司擁有人應佔權益	Equity attributable to owners of the parent	10,906,737	8,728,100
資本及債務淨額	Capital and net debt	99,052,137	77,289,028
資本負債比率	Gearing ratio	88.99%	88.71%

## 財務報表附註 Notes to Financial Statements

2020年12月31日 31 December 2020

### 45. 本公司財務狀況表

於報告期末本公司財務狀況表的資料如下：

### 45. 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年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000
<b>非流動資產</b>	<b>NON-CURRENT ASSETS</b>		
物業、廠房及設備	Property, plant and equipment	35	40
投資附屬公司	Investment in subsidiaries	200,523	200,523
非流動資產總額	Total non-current assets	200,558	200,563
<b>流動資產</b>	<b>CURRENT ASSETS</b>		
現金及現金等價物	Cash and cash equivalents	160,766	441,905
應收附屬公司款項	Due from subsidiaries	17,541,749	9,374,034
流動資產總額	Total current assets	17,702,515	9,815,939
<b>流動負債</b>	<b>CURRENT LIABILITIES</b>		
其他應付款項及應計費用	Other payables and accruals	2,517,396	34,131
優先票據	Senior notes	7,306,141	1,378,045
流動負債總額	Total current liabilities	9,823,537	1,412,176
<b>流動資產淨額</b>	<b>NET CURRENT ASSETS</b>	<b>7,878,978</b>	<b>8,403,763</b>
<b>資產總額減流動負債</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>8,079,536</b>	<b>8,604,326</b>
<b>非流動負債</b>	<b>NON-CURRENT LIABILITIES</b>		
優先票據	Senior notes	1,570,623	2,817,326
非流動負債總額	Total non-current liabilities	1,570,623	2,817,326
淨資產	Net assets	6,508,913	5,787,000
<b>權益</b>	<b>EQUITY</b>		
股本(附註33)	Share capital (note 33)	31,450	31,450
儲備(附註35)	Reserves (note 35)	6,477,463	5,755,550
總權益	Total equity	6,508,913	5,787,000

## 財務報表附註

## Notes to Financial Statements

2020年12月31日 31 December 2020

## 45. 本公司財務狀況表(續)

## 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

附註：

Note:

本公司的儲備概要如下：

A summary of the Company's reserves is as follows:

		股本 Share capital 人民幣千元 RMB'000	股份溢價 Share premium 人民幣千元 RMB'000	股本儲備 Capital reserve 人民幣千元 RMB'000	購股權儲備 Share option reserve 人民幣千元 RMB'000	保留溢利 Retained profits 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
於2019年1月1日的結餘	Balance at 1 January 2019	85	954,732	200,523	—	4,415	1,159,755
年度合計全面收益	Total comprehensive income for the year	—	—	—	—	2,415,134	2,415,134
發行新股份	Issuance of new shares	31,365	2,675,033	—	—	—	2,706,398
股息及分派	Dividends and distribution	—	—	—	—	(494,287)	(494,287)
於2019年12月31日及 2020年1月1日的結餘	Balance at 31 December 2019 and 1 January 2020	31,450	3,629,765	200,523	—	1,925,262	5,787,000
年度合計全面收益	Total comprehensive income for the year	—	—	—	—	2,285,397	2,285,397
股息及分派	Dividends and distributions	—	—	—	—	(1,563,018)	(1,563,018)
以權益結算的購股權 安排	Equity-settled share option arrangement	—	—	—	(466)	—	(466)
於2020年12月31日的 結餘	Balance at 31 December 2020	31,450	3,629,765	200,523	(466)	2,647,641	6,508,913

## 財務報表附註

### Notes to Financial Statements

2020年12月31日 31 December 2020

#### 46. 報告期後事項

##### 發行優先票據

於2021年1月13日，本公司發行於2022年到期本金額為200,000,000美元的優先票據。優先票據按每年9.5%計息，每半年到期付息。優先票據的到期日為2022年7月16日。於到期日前任何時間，本公司可選擇按預先釐定的贖回價贖回優先票據。

於2021年2月1日，本公司發行於2022年到期本金額為250,000,000美元的優先票據。優先票據按每年7.5%計息，每半年到期付息。優先票據的到期日為2022年1月31日。於到期日前任何時間，本公司可選擇按預先釐定的贖回價贖回優先票據。

#### 47. 批准財務報表

財務報表乃於2021年3月23日獲董事會批准及授權刊發。

#### 46. EVENTS AFTER THE REPORTING PERIOD

##### Issuance of senior notes

On 13 January 2021, the Company issued senior notes with a principal amount of US\$ 200,000,000 due in 2022. The senior notes bear interest at 9.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 July 2022. At any time prior to maturity, the Company may at its option redeem the senior notes at a pre-determined redemption price.

On 1 February 2021, the Company issued senior notes with a principal amount of US\$250,000,000 due in 2022. The senior notes bear interest at 7.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 31 January 2022. At any time prior to maturity, the Company may at its option redeem the senior notes at a pre-determined redemption price.

#### 47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2021.

# 五年財務概要

## Five-Year Financial Summary

		截至12月31日止年度 Year ended 31 December				
		2020年 2020 人民幣千元 RMB'000	2019年 2019 人民幣千元 RMB'000	2018年 2018 人民幣千元 RMB'000	2017年 2017 人民幣千元 RMB'000	2016年 2016 人民幣千元 RMB'000
收入	Revenue	65,940,566	56,639,596	30,214,688	14,026,299	2,925,411
銷售成本	Cost of sales	52,087,655	(43,457,345)	(23,303,847)	(11,166,324)	(2,308,844)
<b>毛利</b>	<b>Gross profit</b>	<b>13,852,911</b>	<b>13,182,251</b>	<b>6,910,841</b>	<b>2,859,975</b>	<b>616,567</b>
其他收入及收益	Other income and gains	918,050	233,873	95,045	24,517	163,475
銷售及分銷開支	Selling and distribution expenses	(2,254,253)	(2,030,081)	(1,333,901)	(823,698)	(405,186)
行政開支	Administrative expenses	(2,848,025)	(2,549,711)	(1,648,265)	(701,224)	(377,001)
金融資產減值虧損	Impairment losses on financial assets	(5,562)	(9,870)	(10,964)	(2,162)	(473)
其他開支	Other expenses	(186,371)	(255,162)	(197,760)	(20,333)	(30,059)
投資物業公平值收益	Fair value gains on investment properties	88,365	49,855	71,971	261,898	8,725
按公平值計入損益的金融資產公平值收益/(虧損)	Fair value gains/(losses) on financial assets at fair value through profit or loss	(30,929)	(6,880)	(4,039)	(5,378)	17,919
融資收入	Finance income	408,100	515,645	353,711	150,805	63,797
融資成本	Finance costs	(542,494)	(466,533)	(433,466)	(356,320)	(269,018)
應佔溢利及虧損：	Share of profits and losses of:					
合營企業	Joint ventures	467,861	979,353	(82,242)	(134,844)	(29,053)
聯營公司	Associates	497,169	255,371	717,545	14,649	(33,648)
<b>稅前溢利/(虧損)</b>	<b>Profit/(loss) before tax</b>	<b>10,364,822</b>	<b>9,898,111</b>	<b>4,438,476</b>	<b>1,267,885</b>	<b>(273,955)</b>
所得稅(開支)/抵免	Income tax (expense)/credit	(3,798,407)	(3,642,203)	(1,912,189)	(769,311)	4,186
<b>年度溢利/(虧損)</b>	<b>Profit/(loss) for the year</b>	<b>6,566,415</b>	<b>6,255,908</b>	<b>2,526,287</b>	<b>498,574</b>	<b>(269,769)</b>
以下人士應佔：	Attributable to:					
本公司擁有人	Owners of the Company	3,743,429	3,833,699	1,931,336	502,667	(168,627)
非控股權益	Non-controlling interests	2,822,986	2,422,209	594,951	(4,093)	(101,142)
		<b>6,566,415</b>	<b>6,255,908</b>	<b>2,526,287</b>	<b>498,574</b>	<b>(269,769)</b>



## 五年財務概要

### Five-Year Financial Summary

		於12月31日				
		As at 31 December				
		2020年	2019年	2018年	2017年	2016年
		2020	2019	2018	2017	2016
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>資產</b>	<b>ASSETS</b>					
非流動資產	Non-current assets	24,082,399	14,389,227	7,680,424	2,721,979	846,134
流動資產	Current assets	246,750,891	210,130,756	160,394,192	96,488,433	45,478,960
<b>資產總額</b>	<b>Total assets</b>	<b>270,833,290</b>	<b>224,519,983</b>	<b>168,074,616</b>	<b>99,210,412</b>	<b>46,325,094</b>
<b>權益及負債</b>	<b>EQUITY AND LIABILITIES</b>					
權益總額	Total equity	30,182,150	20,871,555	6,754,232	2,353,751	654,988
非流動負債	Non-current liabilities	31,014,863	19,629,976	12,871,427	17,175,187	10,534,680
流動負債	Current liabilities	209,636,277	184,018,452	148,448,957	79,681,474	35,135,426
負債總額	Total liabilities	240,651,140	203,648,428	161,320,384	96,856,661	45,670,106
<b>權益及負債總額</b>	<b>Total equity and liabilities</b>	<b>270,833,290</b>	<b>224,519,983</b>	<b>168,074,616</b>	<b>99,210,412</b>	<b>46,325,094</b>

# 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 shareholders of Zhongliang Holdings Group Company Limited

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Zhongliang Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 202, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("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.

## Independent Auditor's Report

### 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

##### *Recognition of revenue from sales of properties over time*

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2019, revenue of the Group from sales of properties was RMB56,383,676,000, of which RMB6,126,666,000 was recognised over time.

The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of a sales contract and the interpretation of the applicable laws that apply to the contract. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without the right.

In assessing the appropriateness of management's judgements relating to the accounting policies of revenue recognition, we have:

- (i) understood and evaluated management's process and procedures in identifying sales contracts with or without right to payment;
- (ii) reviewed the key terms of a sample sales contracts to assess the presence of the right to payment based on the contract terms;
- (iii) obtained and evaluated the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; and
- (iv) assessed the competence, experience and objectivity of the legal counsel engaged by management.

## Independent Auditor's Report

### KEY AUDIT MATTERS (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
------------------------------	--

*Recognition of revenue from sales of properties over time (Continued)*

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on types of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.

The disclosures of the revenue from sales of properties are included in notes 3 and 5 to the consolidated financial statements.

In respect of the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have performed the following procedures on a sample basis:

- (i) compared the actual development costs of completed projects to management's prior estimations of total development costs to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology;
- (ii) obtained an understanding of the internal controls over the generation of cost data of the projects and property units, evaluated and tested them;
- (iii) assessed the reasonableness of the basis for the allocation of common costs among project units;
- (iv) assessed the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas;
- (v) compared the estimated total development costs of the projects and property units under development to the budget approved by management;
- (vi) tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable; and
- (vii) checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit.

## Independent Auditor's Report

### KEY AUDIT MATTERS (Continued)

#### Key audit matter (Continued)

#### How our audit addressed the key audit matter (Continued)

##### *Provision for land appreciation tax*

The Group is a property developer in mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax ("LAT") in mainland China is one of the main components of the Group's taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of reporting period, management of the Group estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditures, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditures. When the LAT is subsequently determined, the actual payments may be different from the estimates. Provision for LAT in mainland China is significant to the consolidated financial statements and the determination of such provision involves significant management's judgement and interpretation of the relevant tax laws and regulations and practices. Accordingly, provision for LAT is identified as a key audit matter.

We involved internal tax specialists to assist us to perform a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities and by applying our local knowledge and experience. We also recalculated the tax computation and compared our calculations with the amounts recorded by the Group.

The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.

### 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.

## Independent Auditor's Report

### 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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 DENIS MING KUI CHENG.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

10 April 2020

## Consolidated Statements of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>REVENUE</b>	5	<b>56,639,596</b>	30,214,688
Cost of sales		<b>(43,457,345)</b>	(23,303,847)
<b>GROSS PROFIT</b>		<b>13,182,251</b>	6,910,841
Other income and gains	5	<b>233,873</b>	95,045
Selling and distribution expenses		<b>(2,030,081)</b>	(1,333,901)
Administrative expenses		<b>(2,549,711)</b>	(1,648,265)
Impairment losses on financial assets, net		<b>(9,870)</b>	(10,964)
Other expenses		<b>(255,162)</b>	(197,760)
Fair value gains on investment properties	14	<b>49,855</b>	71,971
Fair value losses on financial assets at fair value through profit or loss		<b>(6,880)</b>	(4,039)
Finance Income		<b>515,645</b>	353,711
Finance costs	7	<b>(466,533)</b>	(433,466)
Share of profits and losses of:			
Joint ventures		<b>979,353</b>	(82,242)
Associates		<b>255,371</b>	717,545
<b>PROFIT BEFORE TAX</b>	6	<b>9,898,111</b>	4,438,476
Income tax expense	10	<b>(3,642,203)</b>	(1,912,189)
<b>PROFIT FOR THE YEAR</b>		<b>6,255,908</b>	2,526,287
Attributable to:			
Owners of the parent		<b>3,833,699</b>	1,931,336
Non-controlling interests		<b>2,422,209</b>	594,951
		<b>6,255,908</b>	2,526,287
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	12	<b>RMB1.17</b>	RMB0.65



# Consolidated Statements of Comprehensive Income

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
<b>PROFIT FOR THE YEAR</b>	<b>6,255,908</b>	2,526,287
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences:		
Exchange differences on translation of foreign operations	(12,565)	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(12,565)	—
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b>(12,565)</b>	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>6,243,343</b>	2,526,287
Attributable to:		
Owners of the parent	3,821,134	1,931,336
Non-controlling interests	2,422,209	594,951
	<b>6,243,343</b>	2,526,287

## Consolidated Statements of Financial Position

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	117,679	105,269
Investment properties	14	1,196,550	928,900
Other Intangible assets	15	8,128	455
Right-of-use assets	16	144,809	—
Investments in joint ventures	17	3,240,364	2,584,059
Investments in associates	18	6,749,631	2,113,159
Deferred tax assets	19	2,932,066	1,852,380
Prepayments and other receivables	24	—	96,202
Total non-current assets		14,389,227	7,680,424
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	20	290,723	228,757
Properties under development	21	128,779,890	99,481,406
Completed properties held for sale	22	4,140,691	3,596,396
Trade receivables	23	3,035	4,354
Due from related companies	39	9,446,200	9,841,443
Prepayments and other receivables	24	38,283,718	22,209,895
Tax recoverable		2,691,238	1,951,577
Restricted cash	25	10,194,619	7,892,069
Pledged deposits	25	1,344,886	636,777
Cash and cash equivalents	25	14,955,756	14,551,518
Total current assets		210,130,756	160,394,192
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	26	12,060,536	8,498,295
Other payables and accruals	27	19,019,087	20,476,168
Lease liabilities	16	46,234	—
Contract liabilities	28	115,873,077	95,482,250
Due to related companies	39	11,985,635	7,419,138
Interest-bearing bank and other borrowings	29	20,125,313	14,468,672
Tax payable	10	3,406,783	1,960,281
Provision for financial guarantee contracts	30	31,364	84,869
Senior notes	31	1,378,045	—
Other financial liabilities		92,378	59,284
Total current liabilities		184,018,452	148,448,957
<b>NET CURRENT ASSETS</b>		26,112,304	11,945,235
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		40,501,531	19,625,659

