

香港交易及結算所有限公司及香港聯合交易所有限公司對本公佈之內容概不負責，對其準確性或完整性亦不發表聲明，並明確表示概不會對因本公佈全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

本公佈僅為提供資料而作出，並不構成出售之要約或要約收購、購買或認購任何證券之邀請或徵求；本公佈或其任何內容亦不構成任何合約或承諾之基礎。本公佈及其任何副本不得送往美國或於美國派發。本公佈提及的證券並無且將不會根據美國一九三三年證券法(經修訂)登記，且在沒有進行註冊或不獲豁免註冊之情況下，本公佈提及的證券不得在美國要約發售或出售。本公佈所述的證券只會按照所有適用法律及法規出售。本公司不擬在美國登記任何證券。



合生創展集團有限公司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(在百慕達註冊成立的有限公司)

(股份代號：754)

網址：<http://www.irasia.com/listco/hk/hopson>

完成發行於二零二三年到期的200,000,000美元6.8%擔保優先票據 及 海外監管公告

茲提述合生創展集團有限公司(「本公司」)日期為二零二一年六月二十二日有關本公司發行於二零二三年到期的200,000,000美元6.8%優先票據(「優先票據」)之公佈(「該公佈」)。除另有界定外，本公佈所用詞彙與該公佈所界定者具相同涵義。

董事會欣然宣佈，認購協議的所有條件已經達成，而優先票據的發行已於二零二一年六月二十八日完成。優先票據將於二零二一年六月二十九日在新交所上市。

請參閱隨附有關優先票據的發售備忘錄(「發售備忘錄」)，發售備忘錄將在新交所的網站發佈。

在聯交所網站刊載發售備忘錄僅為向香港投資者同步發佈資訊，並遵守上市規則第13.10B條的規定，此外並無任何其他目的。

發售備忘錄並不構成向任何司法權區的公眾人士提呈出售任何證券的招股章程、通告、通函、冊子或廣告，亦非邀請公眾人士提出認購或購買任何證券的要約，且並非旨在邀請公眾人士提出認購或購買任何證券的要約。

發售備忘錄不得被視為對認購或購買本公司任何證券的勸誘，且無意進行有關勸誘。概不應根據發售備忘錄所載資料作出任何投資決策。

承董事會命
合生創展集團有限公司
朱桔榕
主席

香港，二零二一年六月二十八日

於本公佈日期，董事會包括八名董事。執行董事為朱桔榕女士(主席)、張帆先生(聯席總裁)、歐偉建先生、謝寶鑫先生及鮑文格先生；及獨立非執行董事為陳龍清先生、程如龍先生及葉偉倫先生。

* 僅供識別

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS OUTSIDE OF THE U.S.

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

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

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The following offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (the "Prospectus Regulation"). The following offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

The communication of the attached offering memorandum and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended ("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 falling 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 within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the securities described in the attached offering memorandum are only available to, and any investment or investment activity to which the attached offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached offering memorandum or any of its contents.

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

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore), the Issuer 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 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).

CONFIRMATION AND YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO BOCOM INTERNATIONAL SECURITIES LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, ORIENT SECURITIES (HONG KONG) LIMITED, MORGAN STANLEY & CO. INTERNATIONAL PLC, HEUNGKONG SECURITIES LIMITED, DBS BANK LTD., CMBC SECURITIES COMPANY LIMITED, VISION CAPITAL INTERNATIONAL HOLDINGS LIMITED, CHINA CITIC BANK INTERNATIONAL LIMITED, HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED, CCB INTERNATIONAL CAPITAL LIMITED, CITIGROUP GLOBAL MARKETS LIMITED, CMB INTERNATIONAL CAPITAL LIMITED AND THE BANK OF EAST ASIA, LIMITED (THE "INITIAL PURCHASERS") THAT YOU (I) ARE OUTSIDE THE UNITED STATES, AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

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

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



合生創展集團有限公司

HOPSON DEVELOPMENT HOLDINGS LIMITED

Hopson Development Holdings Limited

(incorporated in Bermuda with limited liability)

US\$200,000,000 6.8% Senior Notes Due 2023

Issue Price: 100%

Hopson Development Holdings Limited (the “Issuer” or the “Company”) is offering US\$200,000,000 aggregate principal amount of 6.8% Senior Notes due 2023 (the “Notes”). The Notes will bear interest at 6.8% per annum from and including June 28, 2021 (the “Original Issue Date”). We will pay interest on the Notes semi-annually in arrears on December 28 and June 28 of each year, commencing on December 28, 2021. The Notes will mature on December 28, 2023. The Notes are senior obligations of the Issuer and will be guaranteed certain of our wholly-owned subsidiaries organized outside the People’s Republic of China (each a “Subsidiary Guarantor” and together, “Subsidiary Guarantors”, and we refer to the guarantees by the Subsidiary Guarantors as “Subsidiary Guarantees”).

At any time prior to November 28, 2023, we may redeem up to 35% of the aggregate principal amount of the Notes (including any additional notes) with proceeds of certain equity offerings at a redemption price of 106.8% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to November 28, 2023, we may redeem all or any portion of the Notes 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 to (but not including), the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date). In addition, at any time from and after November 28, 2023, we may redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus the accrued and unpaid interest on the Notes to be redeemed, if any, to (but not including) the redemption date. If we sell certain of our assets or experience certain types of changes of control accompanied by a rating decline, we may be required to purchase the Notes at 101% of the principal amount plus accrued and unpaid interest up to (but not including) the redemption date. We may redeem all of the Notes at 100% of their principal amount plus accrued and unpaid interest (including any Additional Amounts) if at any time we or any Subsidiary Guarantor becomes obligated to pay additional taxes as a result of certain changes in tax law.

The Notes will be (1) general obligations of the Company; (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) at least pari passu in right of payment with any other unsecured, unsubordinated obligations of the Company (subject to any priority rights of such unsecured, unsubordinated obligations pursuant to applicable law); (4) guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described “Description of the Notes – The Subsidiary Guarantees” and in “Risk Factors – Risks Relating to the Notes and Risks Relating to the Subsidiary Guarantees” of this offering memorandum; (5) effectively subordinated to the secured obligations (if any) of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and (6) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

For a more detailed description of the Notes, see “Description of the Notes” beginning on page 171.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 12.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any other jurisdiction, and may not be offered, sold or delivered within the United States. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see “Transfer Restrictions” beginning on page 246.

Application will be made for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Company, the Notes, the Subsidiary Guarantors or any other subsidiary of the Company.

The Notes are expected to be rated B+ by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號》) (the “NDRC Notice” promulgated by National Development and Reform Commission (the “NDRC” of the PRC on September 14, 2015 which came into effect on the same day, we have made a filing with respect to the application for the annual foreign debt issuance quota with the NDRC by the Company before the issuance of the Notes, which was evidenced by a registration certificate issued by the NDRC on November 19, 2020. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten PRC working days after the issue date of the Notes.

The Notes will be evidenced by a global note (the “Global Note”) in registered form, which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set forth herein, individual certificates for the Notes will not be issued in exchange for beneficial interests in the Global Note. We expect that the Notes will be ready for delivery in book-entry form through Euroclear and Clearstream on June 28, 2021 or such later date as may be agreed by the Initial Purchasers and us.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BOCOM International	China International Capital Corporation	HSBC	Orient Securities (Hong Kong)	Morgan Stanley
--------------------------------	--	-------------	--	-----------------------

Joint Bookrunners and Joint Lead Managers

HeungKong Financial	DBS Bank Ltd.	CMBC Capital	Vision Capital International	China CITIC Bank International
Haitong International	CCB International	Citigroup	CMB International	The Bank of East Asia, Limited

The date of this offering memorandum is June 21, 2021.

TABLE OF CONTENTS

	Page
SUMMARY	1
THE OFFERING	4
SUMMARY FINANCIAL INFORMATION AND OTHER DATA	9
RISK FACTORS	12
USE OF PROCEEDS	52
EXCHANGE RATE INFORMATION	53
CAPITALIZATION AND INDEBTEDNESS	55
SELECTED FINANCIAL INFORMATION AND OTHER DATA	56
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	60
INDUSTRY OVERVIEW	82
BUSINESS	89
MANAGEMENT	128
SUBSTANTIAL SHAREHOLDERS	133
RELATED PARTY TRANSACTIONS	134
REGULATIONS	139
DESCRIPTION OF THE NOTES	171
DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS	233
TAXATION	238
PLAN OF DISTRIBUTION	241
TRANSFER RESTRICTIONS	246
RATINGS	248
LEGAL MATTERS	249
INDEPENDENT AUDITOR	250
GENERAL INFORMATION	251
INDEX TO FINANCIAL INFORMATION	F-1

NOTICE TO INVESTORS

In making your investment decision, you should rely only on the information contained in this offering memorandum. None of us, the Initial Purchasers and The Hongkong and Shanghai Banking Corporation Limited as Trustee, Paying Agent, Registrar and Transfer Agent, has authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it.

We are offering to sell our Notes only in places where sales are permitted.

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 and the 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 are 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 and the 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.

You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

This offering memorandum is a confidential document that we are providing only to prospective buyers of our Notes. You should read this offering memorandum before deciding to buy any Notes. You must not:

- use this offering memorandum for any other purpose;
- make copies of any part of this offering memorandum or give a copy of it to any other person; or
- disclose any information in this offering memorandum to any other person.

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 our Notes. You may contact us if you need any additional information. By purchasing any Notes, you acknowledge that:

- you have reviewed this offering memorandum;
- you have had an opportunity to request from us any additional information that you need from us; and
- no representation or warranty, express or implied, is made by the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar or any of their respective directors, officers, agents, affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. To the fullest extent permitted by law, none of the Initial Purchasers accepts any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers or on their respective behalf in connection with the Company, our group, the Subsidiary Guarantors, the Subsidiary Guarantees or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this offering memorandum or any such statement.

We reserve the right to withdraw the offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for or purchase of the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

This offering memorandum is personal to each offeree and is not an offer to any other person or to the public generally to subscribe for the Notes. 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.

None of us, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar is providing you with any legal, business, tax or other advice in this offering memorandum. You should consult your own advisors to assist you in making your investment decision and to advise you whether you are legally permitted to purchase our Notes.

You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase the Notes. None of us, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar is responsible for your compliance with these legal requirements.

We are making this offering of the Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes have not been recommended by any U.S. federal or state securities commission or regulatory authority or any regulatory authority in any other jurisdiction, and no such authority has determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

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

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (as modified and amended from time to time) (the “SFA”), the Issuer 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 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).

Our Notes are subject to restrictions on transfer and resale that are described under “Transfer Restrictions.” By purchasing any Notes, you represent and agree to all of the provisions contained in that section of this offering memorandum. You may have to bear the financial risks of investing in our Notes for an indefinite period of time.