## Consolidated Statements of Financial Position

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	29	15,860,556	12,536,245
Lease liabilities	16	100,210	—
Deferred tax liabilities	19	851,884	335,182
Senior notes	31	2,817,326	—
Total non-current liabilities		19,629,976	12,871,427
<b>NET ASSETS</b>		20,871,555	6,754,232
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	32	31,450	85
Reserves	33	8,696,650	2,578,591
		8,728,100	2,578,676
<b>Non-controlling interests</b>		12,143,455	4,175,556
<b>TOTAL EQUITY</b>		20,871,555	6,754,232

Chen Hongliang  
*Director*

Li Heli  
*Director*

# Consolidated Statements of Changes in Equity

Year ended 31 December 2019

Attributable to owners of the parent

	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits/ (Accumulated losses)	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 32	Note 33(a)	Note 33(b)	Note 33(d)	Note 33(c)		Note 33(e)			
As at 1 January 2019	85	954,732	3,138	(145,332)	606,519	1,159,534	—	2,578,676	4,175,556	6,754,232
Profit for the year	—	—	—	—	—	3,833,699	—	3,833,699	2,422,209	6,255,908
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(12,565)	(12,565)	—	(12,565)
Total comprehensive income for the year	—	—	—	—	—	3,833,699	(12,565)	3,821,134	2,422,209	6,243,343
Issue of new shares	31,365	2,675,033	—	—	—	—	—	2,706,398	—	2,706,398
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	5,660,433	5,660,433
Disposal of equity interests in subsidiaries without losing control	—	—	—	74,685	—	—	—	74,685	(74,685)	—
Acquisition of non-controlling interests	—	—	—	41,494	—	—	—	41,494	(41,494)	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	1,436	1,436
Dividends and distributions	—	—	—	—	—	(494,287)	—	(494,287)	—	(494,287)
Appropriations to statutory surplus reserve	—	—	—	—	636,418	(636,418)	—	—	—	—
As at 31 December 2019	31,450	3,629,765*	3,138*	(29,153)*	1,242,937*	3,862,528*	(12,565)*	8,728,100	12,143,455	20,871,555
As at 1 January 2018	—	—	400,000	—	153,161	(318,444)	—	234,717	2,119,034	2,353,751
Profit or loss for the year	—	—	—	—	—	1,931,336	—	1,931,336	594,951	2,526,287
Total comprehensive income for the year	—	—	—	—	—	1,931,336	—	1,931,336	594,951	2,526,287
Issuance of new shares	85	954,732	—	—	—	—	—	954,817	—	954,817
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	21,755	—	—	—	21,755	1,222,547	1,244,302
Acquisition of non-controlling interests	—	—	—	(167,087)	—	—	—	(167,087)	167,087	—
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries	—	—	(396,862)	—	—	—	—	(396,862)	—	(396,862)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	71,937	71,937
Appropriations to statutory surplus reserve	—	—	—	—	453,358	(453,358)	—	—	—	—
As at 31 December 2018	85	954,732*	3,138*	(145,332)*	606,519*	1,159,534*	—	2,578,676	4,175,556	6,754,232

\* These reserve accounts comprise the consolidated reserves of RMB8,696,650,000 (2018: RMB2,578,591,000) in the Consolidated Statement of financial position.

# Consolidated Statements of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>9,898,111</b>	4,438,476
Adjustments for:			
Depreciation of items of property, plant and equipment	6,13	<b>35,665</b>	42,922
Amortisation of other intangible assets	6,15	<b>789</b>	259
Impairment losses recognised for properties under development	6,21	<b>223,637</b>	54,800
Impairment losses recognised for financial assets	24	<b>9,870</b>	10,964
Changes in provision for financial guarantee contracts	5	<b>(83,385)</b>	—
(Gain)/loss on disposal of subsidiaries		<b>(4,029)</b>	23,215
Gain on disposal of associates		<b>—</b>	(6,802)
Share of profits and losses of joint ventures		<b>(979,353)</b>	82,242
Share of profits and losses of associates		<b>(255,371)</b>	(717,545)
Changes in fair value of investment properties	14	<b>(49,855)</b>	(71,971)
Fair value losses on financial assets at fair value through profit or loss		<b>6,880</b>	4,039
Depreciation of right-of-use assets	16	<b>37,187</b>	—
Finance costs	7	<b>466,533</b>	433,466
Finance income		<b>(515,645)</b>	(353,711)
		<b>8,791,034</b>	3,940,354
Increase in properties under development and completed properties held for sale		<b>(28,384,130)</b>	(39,480,692)
Increase in prepayments and other receivables		<b>(18,080,580)</b>	(11,242,826)
Increase in restricted cash		<b>(2,302,550)</b>	(2,861,726)
(Increase)/decrease in pledged deposits		<b>(800,863)</b>	26,332
Decrease/(increase) in trade receivables		<b>1,319</b>	(4,354)
Increase in amounts due from related companies		<b>(1,189)</b>	—
Increase in trade and bills payables		<b>3,778,147</b>	3,878,183
Increase in other payables and accruals		<b>1,571,574</b>	15,181,510
Increase in contract liabilities		<b>21,811,674</b>	43,589,952
Increase in amounts due to related companies		<b>86,344</b>	—
<b>Cash (used in)/generated from operations</b>		<b>(13,529,220)</b>	13,026,733
Interest received		<b>458,429</b>	285,047
Interest paid		<b>(3,721,326)</b>	(2,395,482)
Tax paid		<b>(3,536,909)</b>	(2,879,352)
<b>Net cash flows (used in)/generated from operating activities</b>		<b>(20,329,026)</b>	8,036,946

## Consolidated Statements of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	13	(49,107)	(48,227)
Purchases of other intangible assets	15	(8,462)	(144)
Acquisition of financial assets at fair value through profit or loss		(69,494)	(2,500)
Acquisition of subsidiaries	35	(19,432)	(405,681)
Disposal of financial assets at fair value through profit or loss		648	66,875
Investments in joint ventures and associates		(4,654,514)	(3,467,757)
Disposal of investments in subsidiaries		(320,910)	—
Disposal of investments in joint ventures and associates		—	101,318
Purchases of investment properties	14	(287,295)	(65,929)
Advances to related companies	39	(18,126,179)	(37,936,060)
Repayment of advances to related companies	39	18,522,611	30,251,462
<b>Net cash flows used in investing activities</b>		<b>(5,012,134)</b>	<b>(11,506,643)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		2,815,502	954,817
Share issue expenses		(109,104)	—
Capital contribution from non-controlling shareholders of subsidiaries		5,660,433	1,244,302
Acquisition of subsidiaries by the Group from the equity holders of subsidiaries		—	(396,862)
Advances from related companies	39	15,310,099	18,675,887
Repayment of advances from related companies	39	(10,829,946)	(15,958,018)
Decrease in pledged deposits		92,754	42,849
Principal portion of lease payments	34	(35,552)	—
Dividends paid		(494,287)	—
Proceeds from issue of senior notes	31	4,095,975	—
Proceeds from interest-bearing bank and other borrowings		39,567,582	31,287,963
Repayment of interest-bearing bank and other borrowings		(30,322,630)	(28,577,745)
<b>Net cash flows generated from financing activities</b>		<b>25,750,826</b>	<b>7,273,193</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>409,666</b>	<b>3,803,496</b>
Cash and cash equivalents at beginning of year		14,551,518	10,748,022
Effect of foreign exchange rate changes, net		(5,428)	—
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>14,955,756</b>	<b>14,551,518</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	25	26,495,261	23,080,364
Less: Restricted cash	25	10,194,619	7,892,069
Pledged deposits	25	1,344,886	636,777
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		<b>14,955,756</b>	<b>14,551,518</b>

# Notes to Financial Statements

31 December 2019

## 1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

During the year, the Group was principally involved in property development, property leasing and management consulting services.

In the opinion of the directors, the immediate holding company of the Company is Liangzhong International Co., Ltd.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
<b>Directly held:</b>				
Zhongliang International Development Company Limited	British Virgin Islands	US\$50	100.00%	Investment holding
Ample SINO Investments Limited	British Virgin Islands	US\$50	100.00%	Investment holding
<b>Indirectly held:</b>				
Zhongliang Hong Kong Property Investment Group Co. Limited	Hong Kong	HK\$50	100.00%	Investment holding
Heng Rong Co., Ltd.	Hong Kong	HK\$10	100.00%	Investment holding
上海梁卓商務信息諮詢有限公司 Shanghai Liangzhuo Business Information Consulting Co., Ltd.	People's Republic of China ("PRC")/ Mainland China	RMB700,000	100.00%	Investment holding
上海中梁企業發展有限公司 Shanghai Zhongliang Enterprise Development Co., Ltd.	PRC/Mainland China	RMB3,330,000	100.00%	Investment holding
上海中梁地產集團有限公司 Shanghai Zhongliang Real Estate Group Co. Ltd.	PRC/Mainland China	RMB10,000,000	100.00%	Property development
松陽縣中梁華置置業有限公司 (note 1) Songyang Zhongliang Huadong Property Co., Ltd.	PRC/Mainland China	RMB20,000	32.40%	Property development
鹽城市中梁御置置業有限公司 Yancheng Zhongliangyu Property Co., Ltd.	PRC/Mainland China	RMB50,000	88.33%	Property development
張家港市中梁軒置置業有限公司 Zhangjiagang Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	64.24%	Property development
宣城梁鴻置置業有限公司 Xuancheng Lianghong Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development

## Notes to Financial Statements

31 December 2019

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital (‘000)	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (Continued)</i>				
蕪湖梁宏置業有限公司 Wuhu Lianghong Property Co., Ltd.	PRC/Mainland China	RMB10,000	52.55%	Property development
蕪湖梁冠置業有限公司 Wuhu Lianguan Property Co., Ltd.	PRC/Mainland China	RMB50,000	64.69%	Property development
達州梁實置業有限公司 Dazhou Liangshi Property Co., Ltd.	PRC/Mainland China	RMB50,000	56.40%	Property development and property leasing
嘉興市梁楹置業有限公司 Jiaying Liangying Property Co., Ltd.	PRC/Mainland China	RMB500,000	61.74%	Property development
景德鎮梁泰置業有限公司 Jingdezhen Liangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	91.00%	Property development
九江市中梁和置業有限公司 Jiujiang Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB20,000	52.34%	Property development
臨海市中梁信置業有限公司 Linhai Zhongliangxin Property Co., Ltd.	PRC/Mainland China	RMB10,000	87.24%	Property development
寧波石成置業有限公司 Ningbo Shicheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	56.40%	Property development
青田金梁置業有限公司 Qingtian Jinliang Property Co., Ltd.	PRC/Mainland China	RMB10,000	67.06%	Property development and property leasing
舟山市中梁宏置業有限公司 Zhoushan Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	57.83%	Property development
麗水市梁軒置業有限公司 Lishui Liangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	60.00%	Property development
溫州市中梁華成置業有限公司 Wenzhou Zhongliang Huacheng Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development
上海梁彤置業有限公司 Shanghai Liangtong Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development
上海慈晉置業有限公司 Shanghai Cijin Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development



## Notes to Financial Statements

31 December 2019

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (Continued)</i>				
浙江梁城置業有限公司 Zhejiang Liangcheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Investment holding
樂清市中梁城置業有限公司 Yueqing Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	51.74%	Property development
雲和縣中梁城置業有限公司 Yunhe Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	59.17%	Property development
福建中梁翼房地產開發有限公司 Fujian Zhongliangyi Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	60.00%	Property development
蒙城縣中梁銘築置業有限公司 Mengcheng Zhongliang Mingzhu Property Co., Ltd.	PRC/Mainland China	RMB50,000	74.00%	Property development
濉溪縣梁築置業有限公司 Suixi Liangzhu Property Co., Ltd.	PRC/Mainland China	RMB71,420	65.80%	Property development
南通市通州區梁宏置業有限公司 Nantong Tongzhou Lianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	62.01%	Property development
連雲港市聖承房地產開發有限公司 Lianyungang Shengcheng Real Estate Development Co., Ltd.	PRC/Mainland China	RMB70,000	59.13%	Property development
東台顧家置業有限公司 Dongtai Gujia Property Co., Ltd.	PRC/Mainland China	RMB50,000	81.96%	Property development and property leasing
靖江中梁紅置業有限公司 Jingjiang Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	61.04%	Property development
江陰宏揚置業有限公司 Jiangyin Hongyang Property Co., Ltd.	PRC/Mainland China	RMB50,000	63.17%	Property development
宜興市澄希置業有限公司 Yixing Chengxi Property Co., Ltd.	PRC/Mainland China	RMB50,000	53.20%	Property development
無錫錦華置業有限公司 Wuxi Jinhua Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.73%	Property development
泰州市華達置業有限公司 Taizhou Huada Property Co., Ltd.	PRC/Mainland China	RMB20,000	70.00%	Property development

## Notes to Financial Statements

31 December 2019

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital (‘000)	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (Continued)</i>				
泰安志錦置業有限公司 (note 1) Taian Zhijin Property Co., Ltd.	PRC/Mainland China	RMB10,000	45.85%	Property development
江蘇銀梧房地產開發有限公司 (note 1) Jiangsu Yinwu Real Estate Development Co., Ltd.	PRC/Mainland China	RMB80,000	49.82%	Property development
贛州梁宏置業有限公司 Ganzhou Lianghong Property Co., Ltd.	PRC/Mainland China	RMB15,000	65.80%	Property development and property leasing
贛州梁盛置業有限公司 Ganzhou Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB15,000	61.44%	Property development
贛州梁寧置業有限公司 Ganzhou Liangning Property Co., Ltd.	PRC/Mainland China	RMB15,000	55.80%	Property development
贛州梁築置業有限公司 Ganzhou Liangzhu Property Co., Ltd.	PRC/Mainland China	RMB15,000	61.81%	Property development and property leasing
贛州梁源置業有限公司 Ganzhou Liangyuan Property Co., Ltd.	PRC/Mainland China	RMB4,500	61.01%	Property development
蕪湖梁盛置業有限公司 (note 1) Wuhu Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	47.06%	Property development
蕪湖嵐宇置業有限公司 Wuhu Lanyu Property Co., Ltd.	PRC/Mainland China	RMB50,000	94.00%	Property development
銅陵市梁冠置業有限責任公司 Tongling Liangguan Property Co., Ltd.	PRC/Mainland China	RMB50,000	61.05%	Property development
宣城梁生置業有限公司 Xuancheng Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	54.71%	Property development
宣城梁春置業有限公司 Xuancheng Liangchun Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development
安寧中梁城置業有限公司 Anning Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	95.80%	Property development
恩施市康城房地產開發有限公司 Enshi Kangcheng Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	65.80%	Property development

## Notes to Financial Statements

31 December 2019

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (Continued)</i>				
長沙御融房地產開發有限公司 Changsha Yurong Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	51.00%	Property development and property leasing
桐鄉市梁達置業有限公司 Tongxiang Liangda Property Co., Ltd.	PRC/Mainland China	RMB50,000	91.33%	Property development
平湖市中梁瑞置業有限公司 Pinghu Zhongliangrui Property Co., Ltd.	PRC/Mainland China	RMB50,000	69.54%	Property development
開化縣中梁泰置業有限公司 Kaihua Zhongliangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	58.85%	Property development
興國縣中梁城置業有限公司 (note 1) Xingguo Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	47.01%	Property development
撫州市中梁軒置業有限公司 Fuzhou Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	51.73%	Property development
吉安市鑫瑞源房地產開發有限公司 Ji'an Xinruiyuan Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	51.00%	Property development
濰博中梁龍置業有限公司 Zibo Zhonglianglong Property Co., Ltd.	PRC/Mainland China	RMB10,000	54.54%	Property development
溫州市梁泰置業有限公司 Wenzhou Liangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	89.30%	Property development
諸暨市中梁置業有限公司 Zhuji Zhongliang Property Co., Ltd.	PRC/Mainland China	RMB150,000	92.94%	Property development
溫州市梁安置業有限公司 Wenzhou Liang'an Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development and property leasing
樂清市中梁慶置業有限公司 Yueqing Zhongliangqing Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.00%	Property development
樂清市中梁昊置業有限公司 Yueqing Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Property development
台州市中梁源置業有限公司 Taizhou Zhongliangyuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	93.61%	Property development