In connection with this offering of the Notes, any of the Initial Purchasers appointed and acting as the stabilization manager or any person acting on its respective behalf, 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 accounts of the Initial Purchasers, and not for or on behalf of the Company.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted limited liability company incorporated under the laws of Bermuda, and each of the Subsidiary Guarantors of the Notes is incorporated either in Hong Kong or the British Virgin Islands. As a result, it may be difficult for you to effect service of process upon us or the Subsidiary Guarantors outside our jurisdiction of organization or enforce against us or the Subsidiary Guarantors judgments obtained outside those jurisdictions. Furthermore, substantially all of our assets are owned through subsidiaries located in the People's Republic of China (the "PRC") that are not guaranteeing the Notes.

We and each of the Subsidiary Guarantors have appointed Cogency Global Inc. as our respective agent to receive service of process with respect to any action brought against us in the United States federal courts located in the Borough of Manhattan, the City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the Subsidiary Guarantors in the courts of the State of New York in the Borough of Manhattan, the City of New York under the securities laws of the State of New York in respect of actions relating the Notes, the Subsidiary Guarantees or the indenture (the "**Indenture**") governing the Notes and the Subsidiary Guarantees.

We have been advised by Conyers Dill & Pearman, our Bermuda counsel, that the United States and Bermuda do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States would not be automatically enforceable in Bermuda. The courts of Bermuda would recognize as a valid judgment a final and conclusive judgment in personam obtained in the U.S. courts under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that:

- such courts had proper jurisdiction over the parties subject to such judgment;
- such courts did not contravene the rules of natural justice of Bermuda;
- such judgment was not obtained by fraud;
- the enforcement of the judgment would not be contrary to the public policy of Bermuda;
- no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda; and
- there is due compliance with the correct procedures under the laws of Bermuda.

Certain remedies available under the laws of U.S. jurisdictions would not be allowed in the Bermuda courts to the extent that they are contrary to public policy.

We have been advised by Conyers Dill & Pearman, our British Virgin Islands counsel, that the United States and the British Virgin Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States would not be automatically enforceable in the British Virgin Islands. The courts of the British Virgin Islands would recognize as a valid judgment a final and conclusive judgment in personam obtained in the U.S. courts under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that:

- such courts had proper jurisdiction over the parties subject to such judgment;
- such courts did not contravene the rules of natural justice of the British Virgin Islands;
- such judgment was not obtained by fraud;

- the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands;
- no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands; and
- there is due compliance with the correct procedures under the laws of the British Virgin Islands.

We have been advised by MinterEllison LLP, our Hong Kong counsel, that the United States and Hong Kong have not entered into any bilateral reciprocal enforcement agreement providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. A final judgment for the payment of money rendered by any federal or state court of the United States would not be automatically enforceable in Hong Kong. A judgment in personam obtained in a court of the United States may be enforceable in Hong Kong at common law provided that:

- the judgment is for a definite sum of money (other than a sum of money payable in respect of taxes or penalties);
- the judgment is final and conclusive between the parties;
- the relevant court from which the judgment was obtained had proper jurisdiction over the parties according to Hong Kong conflict of law rules;
- the judgment was not obtained by fraud or obtained in proceedings which contravene the rules of natural justice;
- enforcement of the judgment would not be contrary to the public policy in Hong Kong; and
- all Hong Kong common law and procedural requirements are met and no grounds exist which cause such judgment to be impeached or rendered unenforceable by the courts of Hong Kong.

We have been advised by Zhong Lun Law Firm, our PRC counsel, that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions. If there are no treaties or reciprocity arrangements between the PRC and a foreign jurisdiction where a judgment is rendered, according to PRC Civil Procedures Law, matters relating to the recognition and enforcement of the foreign judgment in the PRC may be resolved through diplomatic channels. The PRC does not have any treaties or other arrangements with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. As a result, it would generally be difficult to enforce in the PRC a judgment rendered by a U.S. court against us or the Subsidiary Guarantors.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes “forward-looking statements.” Forward-looking statements include those regarding our future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and generally include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions.

These forward-looking statements relate to events that are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include the following:

- our business and operating strategies and our ability to implement such strategies;
- our capital expenditure and project development plans;
- our ability to develop and manage our projects as planned;
- our operations and business prospects;
- various business opportunities that we may pursue;
- our financial condition;
- the availability and costs of bank loans and other forms of financing;
- our projects under construction or planning;
- the regulatory environment of our industry in general;
- the performance and future developments of real estate markets in the PRC or any region in the PRC where we may engage in project developments;
- the PRC real estate market outlook in general;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC government and the local authorities in the regions where we operate, which affect availability and cost of financing, leasing, pricing and volume of our projects;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;
- delays in obtaining the necessary government permits or approvals for our projects; and
- other factors beyond our control.

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

MARKET AND INDUSTRY DATA

Market data and certain industry forecasts and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent and the Registrar or our or their directors or advisors, and neither us, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, nor our or any of their directors or advisors makes 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.

The statistics set forth in this offering memorandum relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. None of us the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, and our or their respective directors or advisors makes any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics referred in this offering memorandum may be inaccurate and should not be unduly relied upon.

CONVENTIONS USED IN THIS OFFERING MEMORANDUM

In this offering memorandum, references to “China” or the “**PRC**” are to the People’s Republic of China, excluding Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), Macau Special Administrative Region of the PRC (“**Macau**”) and Taiwan; references to “HK\$” or “Hong Kong dollars” are to the lawful currency of Hong Kong; references to “US\$” or “U.S. dollars” are to the lawful currency of the United States; references to “RMB” or “Renminbi” are to the lawful currency of China; reference to the “2022 Notes” are to our US\$500 million 7.5% senior notes due 2022, reference to the “2021 Notes” are to our US\$500 million 6.0% senior notes due 2021, reference to the “July 2021 Notes” are to our US\$61,450,000 6.0% senior notes due July 2021, reference to the “January 2022 Notes” are to our US\$500 million 5.8% senior notes due 2022, reference to the “2024 Notes” are to our US\$300,000,000 7.0% senior notes due 2024.

We prepare and present our financial statements in Hong Kong dollars and in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

Solely for your convenience, certain Hong Kong dollar amounts in this offering memorandum have been converted into U.S. dollars and certain U.S. dollar amounts have been converted into (1) Hong Kong dollars, based on the exchange rate of HK\$7.7534 to US\$1.00 and (2) Chinese Renminbi, based on the exchange rate of RMB6.5250 to US\$1.00, which were the noon buying rates in New York City for cable transfers payable in Hong Kong dollars and Chinese Renminbi, respectively, 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 Hong Kong dollar amounts or Chinese Renminbi amounts referred to in this offering memorandum have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

In this offering memorandum, the terms “the Company” and/or “our Company” refers to Hopson Development Holdings Limited; and the terms “we,” “us,” “our”, “our group”, “our Group” and/or “the Group” refer to Hopson Development Holdings Limited and its subsidiaries, unless the context otherwise requires.

Unless the context otherwise requires, each phase of a property development project referred to in this offering memorandum is considered as a separate property development.

Any discrepancies in the tables between the listed amounts and their totals are due to rounding.

SUMMARY

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

OVERVIEW

We are one of the largest property developers in China as measured by land bank. We specialize in developing medium to high-end large-scale residential properties, as well as commercial properties. We also engaged in property management, property investment and hotel management. Our geographic focus is three principal economic zones in China – the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone – with Guangzhou, Beijing, Tianjin and Shanghai as our core cities, where the property markets have grown significantly in recent years.

Since 1995, we have built a recognized brand name in the PRC for quality property development through a concerted corporate strategy and business development model. From our origins in Guangzhou and the Pearl River Delta Economic Zone, we have expanded our operations into Beijing, Tianjin and Shanghai. In Guangzhou, Shanghai and Beijing, our “Regal Riviera”, “Gallopade”, “Fairview”, “Dongjiao Villa”, “Sheshan Dongziyuan” and “No. 8 Royal Park” brands have become associated with quality product design, customer service and facilities accommodating various community cultures and different operating models that meet the diverse needs of our target customers.

Each of our property developments features a unique theme, such as leisure and tourism, to enhance its positioning and marketability and contribute to our overall corporate brand. Our residential projects are typically large-scale development projects in the urban area and incorporate a variety of comprehensive amenities and public facilities to meet the needs of a community. We develop commercial properties, including retail shops, shopping malls, office buildings and hotels. Commercial properties, including integrated residential and commercial developments, have become a substantially increasing proportion of our projects portfolio in recent years. We typically seek to identify large sites in areas at their early stage of development but with significant long-term development potential and strategic importance and therefore are able to acquire land in such areas at relatively low costs. Due to the large scale of our projects, we typically develop our projects in several phases over a three to seven-year period.

As of December 31, 2020, we had 97 property projects in various stages of development, of which 42 property developments were in the Pearl River Delta Economic Zone, 32 property developments in the Huanbohai Economic Zone and 23 property developments in the Yangtze River Delta Economic Zone. As of December 31, 2020, the total saleable GFA of our land bank amounted to approximately 46.4 million sq.m. Our property projects had an aggregate sold GFA of 16.0 million sq.m., an aggregate completed but unsold GFA of 5.7 million sq.m. and an aggregate unsold GFA of 30.4 million sq.m.

In addition to our property development business, we have established a diversified business portfolio which achieved robust revenue growth over the years. Our other business segments include:

- *Property investment:* we derive rental fees from our investment property portfolio located in Guangzhou, Beijing, Hangzhou and Shanghai, comprising primarily of commercial, retail and carparking spaces within the property projects developed by us. As of December 31, 2020, we had a total of 15 investment properties in various stages of development.
- *Property management:* we derive management fees from the provision of property management services in respect of properties primarily developed by us. As of December 31, 2020, we provided management services to almost all of our developed properties.

- *Infrastructure*: we primarily engage in the design and construction of our own infrastructure projects, and we also undertake external contracted works. We strive to maintain the balance between efficiency and quality in our infrastructure projects. In 2020, we implemented a technology-driven business strategy to achieve transformative change in our qualifications, platform automation and talent acquisition.
- *Investments*: leveraging on our cash surplus, we focus on medium-to-long term equity investments that yield higher capital returns and stable cash flow in a low-interest environment. Our investment philosophy is to transform the Group from a traditional property developer into a comprehensive investment holding platform empowered by technology and driven by the industry.

In addition, in order to promote our strategy on the balanced development, we expanded our businesses to capital management, community services, auto finance and elderly care services.

Furthermore, in 2020, we officially included investment business as one of our principal business activities.

For the years ended December 31, 2018, 2019 and 2020, our total revenue was HK\$13,293.5 million, HK\$18,600.6 million and HK\$34,371.3 million (US\$4,433.1 million), respectively, and our total profit was HK\$5,822.6 million, HK\$9,650.4 million, and HK\$13,688.1 million (US\$1,765.4 million), respectively, during the same periods of time.

COMPETITIVE STRENGTHS

- Market leading integrated property developers in China with an established presence in key geographic markets in China
- A comprehensive investment holding platform with synergistic development of diversified business segments
- Sizable, high quality and low-cost land bank located in strategic locations in China
- High quality residential properties targeted at wide range of customers with different needs in China
- Prudent operational and financial strategies and access to multiple sources of capital
- Experienced and stable management team with proven track record and in-depth industrial knowledge

STRATEGIES

- Continue to pursue diversification of properties portfolio and refine properties portfolio to achieve a balanced revenue profile and develop light asset operation business model
- Continue to develop our financial investment business and broaden our investment and financing channel
- Continue to strengthen our brand name
- Maintain prudent financial management policies and enhance operational efficiency
- Promotion of information technology and improvement of management and control system

THE OFFERING

The following summary contains basic information about this offering and is not intended to be complete. It does not contain all of the information that is important to you. For a more complete understanding of the terms of the Notes and the Subsidiary Guarantees, see "Description of the Notes." Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	Hopson Development Holdings Limited
Subsidiary Guarantors	Certain non-PRC restricted subsidiaries of the Issuer.
Notes	US\$200,000,000 aggregate principal amount of 6.8% senior notes due 2023
Issue Price	100% of the principal amount of the Notes
Original Issue Date	June 28, 2021
Maturity Date	December 28, 2023
Interest Rate	6.8%
Interest Payment Dates	Interest will be payable semi-annually in arrears on December 28 and June 28 of each year, commencing on December 28, 2021.
Ranking of Notes	The Notes will be general obligations of the Issuer and: <ul style="list-style-type: none">• will rank at least pari passu in right of payment with any unsecured, unsubordinated indebtedness (subject to priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law);• will be senior in right of payment to any of existing and future subordinated indebtedness expressly subordinates in right of payment to the Notes, if any;• will be guaranteed by the Subsidiary Guarantors on a senior basis, subject to limitations;• will be effectively subordinated to the secured obligations (if any) of the Issuer and the Subsidiary Guarantors to the extent of the value of the assets serving as security therefore; and• will be effectively subordinated to any existing and future indebtedness of our subsidiaries that do not guarantee the Notes.
Subsidiary Guarantees	Our obligations under the Notes and the Indenture will be guaranteed by all of our existing and future wholly-owned subsidiaries that are incorporated or organized outside the PRC, except the non-guarantor subsidiaries. None of our existing or future restricted subsidiaries that are organized under the laws of the PRC, or the initial non-guarantor subsidiaries and any Restricted Subsidiaries designated as New Non-Guarantor Subsidiaries or that are not wholly-owned by us will guarantee the Notes in the future.

Ranking of the Subsidiary Guarantees The guarantee of each Subsidiary Guarantor will be a general obligation of such Subsidiary Guarantor and:

- will rank at least pari passu with the guarantees provided for all other unsecured, unsubordinated indebtedness of such Subsidiary Guarantor (subject to priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law);
- will be senior in right of payment to such Subsidiary Guarantor’s future subordinated indebtedness, if any; and
- will be effectively subordinated to obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security thereof.

New Non-Guarantor Subsidiaries A future Subsidiary organized outside the PRC (that is not a Listed Subsidiary) need not provide a Subsidiary Guarantee if it is so elected by the Company at the time such entity becomes a Wholly Owned Restricted Subsidiary or ceases to be a Listed Subsidiary; *provided that*, after giving effect to the Consolidated Assets and Consolidated Revenue of such Restricted Subsidiary, (i) the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Listed Subsidiaries) that are not Subsidiary Guarantors do not account for more than 10% of the Total Assets, and (ii) the Consolidated Revenue of all Restricted Subsidiaries organized outside the PRC (other than Listed Subsidiaries) that are not Subsidiary Guarantors do not account for more than 10% of the Total Revenue.

Optional Redemption At any time prior to November 28, 2023, we may redeem all or any portion of the Notes 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 to (but not including), the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date), as described under “Description of the Notes – Optional Redemption.”

In addition, at any time from and after November 28, 2023, we may redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus the accrued and unpaid interest on the Notes to be redeemed, if any, to (but not including) the redemption date, as described under “Description of the Notes – Optional Redemption.”

At any time prior to November 28, 2023, we may redeem up to 35% of the aggregate principal amount of the Notes (including any additional notes) with the net cash proceeds of certain equity offerings at a redemption price of 106.8% of the principal amount of the Notes, 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 (including any Additional Notes) originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Additional Amounts; Redemption
for Taxation Reasons

All payments in respect of the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we or the relevant Subsidiary Guarantors, as applicable, will pay additional amounts so that the net amount received by the holder of each note is no less than the amount that such holder would have received in the absence of such withholding or deduction. See “Description of the Notes – Additional Amounts.” We may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, we or any Subsidiary Guarantor is required to pay Additional Amounts with respect to such taxes. If we exercise such redemption right, we or a Surviving Person must pay you a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest (including any Additional Notes), if any, to (but not including) the date of redemption. See “Description of the Notes – Redemption for Taxation Reasons.”

Repurchase of Notes Upon Change
of Control Triggering Event

If we experience both a change of control and an accompanied rating decline, we will be required to offer to purchase the Notes at 101% of their principal amount plus accrued and unpaid interest to (but not including) the date of such repurchase. See “Description of the Notes – Repurchase of Notes Upon a Change of Control Triggering Event.”

Certain Covenants

We will issue the Notes under the Indenture. The Indenture will partially limit, among other things, our and our restricted subsidiaries ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;

- transfer, lease or sell certain assets including subsidiary stock;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- enter into unrelated businesses.

Each of these covenants is subject to a number of significant exceptions and qualifications. See “Description of the Notes – Certain Covenants” and the related definitions.

Transfer Restrictions	The Notes and the Subsidiary Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See “Plan of Distribution” and “Transfer Restrictions.”
Listing	Application will be made for the approval in-principle for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see “Description of the Notes – Book-Entry; Delivery and Form.”
Delivery of the Notes	We expect to make delivery of the Notes against payment in same-day funds on or about June 28, 2021, which we expect will be the fifth business day following the date of this offering memorandum referred to as “T+5.” You should note that initial trading of the Notes may be affected by the “T+5” settlement. See “Plan of Distribution.”
Rating	The Notes are expected to be rated “B+” by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
Security Codes	ISIN: XS2353028298; Common Code: 235302829
LEI Code	549300HYMKPTC1DTZS42
Trustee	The Hongkong and Shanghai Banking Corporation Limited
Paying Agent, Transfer Agent and Registrar	The Hongkong and Shanghai Banking Corporation Limited

Use of Proceeds	We intend to use the net proceeds from this offering to refinance existing indebtedness.
Denomination	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof.
Governing Law of the Indenture, Notes and Subsidiary Guarantees	The laws of the State of New York.
Risk Factors	Please see the “Risk Factors” section for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

You should read the following summary financial information and other data together with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related Notes included elsewhere in this offering memorandum.

We have derived the following summary financial information from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020. In preparing the audited consolidated financial statements for the years ended December 31, 2019 and 2020, the Group has adopted HKFRS 16 with effect from January 1, 2019 and has not restated prior years’ consolidated financial statements. Therefore, the audited consolidated financial statements for the year ended December 31, 2019 and 2020 are not comparable with the consolidated financial statements for the year ended December 31, 2018. For the impact of the adoption of HKFRS 16, please refer to Note 2.2 to the audited consolidated financial statements as of and for the year ended December 31, 2019 included elsewhere in this offering memorandum.

SUMMARY CONSOLIDATED INCOME STATEMENTS AND OTHER FINANCIAL DATA

	For the Year ended December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$ (unaudited)
	<i>(in thousands, except for percentage)</i>			
Revenues	13,293,532	18,600,580	34,371,276	4,433,059
Cost of sales	(6,765,596)	(9,237,436)	(12,539,531)	(1,617,294)
Gross profit	6,527,936	9,363,144	21,831,745	2,815,765
Fair value gains on investment properties	4,673,345	8,175,781	763,689	98,497
Other gains, net	161,935	285,329	1,486,474	191,719
Selling and marketing expenses	(378,153)	(736,887)	(963,174)	(124,226)
General and administrative expenses	(1,581,856)	(1,831,815)	(2,988,358)	(385,425)
Finance income	173,949	394,311	240,342	30,998
Finance costs	(578,319)	(1,002,439)	(1,768,581)	(228,104)
Share of profit/(loss) of associates	1,637	(4,562)	903	116
Share of profit/(loss) of joint ventures	(6,152)	119,113	37,320	4,813
Profit before taxation	8,994,322	14,761,975	18,640,360	2,404,153
Taxation	(3,171,723)	(5,111,585)	(4,952,283)	(638,724)
Profit for the year	5,822,599	9,650,390	13,688,077	1,765,429
Attributable to:				
Equity holders of the company	5,775,467	9,486,000	13,633,830	1,758,432
Non-controlling interests	47,132	164,390	54,247	6,997
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Assets revaluation reserve realised upon disposal of Properties held for sale	(87,746)	(87,079)	(118,340)	(15,263)
Deferred tax	33,081	40,341	54,823	7,071
Currency translation difference	(3,205,050)	(1,535,553)	4,023,028	518,873
Items that will not be reclassified subsequently to profit or loss:				
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	(273,347)	(539,540)	588,374	75,886
Deferred tax	68,337	139,392	(143,782)	(18,544)
Currency translation differences	–	–	382,998	36,500
Other comprehensive income/(loss) for the year, net of tax	(3,464,725)	(1,982,439)	4,787,101	617,420
Total comprehensive income for the year	2,357,874	7,667,951	18,475,178	2,382,849
Attributable to:				
Equity holders of the company	2,410,104	7,553,435	18,037,933	2,326,455
Non-controlling interests	(52,230)	114,516	437,245	56,394
Other data:				
EBITDA ⁽¹⁾	4,803,423	7,182,036	18,214,968	2,349,288
EBITDA margin ⁽²⁾	36.1%	38.6%	53.0%	53.0%