## Notes to Financial Statements

31 December 2019

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (Continued)</i>				
台州市中梁龍置業有限公司 Taizhou Zhonglianglong Property Co., Ltd.	PRC/Mainland China	RMB50,000	97.00%	Property development
台州市中梁皓置業有限公司 Taizhou Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB10,000	75.80%	Property development
台州市中梁慶置業有限公司 Taizhou Zhongliangqing Property Co., Ltd.	PRC/Mainland China	RMB10,000	76.20%	Property development
台州市中梁軒置業有限公司 Taizhou Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB10,000	62.14%	Property development
溫嶺市中梁豪置業有限公司 Wenling Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB10,000	67.00%	Property development
溫嶺市中梁源置業有限公司 Wenling Zhongliangyuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.80%	Property development
永修縣中梁和置業有限公司 Yongxiu Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development
台州市黃岩梁泰置業有限公司 Taizhou Huangyan Liangtai Property Co., Ltd.	PRC/Mainland China	RMB20,000	87.24%	Property development
寧波市中梁宏置業有限公司 Ningbo Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	92.68%	Property development
余姚市中梁拓城置業有限公司 Yuyao Zhongliang Tuo Cheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	52.55%	Property development
余姚市中梁宏置業有限公司 Yuyao Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	97.90%	Property development
舟山市拓城置業有限公司 Zhoushan Tuo Cheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	57.08%	Property development
浙江黃氏房地產開發有限公司 Zhejiang Huangshi Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	56.40%	Property development
杭州元茂置業有限公司 Hangzhou Yuanmao Property Co., Ltd.	PRC/Mainland China	RMB250,000	77.95%	Property development

## Notes to Financial Statements

31 December 2019

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital (‘000)	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (Continued)</i>				
蘭溪蘭悅置業有限公司 Lanxi Lanyue Property Co., Ltd.	PRC/Mainland China	RMB40,000	51.75%	Property development and property leasing
蒼南縣梁澤置業有限公司 Cangnan Liangze Property Co., Ltd.	PRC/Mainland China	RMB10,000	100.00%	Property development
瑞安市梁榮置業有限公司 Ruian Liangrong Property Co., Ltd.	PRC/Mainland China	RMB10,000	91.05%	Property development
湖州市中梁樂置業有限公司 Huzhou Zhongliangyu Property Co., Ltd.	PRC/Mainland China	RMB10,000	79.00%	Property development
上海天杜置業有限公司 Shanghai Tiandu Property Co., Ltd.	PRC/Mainland China	RMB10,000	100.00%	Property development
麗水市梁瑞置業有限公司 Lishui Liangrui Property Co., Ltd.	PRC/Mainland China	RMB20,000	70.00%	Property development
衢州市中梁創置業有限公司 Quzhou Zhongliangchuang Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Property development
寧國梁生置業有限公司 (note 1) Ningguo Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	38.51%	Property development
福建家景置業有限公司 (note 1) Fujian Jiajing Property Co., Ltd.	PRC/Mainland China	RMB110,000	46.84%	Property development
福建中梁房地產開發有限公司 Fujian Zhongliang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Investment holding
麗水市梁悅置業有限公司 Lishui Liangyue Property Co., Ltd.	PRC/Mainland China	RMB166,670	100.00%	Property development
上海佳梁實業發展有限公司 Shanghai Jliang Industrial Development Co., Ltd.	PRC/Mainland China	RMB50,000	51.00%	Property development
貴港中梁房地產開發有限公司 (note 1) Guigang Zhongliang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	49.00%	Property development
蒼南縣中梁和置業有限公司 Cangnan Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB10,000	94.86%	Property development

## Notes to Financial Statements

31 December 2019

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Note 1: As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the companies registered in Mainland China referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available. The legal forms of all the above disclosed principal subsidiaries are limited liability companies.

The directors of the Group are of the view that there are no individually significant non-controlling interests in the partly-owned subsidiaries.

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 PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss ("FVTPL") and other financial liabilities which have been measured at fair value. These financial statements are presented in Renminbi ("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 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).

## Notes to Financial Statements

31 December 2019

### 2.1 BASIS OF PRESENTATION (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.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to IFRSs 2015–2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

## Notes to Financial Statements

31 December 2019

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 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 IFRSs are described below:

- (a) IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-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 IFRS 16 is substantially unchanged under IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 had no impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effects of initial adoption as adjustments to the opening balance of right-of-use assets and lease liabilities at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

#### **New definition of a lease**

Under IFRS 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 IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 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 IFRS 16**

The Group has lease contracts for various items of offices and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 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 lease with 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).



## Notes to Financial Statements

31 December 2019

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

#### As a lessee — Leases previously classified as operating leases (Continued)

##### Impacts 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 IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. There are no lease assets recognised previously under finance leases that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 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
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics

#### Financial Impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	<b>Increase</b> RMB'000
<hr/>	
<b>Assets</b>	
Increase in right-of-use assets	108,485
<hr/>	
Increase in total assets	108,485
<hr/>	
<b>Liabilities</b>	
Increase in lease liabilities	108,485
<hr/>	
Increase in total liabilities	108,485
<hr/>	

## Notes to Financial Statements

31 December 2019

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

#### Financial Impact at 1 January 2019 (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
<b>Operating lease commitments as at 31 December 2018</b>	144,292
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(7,376)
	136,916
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	108,485
<b>Lease liabilities as at 1 January 2019</b>	<b>108,485</b>

- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 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 IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 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 continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 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. Based on the Group's assessment, the interpretation did not have any significant impact on the Group's financial position or performance of the Group.

## Notes to Financial Statements

31 December 2019

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i> <sup>1</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>1</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 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 IFRS 9, IAS 39 and IFRS 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 IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 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 IFRS 10 and IAS 28 was removed by the IASB in December 2015 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.

## Notes to Financial Statements

31 December 2019

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 1 and IAS 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 statements 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 other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, 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 is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Business combinations

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.

#### Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at the end of 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.

## Notes to Financial Statements

31 December 2019

### 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 consolidated 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 consolidated 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 of the 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 properties under development, completed 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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the 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 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.

## Notes to Financial Statements

31 December 2019

### 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 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. 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 statements of comprehensive income 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.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment and depreciation (Continued)

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:

Buildings	5.00%
Motor vehicles	20.00%
Office equipment and electronic devices	20.00%
Leasehold improvements	Over the shorter of the lease terms and 20.00%

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 statements of comprehensive income in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use assets 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 profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

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 assets 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 in accordance with the policy stated under "Property, plant and equipment and depreciation" above. 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.



## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

#### Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

#### Allocation of property development costs

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

#### 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.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 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.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (applicable from 1 January 2019) (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. 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:

Office properties	1 to 6 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.

###### (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 office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. 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.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (applicable from 1 January 2019) (Continued)

##### Group as a lessor (Continued)

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.

#### Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 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 profit or loss on the straight-line basis over the lease terms.

#### Investments and other financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

## Notes to Financial Statements

31 December 2019

### 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 profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through profit or loss*

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes 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.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### 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.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of financial assets (Continued)

##### General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, 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 interest-bearing bank and other borrowings, senior notes, lease liabilities, amounts due to related companies, trade payables, other payables and other financial liabilities and financial guarantee contracts.

##### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial liabilities (Continued)

##### 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 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 profit or loss.

##### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

##### Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

##### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability and the difference between the respective carrying amounts is recognised in profit or loss.

##### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only 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 asset and settle the liability simultaneously.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash and cash equivalents

For the purpose of the consolidated statements 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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks 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 each of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each 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:

- where 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.



## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income tax (Continued)

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:

- where 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 the 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 the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, 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 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 profit or loss by way of a reduced depreciation charge.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 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 IFRS 15.

##### Sale of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of financing component if it is significant.

For a property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

##### Property management services

Property management service income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

##### Management consulting services

Management consulting service income derived from the provision of support services in connection with development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

##### 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 discounts the estimated future cash receipts over the expected life of the financial instrument of 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 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).

#### Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a defined contribution pension scheme centrally operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### 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.

## Notes to Financial Statements

31 December 2019

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. 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 each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries 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 profit or loss.

## Notes to Financial Statements

31 December 2019

### 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 consolidated financial statements:

#### Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

#### Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

#### 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.

## Notes to Financial Statements

31 December 2019

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### 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 disclosed below:

#### Revenue recognition

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on the type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can affect the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

#### Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

#### Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed to by the parties to the contract provides the Group with a significant benefit of financing.

Advance payments received from customers provides a significant financing benefit to the Group. Although the Group is required to place all deposits and periodic payments received from the pre-completion sales in a stakeholder account, the Group is able to benefit from those advance payment as it can withdraw money from that account to pay for expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers.

## Notes to Financial Statements

31 December 2019

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (Continued)

##### PRC corporate income tax (“CIT”)

The Group is subject to corporate 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.

##### 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 tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

##### Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-us assets) at the end of the reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### Estimate 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 date 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.

At 31 December 2019, the carrying amount of investment properties was RMB1,196,550,000 (2018: RMB928,900,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

## Notes to Financial Statements

31 December 2019

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (Continued)

##### Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, 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. 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. Further details are contained in note 19 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).

### 4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group’s business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment, while no revenue, net profit or total assets from a single location exceeded 10% of the Group’s consolidated revenue, net profit or total assets, respectively. As all locations have similar economic characteristics with similar nature of property development and leasing and management, nature of the aforementioned business processes, type or class of customers for the aforementioned businesses and methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

#### Geographical information

No geographical information is presented as the Group’s revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

#### Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group’s revenue for the reporting period.



## Notes to Financial Statements

31 December 2019

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
<b>Revenue from contracts with customers</b>	<b>56,627,720</b>	30,210,258
<b>Revenue from other sources</b>		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	11,876	4,430
	<b>56,639,596</b>	30,214,688

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

	2019 RMB'000	2018 RMB'000
<b>Type of goods or services</b>		
Sale of properties	56,383,676	29,992,092
Management consulting services	244,044	211,845
Property management services	—	6,321
Total revenue from contracts with customers	<b>56,627,720</b>	30,210,258
<b>Timing of revenue recognition</b>		
Sale of properties transferred at a point in time	50,257,010	24,389,691
Sale of properties transferred over time	6,126,666	5,602,401
Services transferred over time	244,044	218,166
Total revenue from contracts with customers	<b>56,627,720</b>	30,210,258

## Notes to Financial Statements

31 December 2019

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue from contracts with customers (Continued)

##### (i) Disaggregated revenue information (Continued)

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 properties	46,536,075	25,266,984
	46,536,075	25,266,984

##### (ii) Performance obligations

Information of the Group's performance obligations is summarised below:

#### *Sales of Properties*

For property sales contracts, the Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts.

#### *Provision of services*

For property management service and management consulting service contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The majority of the service contracts do not have a fixed term. The Group has elected the practical expedient for not to disclose the remaining performance obligations for both types of contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 RMB'000	2018 RMB'000
Amounts expected to be recognised as revenue		
Within one year	77,074,694	57,390,581
After one year	74,877,113	56,248,173
	151,951,807	113,638,754

## Notes to Financial Statements

31 December 2019

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue from contracts with customers (Continued)

##### (ii) Performance obligations (Continued)

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to sale of properties that are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019 RMB'000	2018 RMB'000
<b>Other income and gains</b>		
Gain on disposal of subsidiaries	24,829	47,684
Gain on disposal of associates	—	6,802
Changes in provision for financial guarantee contract	83,385	—
Forfeiture of deposits	13,434	14,814
Government grants	22,170	7,299
Foreign exchange differences, net	74,642	10,630
Others	15,413	7,816
	<b>233,873</b>	<b>95,045</b>

### 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	22	43,179,125	23,204,462
Impairment losses recognised for properties under development	21	223,637	54,800
Impairment losses written off for completed properties held for sale	22	(57,872)	(53,029)
Depreciation of property, plant and equipment	13	35,665	42,922
Depreciation of right-of-use assets	16(a)	37,187	—
Minimum lease payments under operating leases		—	65,368
Lease payments not included in the measurement of lease liabilities	16(c)	15,724	—
Amortisation of other intangible assets	15	789	259
Auditor's remuneration		13,429	12,825
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		1,387,929	877,633
Pension scheme contributions and social welfare		239,399	141,577

## Notes to Financial Statements

31 December 2019

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank loans and other borrowings and senior notes	3,784,677	2,438,571
Interest expense arising from revenue contracts	730,437	588,965
Interest on lease liabilities	6,509	—
Total interest expense on financial liabilities not at fair value through profit or loss	4,521,623	3,027,536
Less: Interest capitalised	(4,005,090)	(2,594,070)
	466,533	433,466

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to 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:

	2019 RMB'000	2018 RMB'000
Fees	555	—
Other emoluments:		
Salaries, allowances and benefits in kind	30,644	19,966
Performance-related bonuses*	46,725	8,774
Pension scheme contributions	512	326
	78,436	29,066

\* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

## Notes to Financial Statements

31 December 2019

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

#### (a) Independent non-executive directors

Mr. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo were appointed as independent non-executive directors of the Company on 19 June 2019.

	2019 RMB'000	2018 RMB'000
Fees		
— Mr. Au Yeung Po Fung	185	—
— Mr. Wang Kaiguo	185	—
— Mr. Wu Xiaobo	185	—
	555	—

There was no other emolument payable to the independent non-executive directors during the year (2018: Nil).

#### (b) Executive directors

##### Year ended 31 December 2019

Mr. Yang Jian, Mr. Huang Chunlei, Mr. Xu Liangqiong, Mr. Ling Xinyu, Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as executive directors of the Company on 29 March 2018, 29 March 2018, 29 March 2018, 28 September 2018, 23 December 2019, 23 December 2019 and 23 December 2019, respectively. In the meantime, Mr. Xu Liangqiong and Mr. Ling Xinyu were relieved as executive directors of the Company on 23 December 2019.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Yang Jian	—	7,733	14,359	116	22,208
— Mr. Huang Chunlei	—	8,851	3,600	100	12,551
— Mr. Xu Liangqiong	—	3,823	9,666	63	13,552
— Mr. Ling Xinyu	—	942	800	70	1,812
— Mr. Chen Hongliang*	—	2,173	1,480	70	3,723
— Mr. Li Heli*	—	2,159	1,750	63	3,972
— Mr. Yau Sze Ka (Albert)*	—	4,963	15,070	30	20,063
	—	30,644	46,725	512	77,881

\* Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as executive directors of the Company on 23 December 2019.

## Notes to Financial Statements

31 December 2019

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

#### (b) Executive directors (Continued)

Year ended 31 December 2018

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
– Mr. Yang Jian	—	7,307	3,248	96	10,651
– Mr. Huang Chunlei	—	8,200	3,525	67	11,792
– Mr. Xu Liangqiong	—	3,581	1,666	96	5,343
– Mr. Ling Xinyu	—	878	335	67	1,280
	—	19,966	8,774	326	29,066

Mr. Huang Chunlei is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2018: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2019 and 2018 of the five highest paid employees of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	27,529	22,984
Performance related bonuses	44,446	10,084
Pension scheme contributions	372	420
	72,347	33,488

## Notes to Financial Statements

31 December 2019

### 9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the non-director and non-chief executive highest paid employee within the following band is as follows:

	Number of employees	
	2019	2018
HK\$3,000,001 to HK\$3,500,000	—	2
HK\$15,000,000 to HK\$15,500,000	1	—
	1	2

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong during the reporting period.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax with a tax rate of 25% for the reporting period.