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	As of December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$ (unaudited)
	<i>(in thousands)</i>			
ASSETS				
Non-current assets				
Land costs	1,675,097	–	–	–
Prepayments for acquisition of land	121,411	118,758	126,397	16,302
Prepayments for construction work	–	244,107	–	–
Loan receivables	743,201	170,801	321,591	41,477
Properties and equipment	4,571,452	4,976,880	4,245,066	547,510
Investment properties	46,856,835	56,961,529	61,396,797	7,918,693
Goodwill	35,249	34,534	389,577	50,246
Investments in associates	147,668	364,855	114,847	14,812
Investments in joint ventures	7,514,062	5,059,567	11,479,966	1,480,636
Financial assets at fair value through other comprehensive income	3,144,258	3,337,773	6,143,202	792,324
Financial assets at fair value through profit or loss	35,000	–	–	–
Right-of-use assets	–	1,634,045	1,627,933	209,964
Finance lease receivables	159,828	344,656	248,298	32,024
Prepayments, deposits and other non-current assets	–	–	1,170,643	150,987
Deferred tax assets	784,147	1,309,259	1,342,998	173,214
Total non-current assets	65,788,208	74,556,764	88,607,315	11,428,189
Current assets				
Prepayments for acquisition of land	9,403,647	10,767,194	30,105,213	3,882,840
Properties under development for sale	41,237,995	57,047,059	69,159,635	8,919,911
Completed properties for sale	30,299,744	31,260,655	45,041,301	5,809,232
Financial assets at fair value through profit or loss	775,943	788,403	22,020,697	2,840,134
Accounts receivable	784,882	1,058,081	2,622,871	338,287
Loan receivables	1,983,693	2,520,879	2,657,587	342,764
Prepayments, deposits and other current assets	5,370,900	8,060,451	9,023,528	1,163,816
Due from a joint venture	45,112	48,845	91,843	11,846
Due from associates	201	58,964	5,941	766
Due from related companies	7,149	8,318	246,111	31,742
Contract assets	473,606	982,860	1,639,200	211,417
Pledged/charged bank deposits	483,182	1,466,913	1,741,508	224,612
Cash and cash equivalents	7,456,708	12,635,125	27,908,584	3,599,528
Total current assets	98,322,762	126,703,747	212,264,019	27,376,895
Assets classified as held for sale	–	2,843,132	–	–
Total assets	164,110,970	204,103,643	300,871,334	38,805,084
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	222,556	222,556	219,137	28,263
Reserves	65,472,354	72,358,121	87,792,832	11,323,140
Non-controlling interests	2,078,725	2,434,725	9,856,187	1,271,208
Total equity	67,773,635	75,015,402	97,868,156	12,622,611
LIABILITIES				
Non-current liabilities				
Land cost payable	88,310	91,043	96,280	12,418
Borrowings	41,656,532	50,700,558	89,681,292	11,566,705
Lease liabilities	–	676,246	649,999	83,834
Due to non-controlling interests	514,605	2,126,867	6,833,733	881,385
Deferred tax liabilities	8,323,506	9,957,093	10,757,987	1,387,519
Total non-current liabilities	50,582,953	63,551,807	108,019,291	13,931,861
Current liabilities				
Accounts payable	9,060,317	14,019,440	18,580,500	2,396,433
Land cost payable	4,996	359,201	–	–
Borrowings	13,444,611	12,689,322	17,856,427	2,303,045
Margin loans payable	–	–	9,163,844	1,181,913
Contract liabilities	10,304,371	19,505,008	25,940,333	3,345,672
Accruals and other payables	4,882,186	8,951,408	13,930,972	1,796,757
Lease liabilities	–	8,419	64,541	8,324
Due to an associate	6,299	5,964	6,348	819
Due to related companies	260,654	366,248	212,001	27,343
Due to joint ventures	2,773,349	3,011,241	1,416,623	182,710
Current tax liabilities	5,017,599	6,620,183	7,812,298	1,007,596
Total current liabilities	45,754,382	65,536,434	94,983,887	12,250,612
Total liabilities	96,337,335	129,088,241	203,003,178	26,182,473
Total equity and liabilities	164,110,970	204,103,643	300,871,334	38,805,084

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOW DATA

	For the Year ended December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$ (unaudited)
	<i>(in thousands)</i>			
Net cash (used in)/generated from operating activities	5,536,477	3,093,586	(30,553,252)	(3,940,626)
Net cash used in investing activities	(3,098,780)	(4,072,943)	(4,981,327)	(642,470)
Net cash generated from/(used in) financing activities	(75,500)	6,379,784	49,544,650	6,390,055
Net increase in cash and cash equivalents	2,362,197	5,400,427	14,010,071	1,806,958
Exchange difference on cash and cash equivalents	(302,479)	(222,010)	1,263,388	162,946
Cash and cash equivalents at the beginning of the year	5,396,990	7,456,708	12,635,125	1,629,624
Cash and cash equivalents at the end of the year	7,456,708	12,635,125	27,908,584	3,599,528

- (1) EBITDA for any period is calculated as profit, adding back taxation, finance costs, depreciation of properties and equipment, amortization of land costs and goodwill impairment, and subtracting fair value gains on investment properties, other gains and finance income. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as selling and distribution costs 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 service debt and pay taxes. EBITDA presented in this offering memorandum may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. You should also note that EBITDA as presented may be calculated differently from Consolidated EBITDA as defined and used in the indenture governing the Notes. See "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the Notes. The following table reconciles our EBITDA to our profit for the year, which is the most directly comparable HKFRS measure:

	For the Year ended December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$ (unaudited)
	<i>(in thousands, except for percentage)</i>			
Profit for the year	5,822,599	9,650,390	13,688,077	1,765,429
Adjustments:				
Add:				
Taxation	3,171,723	5,111,585	4,952,283	638,724
Finance costs	578,319	1,002,439	1,768,581	228,104
Depreciation of properties and equipment	183,244	196,456	241,787	31,185
Depreciation of right-of-use assets	–	76,587	54,745	7,061
Amortization of land costs	56,767	–	–	–
Less:				
Fair value gains on investment properties	4,673,345	8,175,781	763,689	98,497
Other gains, net	161,935	285,329	1,486,474	191,719
Finance income	173,949	394,311	240,342	30,998
EBITDA	4,803,423	7,182,036	18,214,968	2,349,288

- (2) EBITDA margin is calculated by dividing EBITDA by revenues.

RISK FACTORS

An investment in the Notes is subject to significant risks. You should carefully consider all of the information in this offering memorandum and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect us and the value of the Notes. Some risks may be unknown to us and other risks, currently believed to be immaterial, could be material. All of these could materially and adversely affect our business, financial condition, results of operations and prospects. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment. This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this offering memorandum.

RISKS RELATING TO OUR BUSINESS

Our business is subject to extensive governmental regulation and the macro-economic control measures implemented by the PRC government from time to time, particularly in the real estate sector.

Our business is subject to extensive governmental regulation and the macro-economic control measures implemented by the PRC government from time to time. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property 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. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes, such as property tax, and levies on property sales and restrict foreign investment in the PRC property sector.

For example, the PRC government has announced a series of measures designed to stabilize the PRC economy and cool down the property market. On April 17, 2010, the PRC government identified certain policy measures to increase down payments for properties purchased with mortgage loans. On May 19, 2010, the PRC government issued policies to strengthen the settlement of the Land Appreciation Tax (“LAT”). On May 26, 2010, a stricter standard was adopted to assess whether a house to be bought is a second home when granting mortgage loans. On September 21, 2010, the Ministry of Land and Resources (“MLR”, the predecessor of the Ministry of Natural Resources) and the Ministry of Housing and Urban-Rural Development (“MOHURD”) jointly issued a Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development. During the period between October 2010 and July 2011, the People’s Bank of China (“PBOC”) raised the benchmark one-year deposit and lending rates five times, each time by 25 basis points. In January 2011, the PRC government adopted certain new policies to cool down the real estate property market, including increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases and a minimum mortgage interest rate of at least 110% of the benchmark lending rate. In February 2013, the General Office of the State Council published the Notice on Continuing to Strengthen Control and Regulation on Real Estate Market, which put forward further requirements for improving the responsibility system for stabilizing housing prices, curbing speculative investment on houses, increasing the supply of ordinary commercial housing and land, strengthening market supervision and anticipation management, and accelerating the establishment and improvement of long-term mechanisms to guide the healthy development of the real estate market. According to the Notice on Further Strengthening Control and Regulation of Housing Financing Policies jointly issued by the PBOC and China Banking and Insurance Regulatory Commission (“CBIRC”) in September 2014, the minimum payment ratio for the first purchase of houses is 30% (which has been raised to 40% in 2015 under certain circumstances), and the lower limit of the loan interest rate is 0.7 times the benchmark loan interest rate; meanwhile, banks are required to shorten the loan approval

cycle and reasonably determine the loan interest rate. In December 2016, the government officially announced the principle that “houses are for living in, not for speculating with.” Since late 2016, in order to further cool down the property market, the PRC government extended home purchase restrictions to “hotspot cities”, the number of which has increased from 16 to 65 in less than two years. In addition, financial regulators have rolled out nationwide measures to restrict developers’ access to financing through the state banks and via the stock and bond markets. These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures.

Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. The PRC government could adopt additional and more stringent industry policies, regulations and measures in the future, which could further slow down property development in China. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business, reduce our sales or average selling prices, or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

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

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

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

To the extent that supply in the overall property market significantly exceeds demand, we may be subject to significant downturns and disruptions in the market for a sustained period. Alternatively, if a serious downturn in regional or global market conditions should occur, this may seriously affect and disrupt the property market in the PRC. If any of these events were to occur, our financial condition and results of operations would be materially and adversely affected.

We are heavily dependent on the performance of the property market in the PRC, particularly in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone.

Our business and prospects depend on the performance of the PRC property market. Any housing market downturns in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Our property developments currently are largely located in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze

River Delta Economic Zone. As of December 31, 2020, we had developed or were developing 42 projects in the Pearl River Delta Economic Zone, 32 projects in the Huanbohai Economic Zone and 23 projects in the Yangtze River Delta Economic Zone. Although we have been pursuing further business opportunities in other locations in the PRC, we intend to maintain our focus on the property market in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone, particularly in Guangzhou, Beijing, Tianjin and Shanghai, the core cities on which we focus. As such, our business is and may continue to be heavily dependent on the continued growth of the property market in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone, and any adverse developments in the supply and demand or in property prices in these areas would have a material adverse effect on our results of operations and financial condition.

Demand for private residential properties in the PRC, including in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone, has experienced rapid growth in the last decade but such growth is often coupled with volatility in market conditions and fluctuations in property prices. We cannot assure you that property development and investment activities will continue at past levels or that we will be able to benefit from the future growth in the property market in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone or the PRC. In addition, volatility in market conditions and fluctuations in property prices and demand for properties have been affected and will continue to be affected by the macroeconomic control measures adopted by the PRC government as well as other economic, social and political factors that are outside of our control. Any adverse developments in national and local economic conditions as measured by such factors as GDP growth, employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and would have a material adverse effect on our business, financial condition and results of operations.

The global economic slowdown, crisis in global financial markets and volatility of property prices have negatively affected, and may continue to negatively affect, our results of operations, business and our ability to obtain necessary financing for our operations.

The global economic slowdown, crisis in global financial markets, including the recent economic turmoil in Europe, and volatility of property prices have had a negative impact on the PRC economy, which in turn has affected the PRC property market. For example:

- the slowdown in economic growth and tightened credit have resulted in a lower demand for residential and commercial properties and declining property prices, which in turn have affected our turnover and profit margin;
- the slowdown in economic growth has adversely impacted home owners and potential property purchasers, which may lead to a further decline in the general demand for property products and a further erosion of their selling prices;
- weak economic conditions have also affected the ability and speed of property developers in commencing new development projects or expanding existing projects; and
- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financing.