LAT is levied 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 land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2019 RMB'000	2018 RMB'000
Current tax:		
PRC Corporate income tax	2,995,985	1,625,595
PRC LAT	1,226,541	1,183,637
Deferred tax (note 19)	(580,323)	(897,043)
Total tax charge for the year	3,642,203	1,912,189

## Notes to Financial Statements

31 December 2019

### 10. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	9,898,111	4,438,476
At the statutory income tax rate	2,474,528	1,109,619
Profits and losses attributable to joint ventures and associates	(308,681)	(158,825)
Expenses not deductible for tax	73,269	45,182
Tax losses utilised from previous years	(36,798)	(58,217)
Tax losses not recognised	290,921	72,231
Deductible temporary differences not recognised	229,058	14,471
Provision for LAT	1,226,541	1,183,637
Tax effect on LAT	(306,635)	(295,909)
Tax charge at the Group's effective rate	3,642,203	1,912,189

The share of tax charge attributable to joint ventures and associates amounted to RMB640,862,000 for the year ended 31 December 2019 (2018: RMB330,461,000). The share of tax credit attributable to joint ventures and associates amounted to RMB229,287,000 for the year ended 31 December 2019 (2018: RMB118,693,000), respectively. Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

Tax payable in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
<b>Tax payable</b>		
PRC CIT payable	2,062,172	996,045
PRC LAT payable	1,344,611	964,236
Total tax payable	3,406,783	1,960,281



## Notes to Financial Statements

31 December 2019

### 11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

	2019 RMB'000	2018 RMB'000
Interim — HK\$15.3 cents (2018: Nil) per ordinary share	494,287	—
Proposed final — HK\$32.8 cents (2018: Nil) per ordinary share	1,067,374	—
	<b>1,561,661</b>	—

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 3,266,539,544 (2018: 2,993,993,654) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2019 and 2018 was based on 1 ordinary share of the Company issued as at 22 March 2018, 2 ordinary shares of the Company issued as at 29 March 2018, 97 ordinary shares of the Company issued as at 22 June 2018, 9,599,900 ordinary shares of the Company issued as at 15 August 2018, 94,675 ordinary shares of the Company issued as at 29 August 2018, and 2,990,305,325 ordinary shares of the Company issued under the capitalisation issue occurred on 16 July 2019, as if these additional shares issued under the capitalisation issue had been in issue throughout the years ended 31 December 2019 and 2018. On 16 July 2019, the Company issued 530,000,000 new ordinary shares. On 5 August 2019, an over-allotment option has been partially exercised and the Company allotted and issued 51,791,500 additional Shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

## Notes to Financial Statements

31 December 2019

### 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculation of the basic earnings per share amounts is based on:

	2019 RMB'000	2018 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	3,833,699	1,931,336
	Number of shares 2019	2018
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year	3,266,539,544	2,993,993,654
<b>Earnings per share</b>		
Basic	RMB1.17	RMB0.65

## Notes to Financial Statements

31 December 2019

### 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>31 December 2019</b>					
At 1 January 2019:					
Cost	37,989	31,198	54,602	34,845	158,634
Accumulated depreciation	(4,131)	(13,216)	(16,805)	(19,213)	(53,365)
Net carrying amount	33,858	17,982	37,797	15,632	105,269
At 1 January 2019, net of accumulated depreciation	33,858	17,982	37,797	15,632	105,269
Additions	17,295	4,508	19,232	8,072	49,107
Disposal of subsidiaries (note 36)	—	(336)	(210)	(486)	(1,032)
Depreciation provided during the year (note 6)	(2,529)	(5,873)	(12,876)	(14,387)	(35,665)
At 31 December 2019, net of accumulated depreciation	48,624	16,281	43,943	8,831	117,679
At 31 December 2019:					
Cost	55,284	35,018	73,500	42,402	206,204
Accumulated depreciation	(6,660)	(18,737)	(29,557)	(33,571)	(88,525)
Net carrying amount	48,624	16,281	43,943	8,831	117,679

## Notes to Financial Statements

31 December 2019

### 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>31 December 2018</b>					
At 1 January 2018:					
Cost	—	35,126	29,228	33,729	98,083
Accumulated depreciation	—	(16,593)	(7,212)	(24,279)	(48,084)
Net carrying amount	—	18,533	22,016	9,450	49,999
At 1 January 2018, net of accumulated depreciation					
At 1 January 2018, net of accumulated depreciation	—	18,533	22,016	9,450	49,999
Additions	163	10,243	20,893	16,928	48,227
Acquisition of subsidiaries	37,794	250	1,466	12,875	52,385
Disposal of subsidiaries (note 36)	—	(1,335)	(1,085)	—	(2,420)
Depreciation provided during the year (note 6)	(4,099)	(9,709)	(5,493)	(23,621)	(42,922)
At 31 December 2018, net of accumulated depreciation	33,858	17,982	37,797	15,632	105,269
At 31 December 2018:					
Cost	37,989	31,198	54,602	34,845	158,634
Accumulated depreciation	(4,131)	(13,216)	(16,805)	(19,213)	(53,365)
Net carrying amount	33,858	17,982	37,797	15,632	105,269

As at 31 December 2019, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB31,232,000 (2018: RMB33,755,000).

## Notes to Financial Statements

31 December 2019

### 14. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2018	450,000	341,000	791,000
Additions	—	65,929	65,929
Transfer	15,600	(15,600)	—
Net gain from a fair value adjustment	3,400	68,571	71,971
Carrying amount at 31 December 2018 and 1 January 2019	<b>469,000</b>	<b>459,900</b>	<b>928,900</b>
Additions	—	287,295	287,295
Transfer	257,250	(257,250)	—
Disposal of a subsidiary (note 36)	(69,500)	—	(69,500)
Net gain from a fair value adjustment	2,805	47,050	49,855
Carrying amount at 31 December 2019	<b>659,555</b>	<b>536,995</b>	<b>1,196,550</b>

As at 31 December 2019, certain of the Group's investment properties with an aggregate carrying amount of approximately RMB351,000,000 (2018: RMB349,000,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

The Group's investment properties are located in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB1,196,550,000 (2018: RMB928,900,000). The Group's senior finance manager and the group financial controller decides, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the group financial controller have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

## Notes to Financial Statements

31 December 2019

### 14. 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			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for:				
Commercial properties				
Completed	—	—	659,655	659,655
Under construction	—	—	536,995	536,995
	—	—	1,196,550	1,196,550

	Fair value measurement as at 31 December 2018 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for:				
Commercial properties				
Completed	—	—	469,000	469,000
Under construction	—	—	459,900	459,900
	—	—	928,900	928,900

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).

## Notes to Financial Statements

31 December 2019

### 14. 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 31 December	
			2019	2018
Completed commercial properties	Income approach	Estimated rental value (per square metre and per month)	RMB 30.2–153.0	RMB33.5–130.8
		Capitalisation rate	4.5%–6.0%	4.5%–5.5%
		Long term vacancy rate	5.0%–10.0%	5.0%–8.0%
Commercial properties under construction	Comparison method	Expected profit margin	8.0%–12.0%	12.0%–15.0%

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value 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 capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant;
- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

A higher expected profit margin would result in a lower fair value of the investment properties under construction.

## Notes to Financial Statements

31 December 2019

### 15. OTHER INTANGIBLE ASSETS

	2019 RMB'000	2018 RMB'000
<b>Software</b>		
At the beginning of the year:		
Cost	984	840
Accumulated amortisation	(529)	(270)
Net carrying amount	455	570
Carrying amount at the beginning of the year:	455	570
Additions	8,462	144
Amortisation provided during the year (note 6)	(789)	(259)
Carrying amount at the end of the year:	8,128	455
At the end of the year:		
Cost	9,446	984
Accumulated amortisation	(1,318)	(529)
Net carrying amount	8,128	455

### 16. LEASES

#### The Group as a lessee

The Group has lease contracts for various items of office properties and office equipments used in its operations. Leases of office properties generally have lease terms between one and six years, while office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (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:

	Office properties RMB'000
As at 1 January 2019	108,485
Additions	73,511
Depreciation charge	(37,187)
As at 31 December 2019	144,809



## Notes to Financial Statements

31 December 2019

### 16. LEASES (Continued)

#### The Group as a lessee (Continued)

##### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 RMB'000
Carrying amount at 1 January	108,485
New leases	73,511
Accretion of interest recognised during the year	6,509
Payments	(42,061)
Carrying amount at 31 December	146,444
Analysed into:	
Current portion	46,234
Non-current portion	100,210

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

##### (c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	6,509
Depreciation charge of right-of-use assets	37,187
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	15,724
Expense relating to leases of low-value assets (included in administrative expenses)	—
Total amount recognised in profit or loss	59,420

##### (d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 34(c) and 38, respectively, to the financial statements.

## Notes to Financial Statements

31 December 2019

## 16. LEASES (Continued)

## The Group as a lessor

The Group leases its investment properties (note 14) consisting of three commercial properties under operating lease arrangements. The terms of the leases generally 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 RMB11,876,000 (2018: RMB4,430,000), 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	10,457	9,760
After one year but within two years	10,993	10,457
After two years but within three years	11,533	10,993
After three years but within four years	11,615	11,533
After four years but within five years	11,655	11,615
After five years	164,090	175,746
	<b>220,343</b>	230,104

## 17. INVESTMENTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Share of net assets	3,172,595	2,530,184
Financial guarantees provided to joint ventures	67,769	53,875
	<b>3,240,364</b>	2,584,059

The Group has guaranteed certain of the bank and other borrowings made to its joint ventures. Details are set out in note 30. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

The Group's receivables and payables with joint ventures are disclosed in note 39 to the financial statements.

## Notes to Financial Statements

31 December 2019

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

#### (a) Particulars of the Group's material joint ventures

Name of companies	Place and year of registration	Nominal value of registered share capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
揚州駿安置業有限公司 Yangzhou Jun'an Property Co., Ltd.	Yangzhou, PRC 2017	50,000	49.00%	Property development
溫州市梁旭置業有限公司 <sup>(Note)</sup> Wenzhou Liangxu Property Co., Ltd.	Wenzhou, PRC 2016	200,000	60.00%	Property development
衢州融晟置業有限公司 Quzhou Rongsheng Property Co., Ltd.	Quzhou, PRC 2017	847,500	35.00%	Property development
上海佳贏置業有限公司 Shanghai Jiaying Property Co., Ltd.	Shanghai, PRC 2016	50,000	37.00%	Investment holding

Note: Pursuant to the investment framework agreement and the articles of association of the company, all shareholder resolutions of the entity shall be resolved by all shareholders on a unanimous basis. Therefore, the entity was accounted for as a joint venture of the Group for the year ended 31 December 2019.

- (b) Yangzhou Junan Real Estate Development Co., Ltd. ("Yangzhou Junan") and Wenzhou Liangxu Real Estate Development Co., Ltd. ("Wenzhou Liangxu"), which were considered material joint ventures of the Group during the year ended 31 December 2019, co-developed property development projects with the other joint venture partners in Mainland China and were accounted for using the equity method.

Quzhou Rongsheng Property Co., Ltd. ("Quzhou Rongsheng") and Shanghai Jiaying Property Co., Ltd. ("Shanghai Jiaying"), which were considered material joint ventures of the Group during year ended 31 December 2018, co-developed property development projects with the other joint venture partners in Mainland China and were accounted for using the equity method.

## Notes to Financial Statements

31 December 2019

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

#### (b) (Continued)

The following table illustrates the summarised financial information in respect of Yangzhou Junan, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	17,928
Other current assets	758,361
Current assets	776,289
Non-current assets	388
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(488,252)
Current liabilities	(488,252)
Net assets	288,425
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	49%
Group's share of net assets of the joint venture	141,328
Adjustment for unrealised profits and losses from related party transactions	(383)
Carrying amount of the investment	140,945
Revenue	1,615,965
Expense	(1,173,203)
Tax	(133,628)
Profit for the year	309,134
Total comprehensive income for the year	309,134

## Notes to Financial Statements

31 December 2019

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

#### (b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Liangxu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	587,978
Other current assets	462,410
Current assets	1,050,388
Non-current assets	453
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(685,554)
Current liabilities	(685,554)
Net assets	365,287
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	60%
Group's share of net assets of the joint venture	219,172
Adjustment for unrealised profits and losses from related party transactions	(2,860)
Carrying amount of the investment	216,312
Revenue	2,978,647
Expense	(2,080,740)
Tax	(296,486)
Profit for the year	601,421
Total comprehensive income for the year	601,421

## Notes to Financial Statements

31 December 2019

## 17. INVESTMENTS IN JOINT VENTURES (Continued)

## (b) (Continued)

The following table illustrates the summarised financial information in respect of Quzhou Rongsheng, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	501,530
Other current assets	3,897,575
Current assets	4,399,105
Non-current assets	535
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(2,938,648)
Current liabilities	(2,938,648)
Non-current financial liabilities, excluding trade and other payables and provisions	(700,000)
Net assets	760,992
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	35%
Group's share of net assets of the joint venture	266,347
Adjustment for unrealised profits and losses from related party transactions	(1,155)
Carrying amount of the investment	265,192
Revenue	1,005
Expenses	(61,475)
Tax	—
Loss for the year	(60,470)
Total comprehensive loss for the year	(60,470)

## Notes to Financial Statements

31 December 2019

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

#### (b) (Continued)

The following table illustrates the summarised financial information in respect of Shanghai Jiaying, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	9,688
Other current assets	340,709
Current assets	350,397
Non-current assets	372
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(153,647)
Current liabilities	(153,647)
Net assets	197,122
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	37.38%
Group's share of net assets of the joint venture	73,684
Adjustment for unrealised profits and losses from related party transactions	(1,187)
Carrying amount of the investment	72,497
Revenue	962,021
Expense	(648,711)
Tax	(82,301)
Profit for the year	231,009
Total comprehensive income for the year	231,009

## Notes to Financial Statements

31 December 2019

### 17. INVESTMENTS IN JOINT VENTURES (Continued)

- (c) The following table illustrates the aggregate financial information of the Group's joint ventures which are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profits and losses for the year	467,025	(159,341)
Share of the joint ventures' total comprehensive income	467,025	(159,341)
Adjustment for unrealised profits and losses for related party transactions	(26,346)	(24,240)
Aggregate carrying amount of the Group's investments in the joint ventures	<b>2,883,107</b>	2,246,370

The joint ventures have been accounted for using the equity method.

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2019 (2018: Nil).

### 18. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	6,702,651	2,082,165
Financial guarantees provided to associates	46,980	30,994
	<b>6,749,631</b>	2,113,159

The Group has guaranteed certain of the bank and other borrowings made to its associates. Details are set out in note 30. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the associates.

The Group's receivables and payables with associates are disclosed in note 39 to the financial statements.



## Notes to Financial Statements

31 December 2019

### 18. INVESTMENTS IN ASSOCIATES (Continued)

#### (a) Particulars of the Group's material associates

Name of companies	Place and year of registration	Nominal value of registered share capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
杭州濱通房地產開發有限公司 Hangzhou Bintong Real Estate Development Co., Ltd.	Hangzhou, PRC 2016	5,000	25.00%	Property development
義烏吾悅房地產發展有限公司* Yiwu Wuyue Real Estate Development Co., Ltd.	Yiwu, PRC 2015	19,608	49.00%	Property development and property leasing
溫州萬昱置業有限公司 Wenzhou Wanyu Property Co., Ltd.	Wenzhou, PRC 2015	300,000	30.00%	Property development
溫州新都置業有限公司 Wenzhou Xindu Property Co., Ltd.	Wenzhou, PRC 2015	150,000	24.50%	Property development

\* Before 10 October 2018, Yiwu Wuyue was accounted for as a joint venture of the Group. As a result of the amendment to the articles of the association, on October 2018, the Group only has significant influence over Yiwu Wuyue as other shareholder of the entity has enough voting power to control and operate the entity. Thus, Yiwu Wuyue was accounted for as an associate of the Group from 10 October 2018.

(b) Hangzhou Bintong Real Estate Development Co., Ltd. ("Hangzhou Bintong") and Yiwu Wuyue Real Estate Development Co., Ltd. ("Yiwu Wuyue"), which were considered material associates of the Group during the year ended 31 December 2019, co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

Yiwu Wuyue Real Estate Development Co., Ltd., Wenzhou Wanyu Property Co., Ltd. ("Wenzhou Wanyu") and Wenzhou Xindu Property Co., Ltd. ("Wenzhou Xindu"), which were considered material associates of the Group during the year ended 31 December 2018, co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

## Notes to Financial Statements

31 December 2019

### 18. INVESTMENTS IN ASSOCIATES (Continued)

#### (b) (Continued)

The following table illustrates the summarised financial information in respect of Hangzhou Bintong, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	183,538
Other current assets	387,627
Current assets	571,165
Non-current assets	943
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(206,559)
Current liabilities	(206,559)
Net assets	365,549
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	25%
Group's share of net assets of the associate	91,387
Adjustment for unrealised profits and losses from related party transactions	—
Carrying amount of the investment	91,387
Revenue	1,067,294
Expense	(625,069)
Tax	(71,580)
Profit for the year	370,645
Total comprehensive income for the year	370,645

## Notes to Financial Statements

31 December 2019

### 18. INVESTMENTS IN ASSOCIATES (Continued)

#### (b) (Continued)

The following table illustrates the summarised financial information in respect of Yiwu Wuyue, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	168,000
Other current assets	1,759,472
Current assets	1,927,472
Non-current assets	1,246,122
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(688,711)
Current liabilities	(688,711)
Net assets	2,484,883
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	49%
Group's share of net assets of the associate	1,217,593
Adjustment for unrealised profits and losses from related party transactions	(408)
Carrying amount of the investment	1,217,185
Revenue	257,403
Expense	(131,717)
Fair value gains on investment properties	116,146
Tax	(49,902)
Profit for the year	191,930
Total comprehensive income for the year	191,930

## Notes to Financial Statements

31 December 2019

### 18. INVESTMENTS IN ASSOCIATES (Continued)

#### (b) (Continued)

The following table illustrates the summarised financial information in respect of Yiwu Wuyue, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	133,031
Other current assets	2,460,563
Current assets	2,593,594
Non-current assets	1,140,365
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(1,386,751)
Current liabilities	(1,386,751)
Other non-current liabilities	(71,699)
Net assets	2,275,509
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	49%
Group's share of net assets of the joint venture	1,114,999
Adjustment for unrealised profits and losses from related party transactions	(6,101)
Carrying amount of the investment	1,108,898
Revenue	3,674,615
Expense	(2,014,995)
Fair value gains on investment properties	57,912
Tax	(491,091)
Profit for the year	1,226,441
Total comprehensive income for the year	1,226,441

## Notes to Financial Statements

31 December 2019

### 18. INVESTMENTS IN ASSOCIATES (Continued)

#### (b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Wanyu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	241,252
Other current assets	662,708
Current assets	903,960
Non-current assets	260
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(193,998)
Current liabilities	(193,998)
Net assets	710,222
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	30%
Group's share of net assets of the associate	213,067
Adjustment for unrealised profits and losses from related party transactions	(1,921)
Carrying amount of the investment	211,146
Revenue	2,556,401
Expenses	(1,965,534)
Tax	(147,885)
Profit for the year	442,982
Total comprehensive income for the year	442,982

## Notes to Financial Statements

31 December 2019

### 18. INVESTMENTS IN ASSOCIATES (Continued)

#### (b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Xindu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	57,895
Other current assets	254,467
Current assets	312,362
Non-current assets	45
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(46,692)
Current liabilities	(46,692)
Net assets	265,715
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	24.5%
Group's share of net assets of the associate	65,100
Adjustment for unrealised profits and losses from related party transactions	—
Carrying amount of the investment	65,100
Revenue	676,651
Expenses	(505,803)
Tax	(41,984)
Profit for the year	128,864
Total comprehensive income for the year	128,864

## Notes to Financial Statements

31 December 2019

### 18. INVESTMENTS IN ASSOCIATES (Continued)

- (c) The following table illustrates the aggregate financial information of the Group's associates which are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the associates' profits and losses for the year	68,664	(35,974)
Share of the associates' total comprehensive income	68,664	(35,974)
Adjustment for unrealised profits and losses for related party transactions	(13,662)	(6,938)
Aggregate carrying amount of the Group's investments in the associates	5,441,059	728,015

The associates have been accounted for using the equity method in this financial information.

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2019 (2018: Nil).

### 19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

#### Deferred tax assets

	Lease liability RMB'000	Losses available for offsetting against future taxable profits RMB'000	Expenses for offsetting against future taxable profits RMB'000	Impairment of assets RMB'000	Unrealised revenue in contract liabilities RMB'000	Accrued LAT RMB'000	Total RMB'000
At 1 January 2018	—	95,846	65,360	8,649	1,195,927	93,838	1,459,620
Deferred tax credited/(charged) to profit or loss during the year (note 10)	—	436,837	(22,340)	8,504	562,580	125,426	1,111,007
Gross deferred tax assets at 31 December 2018	—	532,683	43,020	17,153	1,758,507	219,264	2,570,627
Effect of adoption of IFRS 16	27,121	—	—	—	—	—	27,121
At 1 January 2019 (restated)	27,121	532,683	43,020	17,153	1,758,507	219,264	2,597,748
Disposal of subsidiaries (note 36)	—	—	—	—	(24,418)	—	(24,418)
Deferred tax credited/(charged) to profit or loss during the year (note 10)	9,490	(441,882)	25,715	(4,671)	827,269	25,758	441,679
Gross deferred tax assets at 31 December 2019	36,611	90,801	68,735	12,482	2,561,358	245,022	3,015,009

## Notes to Financial Statements

31 December 2019

### 19. DEFERRED TAX (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

#### Deferred tax liabilities

	Changes in provision for financial guarantee contracts	Right-of-use assets	Fair value adjustments arising from financial assets at FVTPL	Fair value adjustments arising from investment properties	Fair value adjustments arising from business combinations	Recognition of revenue over time	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	—	—	3,137	68,397	259,906	407,184	738,624
Acquisition of subsidiaries	—	—	—	—	100,841	—	100,841
Deferred tax (credited)/charged to profit or loss during the year (note 10)	—	—	(1,010)	17,993	(88,373)	285,354	213,964
Gross deferred tax liabilities at 31 December 2018	—	—	2,127	86,390	272,374	692,538	1,053,429
Effect of adoption of IFRS 16	—	27,121	—	—	—	—	27,121
At 1 January 2019 (restated)	—	27,121	2,127	86,390	272,374	692,538	1,080,550
Acquisition of subsidiaries (note 35)	—	—	—	—	2,327	—	2,327
Disposal of subsidiaries (note 36)	—	—	—	(9,406)	—	—	(9,406)
Deferred tax credited/(charged) to profit or loss during the year (note 10)	20,846	9,081	(1,720)	12,464	(15,512)	(163,803)	(138,644)
Gross deferred tax liabilities at 31 December 2019	20,846	36,202	407	89,448	259,189	528,735	934,827

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	2,932,066	1,852,380
Net deferred tax liabilities recognised in the consolidated statements of financial position	(851,884)	(335,182)
Net deferred tax assets in respect of continuing operations	2,080,182	1,517,198

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.



## Notes to Financial Statements

31 December 2019

### 19. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2019 RMB'000	2018 RMB'000
Tax losses	438,898	184,775
Deductible temporary differences	269,868	40,810
	<b>708,766</b>	225,585

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 10%. 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, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB484,802,000 (2018: RMB177,817,000).

### 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	77,147	—
Other unlisted investments, at fair value	213,576	228,757
At the end of the year	<b>290,723</b>	228,757

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## Notes to Financial Statements

31 December 2019

### 21. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
At the beginning of the year	99,481,406	61,379,980
Additions	74,925,376	64,690,259
Acquisition of subsidiaries (note 35)	198,398	1,026,716
Disposal of subsidiaries (note 36)	(1,936,105)	(3,115,570)
Transferred to completed properties held for sale (note 22)	(43,720,348)	(24,469,168)
Impairment losses recognised (note 6)	(223,637)	(54,800)
Impairment losses transferred to completed properties held for sale (note 22)	54,800	23,989
At the end of the year	128,779,890	99,481,406

The Group's properties under development are situated on leasehold lands in Mainland China.

As at 31 December 2019, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB58,951,830,000 (2018: RMB43,299,210,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

The movements in provision for impairment of properties under development are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	(54,800)	(23,989)
Impairment losses recognised (note 6)	(223,637)	(54,800)
Impairment losses transferred to completed properties held for sale (note 22)	54,800	23,989
At the end of the year	(223,637)	(54,800)

The value of properties under development was assessed at the end of reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing, less applicable variable selling expenses and anticipated costs at completion, at the end of the reporting period.

## Notes to Financial Statements

31 December 2019

### 22. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Carrying amount at the beginning of the year	3,596,396	2,302,650
Transferred from properties under development (note 21)	43,720,348	24,469,168
Transferred to cost of properties sold (note 6)	(43,179,125)	(23,204,462)
Impairment losses written off (note 6)	57,872	53,029
Impairment losses transferred from properties under development (note 21)	(54,800)	(23,989)
Carrying amount at the end of the year	4,140,691	3,596,396

The movements in provision for impairment of completed properties held for sale are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	(3,072)	(32,112)
Impairment losses written off	57,872	53,029
Impairment losses transferred from properties under development (note 21)	(54,800)	(23,989)
At the end of the year	—	(3,072)

The value of completed properties held for sale was assessed at the end of the reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by reference to the selling price based on prevailing market price less applicable selling expenses.

## Notes to Financial Statements

31 December 2019

### 23. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	3,035	4,354
Impairment	—	—
	<b>3,035</b>	4,354

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by 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.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Less than 1 year	3,035	4,354
Over 1 year	—	—
	<b>3,035</b>	4,354

Receivables that were not past due relate to a large number of diversified customers for whom there was no recent history of default.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on the evaluation on the expected loss rate and the gross carrying amount, the directors of the Company are of the opinion that the expected credit losses in respect of these balances are immaterial, and therefore, there has not been a loss allowance provision.

## Notes to Financial Statements

31 December 2019

### 24. PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Prepaid tax and other tax recoverable	6,524,263	4,831,011
Deposits related to third parties' land use rights	1,545,369	1,061,478
Deposits for land auction	3,012,230	1,310,696
Other deposits	4,125,878	3,110,325
Progress prepayments for acquisition of land use rights	1,335,006	370,952
Prepayments for construction cost	396,546	214,589
Prepayments for investments in joint ventures and associates	—	96,202
Receivables from disposal of subsidiaries, joint ventures and associates	—	85,000
Due from non-controlling shareholders of subsidiaries	19,434,349	10,511,110
Other receivables	1,933,570	728,357
	<b>38,307,211</b>	22,319,720
Less: Impairment	23,493	13,623
Less: Portion classified as current assets	38,283,718	22,209,895
Non-current portion	—	96,202

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	13,623	2,659
Impairment losses recognised	9,870	10,964
At the end of the year	23,493	13,623

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries and other deposits were regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. The expected loss rate of these receivables is assessed to be 0.1%. The Group has evaluated the expected loss rate and gross carrying amount, measured the impairment based on the 12-month expected credit losses, and assessed that the expected credit losses were RMB23,493,000 as at 31 December 2019 (2018: RMB13,623,000).

## Notes to Financial Statements

31 December 2019

## 25. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	26,495,261	23,080,364
Less: Restricted cash	10,194,619	7,892,069
Pledged deposits	1,344,886	636,777
Cash and cash equivalents	14,955,756	14,551,518
Denominated in RMB	14,506,628	14,551,510
Denominated in HK\$	27,453	8
Denominated in US\$	421,675	—
	14,955,756	14,551,518

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2019, such restricted cash amounted to RMB10,194,619,000 (2018: RMB7,892,069,000).

As at 31 December 2019, certain of the Group's restricted cash with an aggregate carrying amount of approximately RMB692,007,899 (2018: Nil) have been pledged to secure bank and other borrowings granted to the Group (note 29).

As at 31 December 2019, certain of the Group's pledged deposits with an aggregate carrying amount of approximately RMB44,757,125 (2018: RMB21,500,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

As at 31 December 2019, bank deposits of RMB1,302,011,000 (2018: RMB615,277,000) were pledged as security for purchasers' mortgage loans, or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

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. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

As at 31 December 2019, the internal credit rating of restricted cash, pledged deposits and cash and cash equivalents were regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

## Notes to Financial Statements

31 December 2019

### 26. 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
Less than 1 year	11,706,261	8,421,930
Over 1 year	354,275	76,365
	<b>12,060,536</b>	8,498,295

Trade and bills payables are unsecured, interest-free and are normally settled based on the progress of construction.

The fair values of trade and bills payables as at the end of reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

### 27. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Due to non-controlling shareholders of subsidiaries	13,290,815	14,711,981
Advances from third parties related to land auction	2,183,573	2,384,679
Retention deposits related to construction	1,303,991	1,006,885
Deposits related to sales of properties	428,322	576,755
Business tax and surcharges	389,532	369,625
Payroll and welfare payable	581,642	675,027
Interest payable	151,836	160,719
Others	689,376	590,497
	<b>19,019,087</b>	20,476,168

Other payables and amounts due to non-controlling shareholders of subsidiaries are unsecured and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.

## Notes to Financial Statements

31 December 2019

### 28. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2019 RMB'000	2018 RMB'000
Contract liabilities	115,873,077	95,482,250

The Group receives payments from customers based on billing schedules as established in the property sales contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales.

### 29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans — secured	5.87–9.00	2020	2,193,310	4.57–14.40	2019	490,000
Bank loans — unsecured			—	9.00–12.50	2019	232,000
Other loans — secured	5.00–15.00	2020	10,378,095	9.00–14.00	2019	5,854,621
Other loans — unsecured	5.63–16.03	2020	890,550	6.53–18.00	2019	673,201
Current portion of long term bank loans — secured	5.50–9.50	2020	4,786,982	5.25–9.80	2019	4,593,900
Current portion of long term other loans — secured	6.89–14.50	2020	1,876,376	6.15–12.50	2019	2,624,950
			20,125,313			14,468,672
<b>Non-current</b>						
Bank loans — secured	3.50–9.50	2021–22	11,991,707	4.51–9.80	2020–21	5,211,318
Bank loans — unsecured	4.75	2021	1,150,000	9.45	2021	820,000
Other loans — secured	4.75–13.00	2021–22	2,718,849	6.89–14.00	2020–21	4,844,927
Other loans — unsecured			—	13.50–14.50	2020	1,660,000
			15,860,556			12,536,245
			35,985,869			27,004,917



## Notes to Financial Statements

31 December 2019

### 29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2019 RMB'000	2018 RMB'000
<b>Analysed into:</b>		
Bank loans repayable:		
Within one year or on demand	6,980,292	5,315,900
In the second year	11,251,174	3,979,318
In the third to fifth years, inclusive	1,890,533	2,052,000
	<b>20,121,999</b>	11,347,218
Other borrowings repayable:		
Within one year or on demand	13,145,021	9,152,772
In the second year	2,718,849	6,104,927
In the third to fifth years, inclusive	—	400,000
	<b>15,863,870</b>	15,657,699
	<b>35,985,869</b>	27,004,917

The Group's borrowings are all denominated in RMB.