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, it expects to remain relatively high inflation rate in the future. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may continue to slow down. 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 materially and adversely affected.

We have substantial indebtedness and may incur substantial additional indebtedness. We are subject to refinancing risks associated with our existing indebtedness, which would affect our ability to satisfy our obligations under the Notes and other debt.

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total borrowings, including both current and non-current borrowings, as of December 31, 2018, 2019 and 2020 were HK\$55,101.1 million, HK\$63,389.9 million and HK\$107,537.7 million (US\$13,869.7 million), respectively. In particular, approximately HK\$17,856.4 million (US\$1,731.6 million) of our total borrowings as of December 31, 2020 will be due within one year or on demand, representing approximately 16.6% of our total borrowings as of December 31, 2020. 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 in the event we are unable to refinance all or a portion of our debt on or before maturity;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- limit, along with the financial and other restrictive covenants of our indebtedness, our ability to borrow additional funds; and
- increase the cost of additional financing.

We are subject to refinancing risks with respect to our existing indebtedness, in particular, our short-term borrowings due within one year. Our ability to refinance our short-term borrowings may be materially and adversely affected if, for example, our contract sales fail to grow as expected or we are unable to negotiate new bank loans on favorable terms or at all. If we are unable to refinance any of our existing debt, it could materially and adversely affect our ability to satisfy our obligations under the Notes and our other debt. We can give no assurances that we will be able to refinance our existing indebtedness on or before maturity on favorable terms or at all.

We may from time to time incur substantial additional indebtedness and contingent liabilities. Although the indenture restricts us and our restricted subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of our existing indebtedness and leverage could intensify.

To meet our obligations under our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, which would limit our ability to refinance all or a portion of our indebtedness on or before maturity.

Our ability to make payments on and to refinance our indebtedness, including these Notes, and to fund planned capital expenditures and project development will depend on our future performance and ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. As of December 31, 2020, our borrowings from banks and financial institutions amounted to HK\$90,109.0 million (US\$11,621.9 million), approximately 14.9% of which will be due within one year. For further details, please see “Description of Other Material Indebtedness”.

Our business might not generate cash flow from operations in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs in time, if at all.

For example, our ability to generate sufficient cash flows may be materially and adversely affected if our contract sales fail to grow as expected. We may need to refinance all or a portion of our indebtedness, including the Notes, on or before maturity. In particular, a substantial portion of our indebtedness would need to be refinanced in the next twelve months. We might not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we are unable to service our indebtedness or obtain refinancing on terms acceptable to us, we may be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all. Our results of operations may be materially and adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for our property developments.

The PRC property market is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development project, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development process, including environmental impact assessment approvals, project proposal approvals or filings, land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. As of the date of this offering memorandum, certain of our project companies are in the process of renewing their business licenses. There can be no assurance that we will not encounter major problems in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the property market in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain the relevant approvals for our property developments, these developments may not proceed on schedule or commence at all, and our business, financial condition and results of operations may be materially and adversely affected.

Changes of the fair value of our investment properties may have a significant impact on our results of operations.

A large part of our profit before taxation was derived from increases in fair value gains on investment properties, and not from revenue received from sales of, or leasing of, our properties. For the years ended December 31, 2018, 2019 and 2020, we recorded fair value gains on investment properties of HK\$4,673.3 million, HK\$8,175.8 million and HK\$763.7 million (US\$98.5 million), representing approximately 52.0%, 55.4% and 4.1% of our profit before taxation, respectively. The fair value gains on our investment properties represent unrealized capital gains and do not change our cash position as long as the relevant investment properties are held by us and, therefore, do not increase our liquidity in spite of the increased profit. The amount of fair value on investment properties has been, and continues to be, subject to market

fluctuations. We cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the previous levels or at all, or that the fair value of our investment properties will not decrease in the future.

We face a number of development and approval risks associated with the development of properties. Our properties may not be completed according to planned schedules or be completed at all and may not generate the levels of expected revenue or contemplated investment returns.

There are a number of financing, operating and other risks associated with property developments. Projects undertaken by us typically require substantial capital expenditures during the construction phase and usually take many months, sometimes years, before cash proceeds are generated. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of construction materials, equipment or labor, adverse weather conditions, natural disasters, labor disputes, disputes with subcontractors, accidents, difficulties in obtaining necessary governmental approvals, changes in governmental priorities and other unforeseen circumstances. Any of these circumstances could give rise to construction delays and/or cost overruns.

Construction delays may result in the loss of revenues. Since we outsource all of our construction work to third-party contractors, we rely on our contractors to complete our projects according to the agreed completion schedules and do not exercise any direct control over material sourcing or the construction schedule of our projects. Under our pre-sale contracts, we are liable to the purchasers for default payments if we fail to deliver the completed properties in accordance with the delivery schedule in these contracts, and in the case of a prolonged delay, the purchasers will be entitled to terminate the pre-sale contracts and require a refund of the purchase price in addition to the default payments. In addition, the failure to complete construction according to its specifications may result in liabilities, reduced efficiency and lower financial returns. There can be no assurance that our existing or future projects will be completed on time, or at all, and generate satisfactory returns.

We may not be able to obtain a sufficient number of sites or retain sites suitable for property developments.

We derive the majority of our revenue from the sale of properties that we have developed. This revenue stream is dependent on our ability to complete and sell our property developments. To maintain or grow our business in the future, we will be required to replenish our land reserve with suitable sites for developments. Our ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the country's land supply and regulates the means by which property developers, including us, obtain land sites for property developments. As a result, the PRC government's land supply policies affect our ability to acquire land use rights for sites we identify and the costs of any acquisition. In May 2002, the PRC government introduced regulations (and later revised in September 2007) to require government departments and agencies to grant state-owned land use rights for residential and/or commercial property development by public tender, auction or listing-for-sale. We are required to go through these processes before we can acquire the land use rights to desirable sites from the government, which may result in higher land premiums than those we paid in the past. Although these regulations do not prevent privately held land use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves generally in the PRC. If we fail to acquire sufficient land reserves in a timely manner and at acceptable prices, or at all, our business and prospects, results of operations and financial condition may be materially and adversely affected.

In recent years, the PRC government has adopted a number of initiatives to control the growth of China's high-end residential property sector and to promote the development of more affordable housing. For example:

- one of these initiatives requires the local governments, when approving new residential projects after June 1, 2006, to ensure that at least 70% of their annual land supply (in terms of estimated GFA) consists of units that are less than 90 sq.m. in size;
- in an announcement made on May 30, 2006, MLR has stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and in medium to small sizes (including affordable housing);
- on May 23, 2012, MLR and the National Development and Reform Commission (“**NDRC**”) jointly promulgated the Notice Concerning Implementation of the Catalog for Restricted Land Use Projects (2012 Version) and the Catalog for Prohibited Land Use Projects (2012 Version), which set forth that the plot ratios of residential property projects cannot be lower than 1.0 and that villa and similar types of projects are categorized as prohibited land-use projects. The area of land granted for commodity housing development is limited to 7 hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities;
- on September 21, 2010, MLR and MOHURD issued a notice that requires more than 70% of land used for construction of urban housing to be designated for low-income housing, housing for resettlement of individuals living in shanty towns and small-to-medium-sized ordinary commercial housing, and requires the plot ratio of the planned GFA to the total site area of residential projects must be more than 1 to 1; and
- on January 26, 2011, the General Office of the State Council issued a notice to urge the full implementation of the regulations and controlling measures of the real estate market. Such notice aimed to gradually solve the problems with respect to the poor housing conditions of some urban and rural residents, to reinforce the implementation of restrictive measures relating to housing purchases and to promote the stable development of the real estate market in China.
- on February 26, 2013, the General Office of the State Council issued a notice to urge the further strengthening on implementation of the regulations and controlling measures of the real estate market. This notice put forward further requirements for improving the responsibility system for stabilizing housing prices, curbing speculative investment on houses, increasing the supply of ordinary commercial housing and land, strengthening market supervision and anticipation management, and accelerating the establishment and improvement of long-term mechanisms to guide the healthy development of the real estate market.
- on March 27, 2015, MLR and MOHURD issued a notice on optimizing the housing and land supply structure to promote the smooth and healthy development of the real estate market, requiring the reasonable arrangements for the supply of housing and its land supply, the coordination of construction of affordable housing projects and the strengthening of market order and supply supervision.
- on May 28, 2017, MLR promulgated the measures for the overall planning and management of land use. According to this regulation, various land-use-related planning, such as urban and rural development, regional development, infrastructure construction, industrial development, ecological environment protection, and exploration and development of mineral resources, shall be coordinated and considered under the overall planning of land use.

If we are not able to acquire suitable sites at affordable prices, or at all, or if we are restricted in the types of projects we may pursue at specific sites, our business and prospects, results of operations and financial condition may be materially and adversely affected.

Additionally, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means.

All these measures further intensify the competition for land in China among property developers. These policy initiatives and other measures adopted by the PRC government from time to time may limit our ability to acquire suitable land for our development or increase land acquisition cost significantly, which may have a material adverse effect on our business, financial condition and results of operations.

The land use rights in respect of our land reserves will not be formally vested in us until we have received the relevant formal land use rights certificates.

Under current PRC land grant policies, the relevant authorities generally will not issue the formal land use rights certificates until the developer has (i) paid the land premium in full, (ii) completed the resettlement process and (iii) is in compliance with other land grant conditions. We have not yet obtained the formal land use rights certificates in respect of some of our properties under development. We are in the normal process of obtaining the land use rights certificates for these properties. Under current land grant policies, we are allowed to commence our development of these properties as soon as we have signed the land grant contracts or registered the land use rights transfer agreements, as the case may be, with the relevant authorities and obtained other required approvals and permits. However, the land use rights in respect of these properties and the land that we may acquire in the future will not be formally vested in us until we have received the corresponding formal land use rights certificates. We may be required to pay land premium and obtain land use rights certificates in the future in respect of the land on which such facilities are located. There can be no assurance that there will not be delays in the authorities' issuance of the formal land use rights certificates in respect of these properties. Any failure or delay in obtaining the formal land use rights certificate will adversely affect our ability to deliver our properties to our customers and may have a material adverse effect on our operations.

Our capital contribution obligations towards some of our project companies are overdue.

While we focus on the development of large-scale residential property projects and typically develop such projects in several phases in three to seven years, we typically obtain upfront project approval for the entire project or a significant portion of the project. Accordingly, such project approvals will typically cover more than one phase and contain fixed capital contribution schedules based on our estimate of the funding needs of the projects under the original development plan for such projects. The funding requirement of the project may change subsequently due to changes in the development plans or market conditions or other factors not originally contemplated by us. In line with industry practice, although we currently have sufficient cash on hand to make the requisite capital contribution to the registered capital of our project companies, we generally seek to delay our contribution if they do not have immediate funding needs or if they are able to finance the projects from other sources of funding, such as bank financing or pre-sale proceeds from previous phases.

Applicable laws and regulations require that project developments be funded based on the original development plan of a project. Although we have delayed the capital contribution obligations for some of our project companies, these project companies have not experienced any significant difficulties in obtaining the required governmental approvals for the development, construction and pre-sale of their development projects. However, if the relevant governmental authorities begin to enforce the requirement to make timely capital contributions to the registered capital of project companies, there can be no assurance that we will not be subject to an administrative penalty as a result of our delay in contributing to the registered capital of our project companies or have the business license of our project companies be revoked, as a result of which our business, financial condition and results of operations would be materially and adversely affected.

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

Property developers in the PRC must obtain a formal qualification certificate in order to carry out property development business in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers, newly established developers must first apply for a temporary qualification certificate, which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Before commencing their business operations, entities engaged in construction, or fitting and decoration are required to obtain qualification certifications in accordance with the Provisions on Administration of Qualification of Construction Enterprises. Property developers in the PRC are required to provide a valid qualification certificate when they apply for a pre-sale permit. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

All qualification certificates for property developers are subject to renewal on an annual basis. In reviewing an application to renew a qualification certificate, the local authorities take into account a property developer's property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or inappropriate operations. The local authorities generally grant the developers who conduct property development exceeding the qualification grade a grace period to rectify their non-compliance subject to a penalty of between RMB50,000 and RMB100,000. Failure to satisfy the qualification requirements within the specified time frame could result in rejection of the application for renewal of the qualification certificate and revocation of the developer's business license. Each of our project companies renews its qualification certificate annually with the assistance of our headquarters.

We cannot assure you that each of the qualification certificates of our operating project companies will be renewed or extended within the required time frame or that each of our newly established project companies and non-property development related subsidiaries will be able to obtain a valid qualification certificate in a timely manner, or at all. For example, as of the date of this offering memorandum, several of our operating project companies are in the process of renewing their qualification certificates. In addition, several of our subsidiary companies with new projects for future development are in the process of applying for qualification certificates. Furthermore, several of our non-property development related subsidiaries are in the process of obtaining qualification certificates required for their respective operations. If any of our project companies or other non-property development related subsidiaries is unable to obtain or renew their qualification certificates, as applicable, they will not be permitted to engage in or continue their businesses, which could have a material adverse effect on our business and financial condition.

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

Under PRC law, property developers are required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale agreement. Property developers, including us, generally elect to specify a deadline for the delivery of the individual property ownership certificates in the sale agreements to allow sufficient time for the application and approval processes.

Under current regulations, we are required to submit the requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months after the receipt of the completion and acceptance certificate for the relevant properties and apply for the general

property ownership certificate in respect of these properties. We are then required to submit, within a stipulated period after delivery of the properties, the relevant property sale agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the purchasers. Delays by the various administrative authorities in reviewing the application and granting approval and certain other factors may affect timely delivery of the general and individual property ownership certificates. Therefore, we may not be able to deliver individual property ownership certificates to purchasers on time as a result of delays in the administrative approval processes or for any other reason beyond our control, which may result in us having to pay default payments and, in the case of a prolonged delay, the purchaser terminating the sale agreement. If we become liable to a significant number of purchasers for late delivery of the individual property ownership certificates, our business, financial condition and results of operations may be materially and adversely affected.

No material claim has been brought against us by any purchasers for late application of the individual property ownership certificates on behalf of our customers in the years ended December 31, 2017, 2018 and 2019. However, we cannot assure you that we will not become liable to purchasers in the future for the late application of the individual property ownership certificates on behalf of our customers due to our own fault or for any other reasons beyond our control.

We rely on contractors to provide us with various services.

We engage third-party contractors to provide us with various services in connection with our property development including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators and gardening and landscaping works. We cannot assure you of the availability of qualified independent contractors in the market at the time of our intended outsourcing, nor can we assure you that the services rendered by our independent contractors will always be satisfactory or meet our quality requirements. While we endeavor to monitor the quality of our independent contractors' work, we cannot assure you that such issues will not arise in the future or that our business, results of operation, financial condition and reputation will not be materially and adversely affected as a result. Moreover, we rely on our main contractors to obtain the requisite construction permits to commence construction of our sites. As a developer, we may be liable for administrative penalties if our contractors fail to obtain all of the requisite construction permits. We are also exposed to the risk that a contractor may require additional capital in excess of the price originally tendered to complete a project and we may have to bear such additional amounts in order to provide them with sufficient incentives to complete our projects. Furthermore, there is a risk that major contractors may experience financial or other difficulties which may affect their ability to carry out construction works, thus delaying the completion of our development projects or resulting in additional costs for us. All of these factors could materially and adversely affect our business, reputation, financial condition and results of operations.

We have provided guarantees to secure obligations of purchasers of our properties for repayment. A default by a significant number of purchasers would materially and adversely affect our financial condition.

We arrange for various banks to provide mortgage services to the purchasers of our properties. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. The majority of these guarantees are short-term guarantees which are released upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank by the relevant housing administration department, which generally takes place within three months after we deliver the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchasers. In our experience, the length of these guarantees typically ranges from 20 to 36 months. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. Under the terms of the guarantees, if, during the term of the guarantee, a borrower

defaults on its repayment obligation, we will be liable to pay to the banks the amount owing to them from the purchaser, but we will have the right to take possession of and re-sell the mortgaged property. As of December 31, 2020, our outstanding guarantees in respect of the mortgage loans of our customers amounted to approximately HK\$16,869 million (US\$2,175.7 million). Although we have historically experienced a low default rate on mortgage loans guaranteed by us, there is no assurance that the purchaser default rate will not increase in the future. If such an increase occurs and our guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected.

In addition, if there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks do not accept any alternative guarantees from other third parties, or if no third-party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could materially and adversely affect our cash flow, financial condition and results of operations. We are not aware of any impending changes in laws, regulations, policies or practices which will prohibit such practice in the PRC. However, there can be no assurance that such changes in laws, regulations, policies or practices will not occur in the future.

Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise less attractive.

A majority of purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely impacting the affordability of residential properties. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower's monthly income. To control the growth in the PRC property market following the adoption of the stimulus package by the PRC government in the second half of 2008, the General Office of the State Council on January 7, 2010 issued the Circular on Accelerating the Stable and Smooth Development of Real Estate Market, which provides that the down payment for the second residential property financed by bank loans shall not be less than 40% of the purchase price. In April 2010, the State Council issued additional measures, including further increasing the down payment requirement applicable to additional housing properties to no less than 50% of the purchase price. In addition, on May 26, 2010, MOHURD, PBOC and the CBIRC jointly issued a circular to regulate the criteria for identifying the second housing unit in connection with commercial mortgage loans, which provides, among others, that the number of housing units owned by an individual purchaser who is applying for mortgage loans will be determined by taking into account all the housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that purchasers of second or subsequent housing units will be subject to different credit policies when they apply for mortgage loans. According to a notice jointly issued by PBOC and CBIRC on September 29, 2010, the down payment required by all first home purchases has been raised to 30%, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. In January 2011, the General Office of the State Council further raised the minimum down payment for second house purchases from 50% to 60%, with the minimum mortgage interest rate at 110% of the benchmark lending rate. In addition, during the period between October 2010 and July 2011, PBOC raised the benchmark one-year deposit and lending rates five times, each time by 25 basis points. Although PBOC subsequently lowered the benchmark one-year deposit and lending rates twice in June and July 2012, we cannot assure you that the PRC government and commercial banks will not further increase benchmark interest rates or down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Nor can we assure you that such regulatory changes from time to time will not materially and adversely affect our business, financial condition and results of operations.

We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may materially and adversely affect our business, cash flow, financial condition and results of operations.

We face contractual risks relating to the pre-sales of properties. For example, if we fail to meet the completion time as stated in the pre-sale contracts, purchasers of pre-sold units have the right to claim damages under the pre-sale contracts. If we still fail to deliver the properties to the purchasers within the grace period stipulated in the contract, the purchasers have the right of termination. If the actual GFA of a completed property delivered to purchasers deviates by more than 3% from the GFA originally stated in the pre-sale contracts, purchasers have the right of termination or the right to claim damages.

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have an impact on our liquidity position. We cannot assure you that the PRC governmental authority will not ban or impose material limitations on the existing practice of pre-selling of uncompleted properties in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property developments. This, in turn, could have a material and adverse effect on our business, cash flow, financial condition and results of operations.

Our land may be forfeited to the PRC government if we fail to comply with the terms of the land grant contracts.

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract, the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us upon approval by the corresponding local government agencies and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture by the PRC government unless the delay in development is caused by government actions or force majeure. On September 21, 2010, MLR and MOHURD issued a notice that prohibits real estate developers and their controlling shareholders from participating in biddings for land if they fail to commence development of land held by them as required by original land grant contracts for more than one year due to their own reasons or do not comply with land development requirements specified in land grant contracts.

As of the date of this offering memorandum, we have not been required to pay any idle land fees or penalties, and none of our land has been forfeited by the government. We cannot assure you that circumstances leading to forfeiture of land or delays in the commencement or completion of a property development will not arise in the future. If we are required to forfeit land, we will not be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development costs incurred up to the date of forfeiture.

Our business and results of operations may be materially and adversely affected if the resettlement costs or other costs of similar nature associated with our property developments increase.

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

The land use of some of our property developments may differ from the original land use and the total GFA of some of our property developments may have exceeded the original authorized area.

When the PRC government grants the land use rights for a piece of land, it will specify in the land grant contract the use of the land and the total GFA that the developer may develop on this land. However, the actual land use may differ from the original land use and the actual GFA constructed may exceed the total GFA authorized in the land grant contract or construction permit due to factors such as subsequent planning and design adjustments. The adjusted land use and the amount of GFA in excess of the authorized amount are subject to approval when the relevant authorities inspect the properties after completion and the developer may be required to pay additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report can be issued to the property development. The methodology for calculating the additional land premium is generally the same as the original land grant contract. We have in the past paid additional land premium and administrative fines for unauthorized changes in land use and for GFA that has exceeded the total GFA originally authorized as required by the relevant authorities. In relation to significant changes in land use and GFA, we generally seek to obtain approval of such changes and pay additional land premium and/or administrative fines prior to completion.

Our development plans of projects on certain land differ from the designated land uses. We will also need to apply for changes of the designated uses and will be required to pay additional land premium for the changes. However, the PRC government may not approve our applications to change the designated uses of such land and the additional land premium the PRC government imposes on us may differ from our estimates. In addition, there can be no assurance that the PRC government would not impose a penalty on us.

The total GFA of some of our existing developments have exceeded the total GFA originally authorized. We cannot assure you that local government authorities will not find that the total constructed GFA of our existing projects under development or any future property developments exceeds the relevant authorized GFA upon completion. Moreover, we cannot assure you that we would have sufficient funding to pay any

required additional land premium or administrative fines or to pay for any corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, our business, results of operations and financial condition.