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of reporting period as follows:

	Notes	2019 RMB'000	2018 RMB'000
Properties under development	21	58,951,830	43,299,210
Investment properties	14	351,000	349,000
Restricted Cash	25	692,008	—
Pledged deposits	25	44,757	21,500

Management of the Company has assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

- i. The Group's bank and other borrowings were guaranteed by its related parties (note 39(4)).
- ii. Certain of the bank and other borrowings of up to RMB4,241,440,000 was guaranteed by the Company's non-controlling shareholders and independent third parties as at 31 December 2019 (2018: RMB3,504,969,000).

## Notes to Financial Statements

31 December 2019

### 30. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	2019 RMB'000	2018 RMB'000
At the beginning of the year	84,869	—
Fair value changes	(83,385)	—
Additions	29,880	84,869
At the end of the year	31,364	84,869

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates. Details are set out in note 39.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the directors of the Group.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the year ended 31 December 2019, an ECL allowance of RMB31,364,000 was provided as a result of guarantees provided to the joint ventures and associates (2018: RMB84,869,000).

### 31. SENIOR NOTES

	2019				2018			
	Principal at original currency US\$'000	Contractual interest rate (%)	Maturity	RMB'000	Principal at original currency US\$'000	Contractual interest rate (%)	Maturity	RMB'000
Senior notes due 2020 I ("2020 Notes")	200,000	9.75	2020	1,378,045				—
Senior notes due 2021 I ("September 2021 Notes I")	300,000	11.50	2021	2,107,742				—
Senior notes due 2021 II ("September 2021 Notes II")	100,000	11.50	2021	709,584				—
				4,195,371				—
Less: Current portion				1,378,045				—
Non-current portion				2,817,326				—

## Notes to Financial Statements

31 December 2019

### 31. SENIOR NOTES (Continued)

	31 December 2019 RMB'000	31 December 2018 RMB'000
The Group's senior notes were repayable as follows:		
Repayable within one year	1,378,045	—
Repayable in the second year	2,817,326	—
Repayable in the third to fifth years	—	—
<b>Total</b>	<b>4,195,371</b>	<b>—</b>

#### 2020 Notes

On 26 November 2019, the Company issued 2020 Notes at a coupon rate of 9.75% due within 2020 with an aggregate principal amount of US\$200,000,000. The Company raised net proceeds of US\$195,602,824 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 24 November 2020, the Company may at its option redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 24 November 2020, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the 2020 Notes with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 109.75% of the principal amount of the 2020 Notes redeemed, plus accrued and unpaid interest, if any, by (but not including) the redemption date, subject to certain conditions;

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

#### September 2021 Notes I & II

On 26 September 2019, the Company issued September 2021 Notes I at a coupon rate of 11.50% due within 2021 with an aggregate principal amount of US\$300,000,000. The Company raised net proceeds of US\$292,791,737 (after deduction of underwriting discounts and commissions and other expenses).

On 10 October 2019, the Company issued September 2021 Notes II at a coupon rate of 11.50% due within 2021 with an aggregate principal amount of US\$100,000,000. The Company raised net proceeds of US\$98,741,127 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 26 November 2021, the Company may at its option redeem the September 2021 Notes I & II, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 Notes I & II redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

## Notes to Financial Statements

31 December 2019

### 31. SENIOR NOTES (Continued)

#### September 2021 Notes I & II (Continued)

At any time prior to 26 September 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the September 2021 Notes I & II with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 111.50% of the principal amount of the September 2021 Notes I & II redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the September 2021 Notes I&II at a redemption price equal to 100% of the principal amount of the September 2021 Notes I & II, plus any accrued and unpaid interest, subject to certain exceptions.

The 2020 Notes and the September 2021 Notes I & II were guaranteed by certain of the Group's existing subsidiaries.

The fair values of the early redemption options of the 2020 Notes and the September 2021 Notes I & II were not significant and therefore were not recognised by the Group on inception and at 31 December 2019.

### 32. SHARE CAPITAL

#### Shares

	31 December 2019 HK\$	31 December 2018 HK\$
Issued and fully paid:		
3,581,791,500 (2018:9,694,675) ordinary shares of HK\$0.01 each (2018: HK\$0.01 each)	35,817,915	96,947

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 2018	—	—
Issuance of new shares	9,694,675	85
At 31 December 2018 and 1 January 2019	9,694,675	85
Issuance of ordinary shares	530,000,000	4,653
Issuance of ordinary shares on capitalisation	2,990,305,325	26,249
Issuance of ordinary shares on an over-allotment option	51,791,500	463
At 31 December 2019	3,581,791,500	31,450

## Notes to Financial Statements

31 December 2019

### 32. SHARE CAPITAL (Continued)

#### Shares (Continued)

The Company was incorporated in the Cayman Islands on 22 March 2018 with authorised share capital of RMB380,000 divided into 38,000,000 shares of RMB0.01 at par value each. On the date of incorporation, 1 ordinary share of RMB0.01 was allotted by the Company to a subscriber, and was transferred to Liangzhong International Co., Ltd., a company controlled by Mr. Yang Jian, on 29 March 2018.

On 29 March 2018, 1 ordinary share of RMB0.01 was allotted and issued by the Company for cash to each of Liangyi International Co., Ltd. and Liangtai International Co., Ltd.

On 22 June 2018, 94 ordinary shares, 2 ordinary shares and 1 ordinary share were allotted and issued by the Company to Liangzhong International Co., Ltd., Liangyi International Co., Ltd., and Liangtai International Co., Ltd., respectively.

On 15 August 2018, 9,119,905 shares, 287,997 shares and 191,998 shares, which were all fully paid up at an aggregate consideration of US\$140,265,600, were allotted and issued to Liangzhong International Co., Ltd., Liangyi International Co., Ltd. and Liangtai International Co., Ltd., respectively.

On 29 August 2018, 94,675 shares were allotted and issued to Abundant Talent Global Co., Ltd., and the issued share capital of the Company was RMB96,946.75.

On 16 July 2019, upon its listing on the Hong Kong Stock Exchange, the Company issued 530,000,000 new ordinary shares with par value HK\$0.01 each at HK\$5.55 per share for a total cash consideration of HK\$2,915,000,000 (equivalent to approximately RMB2,558,787,000). The corresponding share capital amount was approximately RMB4,653,000 and share premium arising from the issuance was approximately RMB2,453,777,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which were incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB100,357,000 were treated as a deduction against the share premium arising from the issuance.

On 16 July 2019, 2,990,305,325 shares were issued by way of capitalisation with a par value HK\$0.01 each, the corresponding share capital amount was approximately RMB26,249,000.

On 5 August 2019, upon its listing on the Hong Kong Stock Exchange, an over-allotment option has been partially exercised and the Company allotted and issued 51,791,500 additional shares at HK\$5.55 per share for a total cash consideration of HK\$287,443,000 (equivalent to approximately RMB256,715,000). The corresponding share capital amount was approximately RMB462,550 and share premium arising from the issuance was approximately RMB247,504,554, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB8,748,000 were treated as a deduction against the share premium arising from the issuance.

## Notes to Financial Statements

31 December 2019

### 33. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2019 are presented in the consolidated statements of changes in equity.

#### (a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

#### (b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

#### (c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

#### (d) Capital reserve

Capital reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries, or the difference between the proceeds from disposal and the non-controlling interest disposed of in the case of disposal of partial equity interests in subsidiaries to non-controlling shareholders without loss of control. Details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

#### (e) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

### 34. 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 RMB73,511,000 and RMB73,511,000, respectively, in respect of lease arrangements for buildings and offices (2018: Nil).

## Notes to Financial Statements

31 December 2019

### 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Due to related companies RMB'000	Senior notes RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2018	24,476,345	9,849,122	—	—	34,325,467
Changes from financing cash flow	2,528,572	2,717,869	—	—	5,246,441
Changes from non-financing cash flow	—	(5,147,853)	—	—	(5,147,853)
At 31 December 2018	27,004,917	7,419,138	—	—	34,424,055
<b>Effect of adoption of IFRS 16</b>	—	—	—	108,485	108,485
At 1 January 2019 (restated)	27,004,917	7,419,138	—	108,485	34,532,540
Changes from financing cash flow	9,244,952	4,480,153	4,195,371	(35,552)	17,884,924
New leases	—	—	—	73,511	73,511
Interest expense	—	—	—	6,509	6,509
Interest paid classified as operating cash flows	—	—	—	(6,509)	(6,509)
Increase arising from due to related companies classified as operating cash flows	—	86,344	—	—	86,344
Decrease arising from disposal of subsidiaries	(264,000)	—	—	—	(264,000)
At 31 December 2019	35,985,869	11,985,635	4,195,371	146,444	52,313,319

#### (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	(22,233)
Within financing activities	(35,552)
	(57,785)

## Notes to Financial Statements

31 December 2019

### 35. BUSINESS COMBINATIONS

#### Acquisition of Shandong Mingyao Property Co., Ltd. (“Shandong Mingyao”)

On 18 January 2019, the Group acquired a 54% equity interest in Shandong Mingyao, an unlisted company, with registered capital of RMB18,000,000. Shandong Mingyao is mainly engaged in property development and operation. The acquisition was part of the Group’s strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB25,479,000 settled at the acquisition date.

The fair values of the identifiable assets and liabilities of the aforementioned subsidiary acquired as at the date of acquisition were as follows:

	2019 Fair value recognised on acquisition RMB’000
Properties under development	198,398
Cash and cash equivalents	6,047
Prepayments and other receivables	14,128
Trade and bills payables	(576)
Other payables and accruals	(188,755)
Deferred tax liabilities	(2,327)
<b>Total identifiable net assets at fair value</b>	<b>26,915</b>
Non-controlling interests measured at non-controlling interests’ proportionate share of the net assets	(1,436)
<b>Net assets acquired</b>	<b>25,479</b>
Satisfied by cash	25,479

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2019 RMB’000
Cash consideration	(25,479)
Cash and cash equivalents acquired	6,047
<b>Net outflow of cash and cash equivalents included in cash flows from investing activities</b>	<b>(19,432)</b>



## Notes to Financial Statements

31 December 2019

### 35. BUSINESS COMBINATIONS (Continued)

#### Acquisition of Shandong Mingyao Property Co., Ltd. (“Shandong Mingyao”) (Continued)

Since the acquisition, Shandong Mingyao contributed nil to the Group’s revenue and a profit of RMB15,489,000 to the consolidated profit for the year ended 31 December 2019. Had the combination taken place at 1 January 2019, the revenue and profit of the Group would have been RMB56,639,566,000 and RMB6,255,908,000 respectively.

### 36. DISPOSAL OF SUBSIDIARIES

#### For the year ended 31 December 2019

(a) 揚州錦鴻置業有限公司 (“Yangzhou Jinhong Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 08 January 2019, the Group disposed of its 30% equity interest in Yangzhou Jinhong Property Co., Ltd. to 上海融創房地產開發集團有限公司 (“Shanghai Rongchuang Real Estate Development Group Co., Ltd.”) for a consideration of RMB15,000,000.

(b) 揚州梁瑞置業有限公司 (“Yangzhou Liangrui Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 29 January 2019, the Group disposed of its 67% equity interest in Yangzhou Liangrui Property Co., Ltd. to 南京正惠置業有限公司 (“Nanjing Zhenghui Real Estate Co., Ltd.”) and 恒通建設集團有限公司 (“Hengtong Construction Group Co., Ltd.”) for a consideration of nil.

(c) 杭州金悦企業管理有限公司 (“Hangzhou Jinyue Enterprise Management Co., Ltd.”)

Pursuant to the share transfer agreement dated 15 February 2019, the Group disposed of its 47% equity interest in Hangzhou Jinyue Enterprise Management Co., Ltd. to 溫州城際投資管理有限公司 (“Wenzhou Chengji Capital Management Co., Ltd.”) for a consideration of RMB2,078,685.

(d) 南寧梁悦置業有限公司 (“Nanning Liangyue Group Co., Ltd.”)

Pursuant to the share transfer agreement dated 1 April 2019, the Group disposed of its 71% equity interest in Nanning Liangyue Group Co., Ltd. to 杭州金翰控股集團有限公司 (“Hangzhou Jinhan Holding Group Co., Ltd.”) and 寧波梅山保稅港區桂悦投資合夥企業(有限合夥) (“Ningbo Meishan Bonded Port Area Guiyue Investment Partnership (Limited Partnership)”) for a consideration of nil.

(e) 宜城市御融置業有限公司 (“Yicheng Yurong Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 26 April 2019, the Group disposed of its 35% equity interest in Yicheng Yurong Property Co., Ltd. to 湖北恆鑫力置業有限公司 (“Hubei Hengxinli Real Estate Co., Ltd.”) for a consideration of RMB28,917,808.

(f) 蘇州恒信置業有限公司 (“Suzhou Hengxin Property Co., Ltd.”)

Pursuant to the share transfer agreement dated 28 April 2019, the Group disposed of its 50% equity interest in Suzhou Hengxin Property Co., Ltd. to 蘇州新力創悦房地產有限公司 (“Suzhou Xinli Chuangyue Real Estate Co., Ltd.”) for a consideration of RMB5,000,000.

## Notes to Financial Statements

31 December 2019

### 36. DISPOSAL OF SUBSIDIARIES (Continued)

#### For the year ended 31 December 2019 (Continued)

**(g) 贛州瑞御置業有限公司 (“Ganzhou Ruiyu Property Co., Ltd.”)**

Pursuant to the share transfer agreement dated 30 May 2019, the Group disposed of its 67% equity interest in Ganzhou Ruiyu Property Co., Ltd. to 池州梁鑫企業管理諮詢服務有限公司 (“Chizhou Liangxin Enterprise Management Consulting Service Co., Ltd.”), 吉安市宏盛企業管理有限公司 (“Ji’an Hongsheng Enterprise Management Co., Ltd.”) and 萍鄉中梁榮房地產信息諮詢合夥企業(有限合夥) (“Pingxiang Zhongliangrong Real Estate Information Consulting Partnership (Limited Partnership)”) for a consideration of nil.

**(h) 鹽城市中梁信置業有限公司 (“Yancheng Zhongliangxin Property Co., Ltd.”)**

Pursuant to the share transfer agreement dated 13 August 2019, the Group disposed of its 70% equity interest in Yancheng Zhongliangxin Property Co., Ltd. to 鹽城通達置業有限公司 (“Yancheng Tongda Property Co., Ltd.”) for a consideration of nil.

**(i) 杭州梁信置業有限公司 (“Hangzhou Liangxin Property Co., Ltd.”)**

Pursuant to the share transfer agreement dated 20 August 2019, the Group disposed of its 50% equity interest in Hangzhou Liangxin Property Co., Ltd. to 杭州金地自在城房地產發展有限公司 (“Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.”) for a consideration of RMB200,000,000.