We may not successfully manage our growth.

We have been rapidly expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. In addition, we plan to strengthen our management control in our subsidiaries and associate companies. In order to fund our on-going operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our internal control and compliance functions to ensure that we will be able to comply with our legal and contractual obligations and minimize our operational and compliance risks. There can be no assurance that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business. There can be no assurance that we will be able to successfully manage our growth or that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

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

We are involved in disputes arising out of the ordinary course of our business with various parties involved in the development, sale and leasing of our properties, including government authorities, contractors, suppliers, partners, purchasers and lessees. For example, as most of our projects consist of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. We may also be involved in disputes with various parties relating to our property management business including personal injury claims. These disputes may lead to legal or other proceedings, may result in substantial costs and diversion of resources and management's attention and may have a material and adverse effect on our reputation and our ability to market and sell our properties.

There can be no assurance that we will not be involved in a larger number of proceedings or that the outcome of these proceedings will not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation or our brand. Further, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments.

We may not be successful in expanding into each new city that we target or in developing each new business segment that we explore.

We started our property development in Guangzhou and the Pearl River Delta Region. Leveraging our experience in Guangzhou, we have gradually expanded our operations into Beijing, Shanghai and adjacent second-tier and third-tier cities beyond Guangdong province, including into the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone, with Guangzhou, Huizhou, Beijing, Tianjin and Shanghai as our core cities. When opportunities arise, we expect to continue to expand our operations both within and outside these regions. These new markets may differ from our existing markets in terms of level of economic development, topography, culture, regulatory practices, level of familiarity with contractors and business practices and customs, and customer tastes, behavior and preferences. In addition, when we enter into new markets, we will likely compete with developers who have an established local presence,

are more familiar with local regulatory and business practices and have stronger relationships with local contractors, all of which may give them a competitive advantage over us. We cannot assure you that we will be able to enter into or operate in new markets successfully.

Further, our plans include projects that differ significantly from our past and current projects in terms of targeted customers and business segments. Our primary experience to date has been in developing high quality residential properties for sale, construction and decoration of those properties, management of residential developments, and hotel operation. We have plans to expand into the business of developing office buildings in other areas in the PRC for leasing to other companies. This is a relatively new business for us, and we cannot assure you that we will be successful in expanding into this area. We may not realize any revenue from this business, and even if revenue is realized, we cannot assure you that the market demand for office space will be sufficient to provide us with an adequate return on our investment.

Our expansion and the need to integrate operations arising from our expansion particularly into other fast growing cities in the PRC, may place a significant strain on our managerial, operational and financial resources and further contribute to an increase in our financing requirements.

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

On September 28, 2007, MLR issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale, which provide that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which was the practice in many Chinese cities. On November 18, 2009, the Ministry of Finance (“MOF”), MLR, PBOC, the Ministry of Supervision (the predecessor of the National Supervisory Commission) and the PRC National Audit Office issued the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant, which raises the minimum down payment on land premiums to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. On March 8, 2010, MLR issued the Circular on Strengthening Real Estate Land Supply and Supervision, under which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and the total amount of the land premium is to be paid in full within one year of the date of the land grant contract. Our past delays in paying the land premium have subjected us to administrative fines and future delays may subject us to further fines. In addition, the implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations or any administrative fines imposed for our delays in paying land premiums.

We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations.

The property development business is capital intensive. We finance our property developments primarily through a combination of internal funding, borrowings from banks, trust financing arrangements, capital markets financing (such as our initial public offering and listing on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 1998, offerings of debt securities) and pre-sales and sales proceeds. Further, purchasers who choose to pay the purchase price in full without taking out a mortgage may not pay the full purchase price on time and this may affect our cash flow position. We

cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors that are beyond our control. The PRC government has in the past taken a variety of policy initiatives in the financial sector to tighten lending procedures for property developers. PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business on June 5, 2003 to specify the requirements for banks providing loans for the purposes of property development. These requirements include:

- that property loans by commercial banks to real estate enterprises may be granted only as property development loans and it is strictly forbidden to extend such loans as current capital loans for property development projects or other purposes. No lending of any type shall be granted to enterprises which have not obtained the relevant land use rights certificates, construction land permits, construction planning permit and construction work permits; and
- that commercial banks may not grant loans to property developers to finance land premium payments.

Furthermore, PBOC raised the benchmark one-year lending rate several times between 2004 and 2008. PBOC also increased the amount of funds a commercial bank must hold in reserve with PBOC against deposits made by their customers, or reserve requirement ratio, several times between 2006 and 2008 to curtail the overheating in China's property market, which negatively impacted the amount of funds available for commercial banks to lend. Following the slowdown of the global economy in 2008, the PRC government lowered benchmark lending rates and the reserve requirement ratio for commercial banks in order to stimulate economic growth. PBOC subsequently increased benchmark lending rates and the reserve requirement ratio several times between October 2010 and July 2011 in order to control the growth of the PRC economy. Although PBOC lowered the benchmark lending rates several times between 2012 and 2015, we cannot assure you that PBOC will not raise lending rates or reserve requirement ratios again in the future, or that our business, financial condition and results of operations will not be materially and adversely affected as a result of these adjustments.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment on land premium to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting the minimum price for land transfer to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit to be equal to at least 20% of the applicable minimum land transfer price. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed and the down payment of 50% of the land premium (taking into account any deposits previously paid) is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract. These new requirements may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments, or to service our financing obligations, and our business and financial condition may be materially and adversely affected. In addition, the increase of benchmark lending rates has led to higher interest rates for mortgage loans, which may depress the demand in the property market in general.

If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow and our business prospects may be materially and adversely affected. We cannot assure you that we will be able to maintain the relevant financial ratios from time to time or that we will not default. If we are unable to obtain forbearance or waiver arrangements with the relevant lenders and upon occurrence of any default, event of default or cross default in the future, it could lead to, among other things, an acceleration in our debt financing obligations, which could in turn have a material and adverse effect on our financial condition.

We face risks relating to fluctuations of results of operations from period to period.

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial capital required for land acquisition, demolition and resettlement and construction, as well as limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we have begun to develop larger scale property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, as the overall development moves closer to completion, the sales prices of the properties in such larger scale property developments tend to increase because a more established residential community is offered to purchasers. In addition, seasonal variations have caused fluctuations in our revenues and profits from quarter to quarter. For example, our revenue and profits, recognized upon the delivery of properties, in the first half of a year are often lower than in the second half, and we will continue to experience significant fluctuations in revenue and profits on an interim basis. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

The PRC tax authorities may increase LAT prepayment rate, settle the full amount of LAT or challenge the basis on which we calculate our LAT obligations.

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, which is calculated based on the proceeds from the sale of properties less deductible expenditures as provided in the relevant tax laws. Certain exemptions may be available for the sale of ordinary residential properties if the appreciation of land value does not exceed 20% of the total deductible items as provided in the relevant tax laws. However, sales of commercial properties are not eligible for this exemption. Real estate developers are required to prepay LAT monthly at rates set by local tax authorities after commencement of pre-sales or sales. In 2017, 2018 and 2019, we prepaid LAT at the rate ranging from 30% to 60% of our proceeds from pre-sales or sales of apartments and villas. In May 2010, the State Administration of Taxation (“SAT”) issued the Notice on Strengthening the Collection of Land Appreciation Tax that requires a minimum LAT prepayment rate of no less than 2% for all properties other than affordable housing construction in provinces in the eastern region. As a result, the LAT prepayment rates applicable to us increased to approximately 2% since 2010. We cannot assure you that the local tax authorities will not further increase LAT prepayment rates in the future. In the event that the prepayment rates applicable to us increase, our cash flow and financial position will be adversely affected.

The SAT Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises sets forth that the local tax authorities may require real estate developers to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this notice in consideration of local

conditions. We cannot foresee when the PRC tax authorities will require us to settle the full amount of LAT applicable to us. If the implementation rules promulgated in the cities in which our projects are located require us to settle all unpaid LAT or if any or all of our LAT provisions are collected by the PRC tax authorities, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we cannot assure you that the tax authorities will agree with our estimation or the basis on which we calculate our LAT obligations. In the event that the tax authorities assess us with LAT in excess of the provisions we have made for the LAT and we are unable to successfully challenge such assessments, our net profits after tax may be adversely affected. We cannot assure you that the LAT obligations we are to assess and provide for in respect of the properties that we develop will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

We are subject to uninsured risks.

We carry third-party liability and fire insurance on certain completed developments in which we have an interest. Depending on our assessment of the requirement, we may or may not maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We generally assess the need to maintain insurance policies for projects under development based on the specific circumstances of each project and if any insurance is carried, the premium is borne by the contractors. However, we may purchase such insurance if required by our creditors in respect of properties pledged to them. In addition, there are certain types of losses, such as losses from forces of nature, that are generally not insured because they are either uninsurable or because insurance cannot be obtained on commercially reasonable terms. This practice is consistent with what we believe to be the industry practice in the PRC. Certain types of losses caused by war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters are not covered. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in our property and anticipated future revenue therefrom while we remain liable for any mortgage indebtedness or other financial obligations relating to the relevant property. Any such loss could materially and adversely affect our financial condition and results of operations.

Certain of our businesses are conducted through joint ventures.

We have investments in equity joint venture companies or cooperative joint venture companies formed to develop, own and/or manage property in the PRC. Although we have control over the day-to-day operations of all our joint ventures and have the ability to make business decisions that are in the ordinary course of their businesses, the passing of certain important shareholders' or board resolutions of some of these joint ventures requires the unanimous resolution of all the shareholders or directors (as applicable) of the joint venture companies. Although we have not experienced any significant problems with respect to our joint venture partners to date, should significant problems occur in the future, they could have a material adverse effect on our business and prospects.

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

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

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning environmental protection. The specific environmental laws and regulations governing a particular development site vary greatly based on the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Requirements under environmental laws and conditions may result in delays in development schedules and may cause us to incur substantial compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

The PRC environmental regulations provide that each project developed by a property developer is required to undergo an environmental assessment and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. If we fail to comply with these requirements, the local environmental authority may order us to suspend construction of the project until the environmental impact assessment report is submitted to and approved by the local environmental authority. The local environmental authority may also impose on us a fine of up to RMB200,000 per project. As of the date of this offering memorandum, all our completed projects and projects under development have completed the environmental assessment procedures. We have also completed the environmental assessment procedures for some of our projects held for future development. We, however, cannot assure you that we will be able to complete environmental assessment procedures for all our future projects and that the relevant environmental authorities will not order us to suspend construction of any of our projects or will not impose a fine on us. In the event that there is a suspension of construction or imposition of a fine, this may adversely affect our business and financial condition.