**(j) 義烏市梁恆置業有限公司 (“Yiwu Liangheng Property Co., Ltd.”)**

Pursuant to the share transfer agreement dated 20 August 2019, the Group disposed of its 50% equity interest in Yiwu Liangheng Property Co., Ltd. to 杭州金地自在城房地產發展有限公司 (“Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.”) for a consideration of nil.

**(k) 三門縣中梁恆置業有限公司 (“Sanmen Zhongliangcheng Real Estate Co., Ltd.”)**

Pursuant to the share transfer agreement dated 11 December 2019, the Group disposed of its 57% equity interest in Sanmen Zhongliangcheng Real Estate Co., Ltd. to 三門華順投資有限公司 (“Sanmen Huasheng Investment Co., Ltd.”), for a consideration of nil.

#### For the year ended 31 December 2018

**(a) 廈門梁博置業有限公司 (“Xiamen Liangbo Property Development Co., Ltd.”)**

Pursuant to the share transfer agreement dated 22 January 2018, the Group disposed of its 100% equity interest in Xiamen Liangbo Property Development Co., Ltd. to a related party, Zhejiang Tianjian Real Estate Co., Ltd., for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 January 2018.

**(b) 上海新中梁房地產開發集團有限公司 (“Shanghai Xinzhongliang Real Estate Group Co., Ltd.”)**

Pursuant to the share transfer agreement dated 12 March 2018, the Group disposed of its 100% equity interest in Shanghai Xinzhongliang Real Estate Co., Ltd. to a related party, 蘇州工業園區華成房地產開發有限公司 (“Suzhou Industrial Park Huacheng Real Estate Development Limited”), for a consideration of RMB100,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

## Notes to Financial Statements

31 December 2019

### 36. DISPOSAL OF SUBSIDIARIES (Continued)

#### For the year ended 31 December 2018 (Continued)

- (c) **上海華成中梁置業有限公司 (“Shanghai Huacheng Zhongliang Real Estate Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 12 March 2018, the Group disposed of its 100% equity interest in Shanghai Huacheng Zhongliang Real Estate Co., Ltd. to a related party, Suzhou Industrial Park Huacheng Real Estate Development Limited for a consideration of RMB60,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.
- (d) **上海中梁物業發展有限公司 (“Shanghai Zhongliang Property Development Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 20 March 2018, the Group disposed of its 100% equity interest in Shanghai Zhongliang Property Development Co., Ltd. to a related party, 上海良中管理諮詢有限公司 (“Shanghai Liangzhong Management Consulting Co., Ltd.”), for a consideration of RMB5,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.
- (e) **上海金華成置業有限公司 (“Shanghai Jinhua Cheng Real Estate Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 31 March 2018, the Group disposed of its 100% equity interest in Shanghai Jinhua Cheng Real Estate Co., Ltd. to a related party, Suzhou Industrial Park Huacheng Real Estate Development Limited, for a consideration of RMB50,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 April 2018.
- (f) **濱州市梁基置業有限公司 (“Binzhou Liangji Real Estate Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 16 April 2018, the Group disposed of its 100% equity interest in Binzhou Liangji Real Estate Co., Ltd. to a related party, Zhejiang Tianjian Real Estate Co., Ltd., for a consideration of RMB50,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 April 2018.
- (g) **安徽鵠環企業管理諮詢有限公司 (“Anhui Huhuan Management Consulting Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 2 May 2018, the Group disposed of its 100% equity interest in Anhui Haohuan Management Consulting Co., Ltd. to a related party, 浙江天劍置業有限公司 (“Zhejiang Tianjian Real Estate Co., Ltd.”), for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 May 2018.
- (h) **梁岳管理諮詢(上海)有限公司 (“Liangyue Management Consulting (Shanghai) Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 3 May 2018, the Group disposed of its 100% equity interest in Liangyue Management Consulting (Shanghai) Co., Ltd. to a related party, 創弘棠(上海)管理諮詢有限公司 (“Chuanghongtang (Shanghai) Management Consulting Co., Ltd.”), for a consideration of RMB8,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 May 2018.
- (i) **萊蕪贏和中梁置業有限公司 (“Laiwu Yinghe Zhongliang Real Estate Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 19 July 2018, the Group disposed of its 66% equity interest in Laiwu Yinghe Zhongliang Real Estate Co., Ltd. to 萊蕪贏和置業有限公司 (“Laiwu Yinghe Real Estate Co., Ltd.”) for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 July 2018.

## Notes to Financial Statements

31 December 2019

### 36. DISPOSAL OF SUBSIDIARIES (Continued)

#### For the year ended 31 December 2018 (Continued)

- (j) **邵陽梁泰房地產開發有限公司 (“Shaoyang Liangtai Real Estate Development Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 31 July 2018, the Group disposed of its 15% equity interest in Shaoyang Liangtai Real Estate Development Co., Ltd. to 武漢長興輝業管理合夥企業(有限合夥) (“Wuhan Changxing Huiye Management Partnership (Limited Partnership)”) for a consideration of RMB7,500,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 July 2018.
- (k) **長沙梁軒置業有限公司 (“Changsha Liangxuan Real Estate Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 28 August 2018, the Group disposed of its 99% equity interest in Changsha Liangxuan Real Estate Co., Ltd. to 利得股權投資管理有限公司 (“Profit Equity Investment Management Co., Ltd.”) for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.
- (l) **吉安中梁泰置業有限公司 (“Ji’an Zhongliangtai Property Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 15 August 2018, the Group disposed of its 30% equity interest in Ji’an Zhongliangtai Property Co., Ltd. to 五礦國際信託有限公司 (“Minmetals International Trust Co. Ltd.”) for a consideration of RMB21,430,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.
- (m) **金華市福橋置業有限公司 (“Jinhua Fuqiao Property Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 30 August 2018, the Group disposed of its 50% equity interest in Jinhua Fuqiao Real Estate Co., Ltd. to 杭州金地自在城房地產發展有限公司 (“Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.”) for a consideration of RMB10,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.
- (n) **南京梁碩置業有限公司 (“Nanjing Liangshuo Real Estate Co., Ltd.”)**  
Pursuant to the share transfer agreement dated 15 October 2018, the Group disposed of its 99% equity interest in Nanjing Liangshuo Real Estate Co., Ltd. to 嘉興盛世神州包利股權投資合夥企業(有限合夥) (“Jiaxing Shengshi Shenzhou Baoli Equity Investment Partnership (Limited Partnership)”) for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 October 2018.
- (o) **杭州梁晟置業有限公司 (“Hangzhou Liangsheng real estate co., Ltd.”)**  
Pursuant to the share transfer agreement dated 1 November 2018, the Group disposed of its 100% equity interest in Hangzhou Liangsheng Real Estate Co., Ltd. to 鴻翔房地產開發有限公司 (“Hongxiang Real Estate Co. Ltd.”) for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 October 2018.

## Notes to Financial Statements

31 December 2019

### 36. DISPOSAL OF SUBSIDIARIES (Continued)

#### For the year ended 31 December 2018 (Continued)

**(p) 上海興滄置業有限公司 (“Shanghai Xinghu Real Estate Co., Ltd.”)**

Pursuant to the share transfer agreement dated 11 December 2018, the Group disposed of its 50% equity interest in Shanghai Xinghu Real Estate Co., Ltd. to Mr. Shang Zhen for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

Pursuant to the share transfer agreement dated 11 December 2018, the Group disposed of its 50% equity interest in Shanghai Xinghu Real Estate Co., Ltd. to Ms. Wen Bing for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

**(q) 梁寶(杭州)互聯網科技服務有限公司 (“Liang Bao (Hangzhou) Internet Technology Service Co., Ltd.”)**

Pursuant to the share transfer agreement dated 19 December 2018, the Group disposed of its 50% equity interest in Liang Bao (Hangzhou) Internet Technology Service Co., Ltd. to Mr. Shang Zhen for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

Pursuant to the share transfer agreement dated 19 December 2018, the Group disposed of its 50% equity interest in Liang Bao (Hangzhou) Internet Technology Service Co., Ltd. to Ms. Wen Bing for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

## Notes to Financial Statements

31 December 2019

### 36. DISPOSAL OF SUBSIDIARIES (Continued)

The carrying values of the assets and liabilities on the dates of disposal were as follows:

	2019 RMB'000	2018 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	1,032	2,420
Investment properties (note 14)	69,500	—
Deferred tax assets (note 19)	24,418	—
Properties under development (note 21)	1,936,105	3,115,570
Tax recoverable	37,495	1,563
Cash and cash equivalents	380,058	75,456
Investments in associates	670,000	214,343
Prepayments and other receivables	2,062,275	2,639,274
Trade and bills payables	(216,482)	(236,169)
Contract liabilities	(1,420,847)	(334)
Interest-bearing bank and other borrowings	(264,000)	(215,000)
Tax payable	(16,271)	—
Deferred tax liabilities (note 19)	(9,406)	—
Other payables and accruals	(3,117,629)	(5,242,187)
Non-controlling interests	(81,129)	(8,724)
	55,119	346,212
Gain/(loss) on disposal of subsidiaries	4,029	(23,215)
Satisfied by cash	59,148	—

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Cash consideration	59,148	—
Cash and bank balances disposed of	(380,058)	(75,456)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(320,910)	(75,456)

The directors of the Company consider that not all subsidiaries disposed of were significant to the Group and thus the individual financial information of some subsidiaries on the disposal date was not disclosed.

## Notes to Financial Statements

31 December 2019

### 37. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Notes	2019 RMB'000	2018 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	51,717,760	28,897,294
Guarantees given to banks in connection with facilities granted to related companies	(2)	10,228,866	6,594,169

- (1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

- (2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 31 December 2019, an allowance of RMB31,364,000 (2018: RMB84,869,000) was provided for as a result of the guarantees provided to the related companies.

## Notes to Financial Statements

31 December 2019

### 38. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Property development activities	68,331,392	40,652,123
Acquisition of land use rights	2,887,197	1,930,992
Capital contributions payable to joint ventures and associates	3,999,720	1,464,253
	<b>75,218,309</b>	44,047,368

(b) **Operating lease commitments as at 31 December 2018**

The Group leased certain of its office properties under operating lease arrangements. Leases for office properties were negotiated for terms ranging from one month to fifteen 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	82,489
In the second to fifth years, inclusive	88,348
After five years	2,720
	<b>173,557</b>



## Notes to Financial Statements

31 December 2019

### 39. RELATED PARTY TRANSACTIONS

#### (1) Significant related party transactions

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2019 RMB'000	2018 RMB'000
Advance to related companies:		
Companies controlled by certain directors and/or their close family members	653	879,640
Joint ventures and associates	18,046,174	16,340,940
Companies controlled by the ultimate controlling shareholders	79,352	20,715,480
Repayment of advances to related companies:		
Companies controlled by certain directors and/or their close family members	14,591	1,116,338
Joint ventures and associates	18,205,777	10,042,749
Companies controlled by the ultimate controlling shareholders	302,243	19,092,375
Advance from related companies:		
Companies controlled by certain directors and/or their close family members	—	547,304
Joint ventures and associates	15,215,605	12,999,594
Companies controlled by the ultimate controlling shareholders	94,494	5,128,989
Repayment of advances from related companies:		
Companies controlled by certain directors and/or their close family members	119,458	616,639
Joint ventures and associates	10,545,731	9,494,973
Companies controlled by the ultimate controlling shareholders	164,757	5,846,406
Property management services to joint ventures and associates <sup>(Note)</sup>	—	1,199
Management consulting services to joint ventures and associates <sup>(Note)</sup>	181,276	86,338
Interest income from companies controlled by certain directors and/or their close family members <sup>(Note)</sup>	—	133,411
Finance costs from a company significantly impacted by certain directors <sup>(Note)</sup>	3,750	23,086
Property management services from companies controlled by the ultimate controlling shareholders <sup>*(Note)</sup>	221,575	98,734

## Notes to Financial Statements

31 December 2019

### 39. RELATED PARTY TRANSACTIONS (Continued)

#### (1) Significant related party transactions (Continued)

	2019 RMB'000	2018 RMB'000
Design, decoration and outfitting service from companies controlled by the ultimate controlling shareholders <sup>*(Note)</sup>	8,238	—

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

\* The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

#### (2) Disposal of subsidiaries

	2019 RMB'000	2018 RMB'000
Consideration of disposal of subsidiaries (note 36)	—	273,000

#### (3) Other transactions with related parties

- i. As at 31 December 2019, the Controlling Shareholders and Suzhou Industrial Park Huacheng Real Estate Development Limited have jointly guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB5,262,550,000).
- ii. As at 31 December 2019, the Controlling Shareholders has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB2,320,339,000).
- iii. As at 31 December 2019, Suzhou Industrial Park Huacheng Real Estate Development Limited has guaranteed certain of the bank and other borrowings of up to nil (31 December 2018: RMB2,055,880,000).
- iv. Jiangsu Zhongquanhe Construction Co., Ltd. provided a loan to the Group for real estate development with a term of two years, and an interest rate of 7.45% per annum. As at 31 December 2019, the outstanding balance of the aforementioned loan amounted to nil (31 December 2018: RMB138,600,000). This loan was included in "Interest-bearing bank and other borrowings" in the consolidated statements of financial position of the Group.
- v. As at 31 December 2019, Rui'an Yuetang Property Co., Ltd. has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB204,000,000).
- vi. As at 31 December 2019, Shucheng Wenzhu Real Estate Co., Ltd. has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB70,000,000).
- vii. As at 31 December 2019, Deqing Jinhao Property Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB235,200,000 (31 December 2018: RMB400,000,000).
- viii. As at 31 December 2019, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures and associates up to RMB10,228,866,000 (31 December 2018: RMB6,594,169,000).

## Notes to Financial Statements

31 December 2019

### 39. RELATED PARTY TRANSACTIONS (Continued)

#### (4) Outstanding balances with related parties

	2019 RMB'000	2018 RMB'000
Due from companies controlled by certain directors and/or their close family members	43,717	57,655
Due from joint ventures and associates	9,401,294	9,560,897
Due from companies controlled by the ultimate controlling shareholders	1,189	222,891
Due to companies controlled by certain directors and/or their close family members	—	119,458
Due to joint ventures and associates	11,898,776	7,228,902
Due to companies controlled by the ultimate controlling shareholders	86,859	70,778

Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

#### (5) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	77,369	35,153
Pension scheme contributions	512	611
Total compensation paid to key management personnel	77,881	35,764

Further details of directors' emoluments are included in note 8 to the financial statements.

## Notes to Financial Statements

31 December 2019

### 40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

31 December 2019

#### Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Financial assets included in prepayments and other receivables (note 24)	23,560,227	—	23,560,227
Financial assets at fair value through profit or loss (note 20)	—	290,723	290,723
Due from related companies (note 39)	9,446,200	—	9,446,200
Restricted cash (note 25)	10,194,619	—	10,194,619
Pledged deposits (note 25)	1,344,886	—	1,344,886
Cash and cash equivalents (note 25)	14,955,756	—	14,955,756
	59,501,688	290,723	59,792,411

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Senior notes (note 31)	4,195,371	—	4,195,371
Lease liabilities (note 16)	146,444	—	146,444
Trade and bills payables (note 26)	12,060,536	—	12,060,536
Other financial liabilities	—	92,378	92,378
Financial liabilities included in other payables and accruals (note 27)	15,434,018	—	15,434,018
Due to related companies (note 39)	11,985,635	—	11,985,635
Interest-bearing bank and other borrowings (note 29)	35,985,869	—	35,985,869
Provision for financial guarantee contracts	—	31,364	31,364
	79,807,873	123,742	79,931,615

## Notes to Financial Statements

31 December 2019

### 40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows (Continued):

**31 December 2018**

#### Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Financial assets included in prepayments and other receivables (note 24)	13,621,435	—	13,621,435
Financial assets at fair value through profit or loss (note 20)	—	228,757	228,757
Due from related companies (note 39)	9,841,443	—	9,841,443
Restricted cash (note 25)	7,892,069	—	7,892,069
Pledged deposits (note 25)	636,777	—	636,777
Cash and cash equivalents (note 25)	14,551,518	—	14,551,518
	46,543,242	228,757	46,771,999

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Trade and bills payables (note 26)	8,498,295	—	8,498,295
Other financial liabilities	—	59,284	59,284
Financial liabilities included in other payables and accruals (note 27)	16,470,082	—	16,470,082
Due to related companies (note 39)	7,419,138	—	7,419,138
Interest-bearing bank and other borrowings (note 29)	27,004,917	—	27,004,917
Provision for financial guarantee contracts	—	84,869	84,869
	59,392,432	144,153	59,536,585

## Notes to Financial Statements

31 December 2019

### 41. 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	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Financial assets at FVTPL	290,723	228,757	290,723	228,757
<b>Financial liabilities</b>				
Senior notes	4,195,371	—	4,205,800	—
Interest-bearing bank and other borrowings (note 29)	35,985,869	27,004,917	36,000,290	26,991,997
Other financial liabilities	92,378	59,284	92,378	59,284
Provision for financial guarantee contracts (note 30)	31,364	84,869	31,364	84,869
	40,304,982	27,149,070	40,329,832	27,136,150

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the group financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the group financial controller and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the group financial controller. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

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 fair values of interest-bearing bank and other borrowings 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 Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 was assessed to be insignificant.

## Notes to Financial Statements

31 December 2019

### 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

For the fair values of the financial assets at FVTPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVTPL is categorised within level 3 of the fair value hierarchy.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liability. The fair value measurement of the financial liability is categorised within level 3 of the fair value hierarchy.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

*As at 31 December 2019*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVTPL	77,147	—	213,576	290,723

*As at 31 December 2018*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVTPL	—	—	228,757	228,757

## Notes to Financial Statements

31 December 2019

### 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

##### Liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other financial liabilities	—	—	92,378	92,378
Provision for financial guarantee contracts	—	—	31,364	31,364
	—	—	123,742	123,742

As at 31 December 2018

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other financial liabilities	—	—	59,284	59,284
Provision for financial guarantee contracts	—	—	84,869	84,869
	—	—	144,153	144,153



## Notes to Financial Statements

31 December 2019

### 41. 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			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes	—	4,205,800	—	4,205,800
Interest-bearing bank and other borrowings	—	36,000,290	—	36,000,290
	—	40,206,090	—	40,206,090

As at 31 December 2018

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	—	26,991,997	—	26,991,997

## Notes to Financial Statements

31 December 2019

### 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other financial liabilities	Discounted cash flows method	Incremental borrowing cost	2019: 7.20%-22.75%	1% increase/decrease in incremental borrowing cost would result in a decrease/ increase in fair value by RMB103,000/RMB103,000
			2018: 8.20%–12.50%	1% increase/decrease in incremental borrowing cost would result in a decrease/ increase in fair value by RMB78,000/RMB78,000
		Expected rate of return per annum	2019: 16.97%–21.45%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB22,000/RMB22,000
			2018: 9.87%–14.96%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB48,000/RMB48,000
Financial assets at FVTPL	Market approach	Net asset value	2019: RMB0.9708	1% increase/decrease in net asset value would result in an increase/ decrease in fair value by RMB2,135,760/RMB2,135,760
	Discounted cash flows method	Expected rate of return per annum	2018: 8.78%	1% increase/decrease in expected interest rate per annum would result in an increase/decrease in fair value by RMB2,000/RMB2,000
		Discount rate	2018: 3.17%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB1,000/RMB1,000
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	2019: 37.30%–40.00%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB52,905/RMB52,382
			2018: 38.00%–39.50%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB351,003/RMB351,003
		Discount rate	2019: 1.26%–2.73%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB2,663/RMB2,639
			2018: 2.39%–2.87%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB26,422/RMB26,444

### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank equivalents, restricted cash, pledged deposits, trade receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, senior notes, financial assets at fair value through profit or loss, other financial liabilities, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

## Notes to Financial Statements

31 December 2019

### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

#### (a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

As at 31 December 2019, if the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB12,202,000 (2018: RMB10,497,000).

#### (b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

In addition, the Group has currency exposures from its cash and cash equivalents and senior notes.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US\$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
<b>2019</b>		
If the RMB weakens against the US\$	-5%	(188,685)
If the RMB strengthens against the US\$	+5%	188,685
If the RMB weakens against the HK\$	-5%	1,373
If the RMB strengthens against the HK\$	+5%	(1,373)
<b>2018</b>		
If the RMB weakens against the US\$	-5%	—
If the RMB strengthens against the US\$	+5%	—
If the RMB weakens against the HK\$	-5%	—
If the RMB strengthens against the HK\$	+5%	—

## Notes to Financial Statements

31 December 2019

### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

#### 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	Lifetime ECLs			RMB'000
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	3,035	3,035
Financial assets included in prepayments and other receivables					
— Normal**	23,560,227	—	—	—	23,560,227
Due from related companies	9,446,200	—	—	—	9,446,200
Restricted cash					
— Not yet past due	10,194,619	—	—	—	10,194,619
Pledged deposits					
— Not yet past due	1,344,886	—	—	—	1,344,886
Cash and cash equivalents					
— Not yet past due	14,955,756	—	—	—	14,955,756
Financial guarantees provided to associates and joint ventures					
— Not yet past due	10,228,866	—	—	—	10,228,866
	69,730,554	—	—	3,035	69,733,589

## Notes to Financial Statements

31 December 2019

### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (c) Credit risk (Continued)

##### Maximum exposure and year-end staging (Continued)

As at 31 December 2018

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	—	—	—	4,354	4,354	
Financial assets included in prepayments and other receivables						
— Normal**	13,621,435	—	—	—	13,621,435	
Due from related companies	9,841,443	—	—	—	9,841,443	
Restricted cash						
— Not yet past due	7,892,069	—	—	—	7,892,069	
Pledged deposits						
— Not yet past due	636,777	—	—	—	636,777	
Cash and cash equivalents						
— Not yet past due	14,551,518	—	—	—	14,551,518	
Financial guarantees provided to associates and joint ventures						
— Not yet past due	6,594,169	—	—	—	6,594,169	
	53,137,411	—	—	4,354	53,141,765	

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 23. There is no significant concentration of credit risk.

\*\* The credit quality of amounts due from related companies and the financial assets included in prepayments and other receivables 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.

## Notes to Financial Statements

31 December 2019

### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, corporate bonds, and senior notes. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2019</b>					
Senior notes	—	—	1,378,045	2,817,326	4,195,371
Trade and bills payables	—	12,060,536	—	—	12,060,536
Financial liabilities included in other payables and accruals	—	15,436,018	—	—	15,436,018
Due to related companies	11,985,635	—	—	—	11,985,635
Financial guarantee contracts	10,228,866	—	—	—	10,228,866
Other financial liabilities	92,378	—	—	—	92,378
Interest-bearing bank and other borrowings	—	3,632,856	16,352,478	21,006,979	40,992,313
Lease liabilities	—	1,537	80,952	91,068	173,557
	<b>22,306,879</b>	<b>31,130,947</b>	<b>17,811,475</b>	<b>23,915,373</b>	<b>95,164,674</b>
<b>31 December 2018</b>					
Trade and bills payables	—	8,498,295	—	—	8,498,295
Financial liabilities included in other payables and accruals	—	16,470,082	—	—	16,470,082
Due to related companies	7,419,138	—	—	—	7,419,138
Financial guarantee contracts	6,594,169	—	—	—	6,594,169
Other financial liabilities	59,284	—	—	—	59,284
Interest-bearing bank and other borrowings	—	2,581,750	15,069,658	14,964,607	32,616,015
	<b>14,072,591</b>	<b>27,550,127</b>	<b>15,069,658</b>	<b>14,964,607</b>	<b>71,656,983</b>

## Notes to Financial Statements

31 December 2019

### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related companies, provision for financial guarantee contracts, other financial liabilities, interest-bearing bank and other borrowings, lease liabilities and senior notes, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratio as at the end of the reporting period was as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000 (note)	31 December 2018 RMB'000
Trade and bills payables	12,060,536	8,498,295	8,498,295
Financial liabilities included in other payables and accruals	19,019,087	20,476,168	20,476,168
Due to related companies	11,985,635	7,419,138	7,419,138
Provision for financial guarantee contracts	31,364	84,869	84,869
Other financial liabilities	92,378	59,284	59,284
Interest-bearing bank and other borrowings	35,985,869	27,004,917	27,004,917
Senior notes	4,195,371	—	—
Lease liabilities	146,444	108,485	—
Less: Cash and cash equivalents	(14,955,756)	(14,551,518)	(14,551,518)
Net debt	68,560,928	49,099,638	48,991,153
Equity attributable to owners of the parent	8,728,100	2,578,676	2,578,676
Capital and net debt	77,289,028	51,678,314	51,569,829
Gearing ratio	88.71%	95.01%	95.00%

Note: The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 95.00% to 95.01% on 1 January 2019 when compared with the position as at 31 December 2018.

## Notes to Financial Statements

31 December 2019

### 43. 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
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	40	—
Investment in subsidiary	200,523	200,523
Total non-current assets	200,563	200,523
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	441,905	1,144
Due from subsidiaries	9,374,034	963,005
Total current assets	9,815,939	964,149
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	34,131	4,792
Due to subsidiaries	—	125
Senior notes	1,378,045	—
Total current liabilities	1,412,176	4,917
<b>NET CURRENT ASSETS</b>	<b>8,403,763</b>	959,232
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>8,604,326</b>	1,159,755
<b>NON-CURRENT LIABILITIES</b>		
Senior notes	2,817,326	—
Total non-current liabilities	2,817,326	—
Net assets	5,787,000	1,159,755
<b>EQUITY</b>		
Share capital	31,450	85
Reserves	5,755,550	1,159,670
Total equity	5,787,000	1,159,755

Chen Hongliang  
Director

Li Heli  
Director



## Notes to Financial Statements

31 December 2019

### 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018	—	—	—	—	—
Total comprehensive income for the year	—	—	—	4,415	4,415
Capital contribution from non-controlling shareholders of subsidiaries	—	—	200,523	—	200,523
Issuance of new shares	85	954,732	—	—	954,817
Balance at 1 January 2019 and 31 December 2018	85	954,732	200,523	4,415	1,159,755
Total comprehensive income for the year	—	—	—	2,415,134	2,415,134
Issuance of new shares	31,365	2,675,033	—	—	2,706,398
Dividends and distributions	—	—	—	(494,287)	(494,287)
Balance at 31 December 2019	31,450	3,629,765	200,523	1,925,262	5,787,000

### 44. EVENTS AFTER THE REPORTING PERIOD

#### Issuance of senior notes

On 18 February 2020, the Company issued senior notes with a principal amount of US\$ 250,000,000 due in 2021. The senior notes bear interest at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 February 2021. At any time prior to maturity, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

#### Assessment on the impact of the novel coronavirus's (COVID-19)

The outbreak of COVID-19 in early January 2020 continued to spread throughout Mainland China and beyond. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

### 45. APPROVAL OF THE SUBSEQUENT FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 April 2020.

## Five-Year Financial Summary

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
<b>Revenue</b>	<b>56,639,596</b>	30,214,688	14,026,299	2,925,411	1,619,031
Cost of sales	(43,457,345)	(23,303,847)	(11,166,324)	(2,308,844)	(1,497,855)
<b>Gross profit</b>	<b>13,182,251</b>	6,910,841	2,859,975	616,567	121,176
Other income and gains	233,873	95,045	24,517	163,475	1,980
Selling and distribution expenses	(2,030,081)	(1,333,901)	(823,698)	(405,186)	(106,078)
Administrative expenses	(2,549,711)	(1,648,265)	(701,224)	(377,001)	(91,294)
Impairment losses on financial assets	(9,870)	(10,964)	(2,162)	(473)	(24)
Other expenses	(255,162)	(197,760)	(20,333)	(30,059)	(2,502)
Fair value gains on investment properties	49,855	71,971	261,898	8,725	2,966
Fair value gains/(losses) on financial assets at fair value through profit or loss	(6,880)	(4,039)	(5,378)	17,919	—
Finance income	515,645	353,711	150,805	63,797	9,379
Finance costs	(466,533)	(433,466)	(356,320)	(269,018)	(136,256)
Share of profits and losses of:					
Joint ventures	979,353	(82,242)	(134,844)	(29,053)	—
Associates	255,371	717,545	14,649	(33,648)	(4,718)
<b>Profit/(loss) before tax</b>	<b>9,898,111</b>	4,438,476	1,267,885	(273,955)	(205,371)
Income tax (expense)/credit	(3,642,203)	(1,912,189)	(769,311)	4,186	24,532
<b>Profit/(loss) for the year</b>	<b>6,255,908</b>	2,526,287	498,574	(269,769)	(180,839)
Attributable to:					
Owners of the Company	3,833,699	1,931,336	502,667	(168,627)	(173,417)
Non-controlling interests	2,422,209	594,951	(4,093)	(101,142)	(7,422)
	<b>6,255,908</b>	2,526,287	498,574	(269,769)	(180,839)

## Five-Year Financial Summary

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
<b>ASSETS</b>					
Non-current assets	14,389,227	7,680,424	2,721,979	846,134	334,981
Current assets	210,130,756	160,394,192	96,488,433	45,478,960	13,563,750
<b>Total assets</b>	<b>224,519,983</b>	168,074,616	99,210,412	46,325,094	13,898,731
<b>EQUITY AND LIABILITIES</b>					
Total equity	20,871,555	6,754,232	2,353,751	654,988	154,556
Non-current liabilities	19,629,976	12,871,427	17,175,187	10,534,680	3,357,250
Current liabilities	184,018,452	148,448,957	79,681,474	35,135,426	10,386,925
Total liabilities	203,648,428	161,320,384	96,856,661	45,670,106	13,744,175
<b>Total equity and liabilities</b>	<b>224,519,983</b>	168,074,616	99,210,412	46,325,094	13,898,731

## THE COMPANY

### PRINCIPAL AND REGISTERED OFFICES

Registered Office	Place of Business in Hong Kong
<b>Zhongliang Holdings Group Company Limited</b> Walkers Corporate Limited 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands	<b>Zhongliang Holdings Group Company Limited</b> 27/F, Queen's Road Centre 152 Queen's Road Central Central Hong Kong

### TRUSTEE, PAYING AND TRANSFER AGENT AND REGISTRAR

**China Construction Bank (Asia) Corporation Limited**  
28/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

### LEGAL ADVISERS TO THE COMPANY

*As to U.S. and Hong Kong laws*

**Sidley Austin**  
Level 39, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

*As to PRC law*

**Commerce & Finance Law Offices**  
6F, NCI Tower  
A12 Jianguomenwai Avenue  
Chaoyang District  
Beijing China

*As to Cayman Islands and  
British Virgin Islands laws*

**Walkers (Hong Kong)**  
15/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

### LEGAL ADVISERS TO THE INITIAL PURCHASERS

*As to PRC law*

**Jingtian & Gongcheng**  
34/F, Tower 3, China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing

*As to U.S. law*

**Norton Rose Fulbright Hong Kong**  
38/F Jardine House  
1 Connaught Place  
Central  
Hong Kong

### INDEPENDENT AUDITOR

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