In addition, PRC law requires environmental facilities to be included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our residential and hotel property projects have environmental facilities that are subject to this requirement. If we fail to comply with this requirement, the local environmental authorities may order us to suspend construction or prohibit the use of the facilities, which may disrupt our operations and adversely affect our business. Environmental authorities may also impose on us a fine of up to RMB100,000 in respect of a project which have environmental facilities. We are currently applying for the completion approval of environmental facilities, principally related to the treatment of water for some of our projects. We cannot assure you that we can obtain such approvals in a timely manner. In the event that such completion approvals cannot be obtained or if a fine is imposed on us, our business and our financial condition may be adversely affected.

Although the environmental investigations conducted by local environmental authorities to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware. We cannot assure you that future environmental investigations will not reveal any material environmental liability. Also, we cannot assure you that the PRC government will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant capital expenditure. In addition, there is no assurance that we would be able to comply with such laws and regulations.

The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations.

On June 29, 2007, the National People's Congress of China ("NPC") enacted the Labor Contract Law, which became effective on January 1, 2008 and was amended on December 28, 2012. Compared to the Labor Law, the Labor Contract Law establishes more restrictions and increases the cost to employers to terminate employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and

collective bargaining. Pursuant to the Labor Contract Law, an employer is obligated to enter into an “indefinite term labor contract” with an employee if the employee has been employed by the employer after two or more consecutive fixed-term contracts. The employer is required to pay compensation to the employee if the employer wants to terminate an “indefinite term labor contract.” Unless an employee refuses to extend an expired labor contract, such compensation is also required when the labor contract expires. Further, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated with three times their normal salaries for each waived vacation day. As a result of these new protective labor measures, our labor costs may increase.

We may face negative publicity or unfavorable research reports.

From time to time, we may face negative publicity or unfavorable research reports relating to our business, financial performance, financial reporting or operations. We may defend ourselves against such allegations through legal and administrative proceedings as appropriate. However, we cannot assure you that such proceedings will result in a ruling or decision to our favor nor that the negative publicity effect imposed by those allegations would be eliminated or reduced upon a positive ruling.

Any such negative publicity or unfavorable research report, even if malicious or prepared on an unfounded factual basis, could have a material adverse effect on the trading price of the Notes or have a materially adverse effect on the image or reputation of our Company.

Our continued success largely depends on our controlling shareholder and our current management.

Our continued success depends heavily on our controlling shareholder and former Chairman of the Board and executive director of our Company, Mr. Chu Mang Yee, who has over 20 years’ experience in construction, property investment and development and possesses know-how of all stages of the property development process. Mr. Chu Mang Yee has irrevocably undertaken to us that, for so long as he remains a controlling shareholder within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), he will not directly or indirectly engage in any trade, business, profession or venture which directly or indirectly competes with our business or any of our subsidiaries. The undertaking, however, does not cover any direct or indirect shareholding in a publicly listed company not exceeding 5% of the issued share capital of our Company.

In addition, we depend on the continued service of our executive directors and officers and other skilled managerial and technical personnel, including notably our designers and architects. For example, our chairman, Ms. Chu Kut Yung, who has worked in areas relating to financial and human resource management of the Company, and thus accumulated extensive and professional experience in such areas. Competition in our industry for qualified personnel is intense. Our business could suffer if we lose the services of a number of key personnel and are not able to recruit quality replacements. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified personnel. If we fail to attract and retain qualified personnel, our business and prospects may be materially and adversely affected.

Our controlling shareholder is able to influence our corporate policies and direct the outcome of corporate actions requiring shareholders’ approval.

Approximately 53.0% of our outstanding shares were beneficially owned by our controlling shareholder, Mr. Chu Mang Yee, as of December 31, 2020. The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the Notes. Subject to compliance with the Listing Rules and applicable laws, by maintaining such ownership, Mr. Chu Mang Yee is able to influence our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders’ approval. In particular, the strategic goals of Mr. Chu Mang Yee may not be aligned with our

strategies and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favor.

We are exposed to general risks associated with the ownership and management of real property.

Investment properties are generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash on short notice and property assets may be required to be sold at a discount in order to ensure a quick sale. Such illiquidity also limits our ability to manage our portfolio in response to changes in economic or other conditions. Moreover, we may face difficulties in securing timely and commercially favorable financing in asset-based lending transactions secured by real estate due to the illiquidity.

Property investment is subject to risks incidental to the ownership and management of residential, office and retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs.

Our branding and marketing strategy as well as our financial condition could be materially and adversely affected if owners of the projects that we have developed elect to stop using us to provide property management services.

We provide property management services in respect of properties primarily developed by us through our wholly-owned subsidiaries, Guangdong Esteem Property Services Limited (“**Esteem**”) and Beijing Zhujiaogang Century Property Management Limited. Between them, Esteem is a leading property management firm with a property management area of approximately 30.0 million sq.m. in the PRC. It obtained the qualification of Level One Property Management Qualification granted by MOHURD for consecutive six years since 2012 and was in the “TOP 100 Property Management Companies in China” in 2020 according to the China Index Academy. We believe that the provision of quality and value-added management services of an international standard enable us to enhance recognition of our brand and maintain our reputation as a developer of quality properties. We seek to provide comprehensive quality post-sales property management and post-sales services to purchasers of our properties, including services such as rental agency, security, maintenance, operation of clubhouse, cleaning of public areas, domestic assistance, gardening and landscaping and other services. Under PRC laws and regulations, property owners have a right to engage or dismiss a property management company with the consent of more than 50% of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If owners of the projects that we have developed elect to stop using us to provide property management services, our branding and marketing strategy as well as our revenue from the property management business would be materially and adversely affected.

We have limited experience in the hotel business.

We entered into the hotel business in July 2004 when the Guangzhou Regal Riviera Hotel commenced operations, and we currently also have interests in Hyatt Regency Shanghai, Wujiaochang, Wyndham Grand Tianjin, Jingjin City, Tianjin Hot Spring Resort and Taiyuan Regal Hotel. We have limited experience in operating and managing hotels and accordingly, there is no assurance that our hotel operations will be successful.

In addition, although our hotels are managed by professional hotel management companies, we could face considerable reputational and financial risks if the hotels are mismanaged or do not meet the expectations of customers. Because we will rely on hotel management companies to manage these two hotels, we may not be in a position to identify or resolve potential issues that may arise in relation to the hotels and this may have a material adverse effect on our reputation and results of operations.

We are subject to all of the risks common in the hotel industry.

The hotel business is sensitive to changes in the global and national economy in general. Since demand for hotel services is affected by economic growth, a global or regional recession could lead to a downturn in the hotel industry. There can be no assurance that an economic recession or a situation of prolonged difficulties in the hotel industry, tourism industry, or in international, national and local economies, will not have a material adverse effect on us.

The hotel sector may also be unfavorably affected by other factors such as government regulation, changes in local market conditions, competition in the industry, excess hotel supply or reduced international or local demand for hotel rooms and associated services, foreign exchange fluctuations, interest rate environment, the availability of finance and other natural and social factors.

Our hotel operations are affected by occupancy and room rates achieved by our hotels, our ability to manage costs (including changes in labor costs), the relative mix of owned, leased and managed properties and the success of our food and beverage operations. Additionally, our profitability could be adversely impacted by increases in wage levels, energy, healthcare, insurance and other operating expenses, resulting in lower operating profit margins.

The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

Following a national referendum and enactment of legislation by the government of the United Kingdom, the United Kingdom formally withdrew from the European Union on January 31, 2020 and entered into a transition period during which it will continue its ongoing and complex negotiations with the European Union relating to the future trading relationship between the parties. Significant political and economic uncertainty remains about whether the terms of the relationship will differ materially from the terms before withdrawal, as well as about the possibility that a so-called “no deal” separation will occur if negotiations are not completed by the end of the transition period.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity, restrict the ability of key market participants to operate in certain financial markets or restrict our access to capital.

RISKS RELATING TO THE PRC REAL ESTATE INDUSTRY

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

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuations in property prices. It is extremely difficult to predict by how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential property may discourage investors from acquiring new properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property.

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

If as a result of any one or more of these or similar factors as described above, demand for residential property or market prices decline significantly, our business, results of operations and financial condition may be materially and adversely affected.

Increasing competition in the PRC property market may adversely affect our profitability.

Our property development operations face competition from both international and local property developers with respect to factors such as location, facilities and supporting infrastructure, services and pricing. We compete with both local and international companies in capturing new business opportunities in the PRC.

In recent years, a large number of property developers have begun to undertake property development and investment projects in the PRC. These include overseas property developers (including a number of leading Hong Kong property developers) and local property developers in the PRC. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. Some of our competitors have greater financial and other capital resources, marketing and other capabilities and/or name recognition than us. In addition, some local companies have extensive local knowledge and business relationships and/or a longer operational track record in the relevant local markets than us while international companies are able to capitalize on their overseas experience to compete in the PRC markets.

Intensified competition among property developers may result in increased costs for land acquisition and construction, oversupply of properties and a slowdown in the approval process for new property developments by the relevant government authorities, all of which may adversely affect our business. There can be no assurance that we will be able to compete successfully in the future against our existing or potential competitors or that increased competition with respect to our activities may not have a material adverse effect on our financial condition and results of operations.

In addition, the property markets in the PRC are rapidly changing. If we cannot respond to changes in market conditions or changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be materially and adversely affected.

The PRC property market has experienced significant consolidation.

Consolidation in the PRC property market in recent years has resulted in smaller property developers merging or otherwise combining their operations in order to enjoy economies of scale and enhance their competitiveness. Any further consolidation in the property sector in the PRC may intensify competition among property developers and we may have to compete with competitors with greater financial and operational resources, such as land banks and management capabilities. Such consolidation could potentially place us under competitive pressure with respect to land or development negotiations, scale, resources and pricing of our properties.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political and social conditions, as well as government policies, could affect our business.

Substantially all of our assets are located in the PRC, and all of our revenue is derived from within the PRC. Accordingly, our results of operations, financial position and prospects are significantly subject to the economic, political and legal developments of the PRC.

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

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

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and across the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations.

For example, our financial condition and results of operations may be materially and adversely affected by the PRC government's control over capital investments and changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's economic, political and social conditions, laws, regulations and government policies will have any material and adverse effect on our current or future business, results of operations or financial condition.

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. We receive substantially all of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us or otherwise satisfy their foreign currency denominated or settled obligations, such as the Notes. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the State Administration of Foreign Exchange ("SAFE"), by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our PRC subsidiaries may not be able to pay dividends in foreign currencies to us and we may not be able to service our debt obligations denominated or settled in foreign currencies, such as the Notes.

There are significant uncertainties under the PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries.

Under the Enterprise Income Tax Law of the PRC, which took effect on March 16, 2007 and was amended on February 24, 2017 and December 29, 2018, and its Implementation Regulation (collectively, the “EIT Law”), the profits of a foreign invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC are subject to a withholding tax rate of 10% or a lower treaty rate. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5% if a Hong Kong resident enterprise owns over 25% of a PRC company. Some of our PRC subsidiaries are currently wholly owned by Hong Kong subsidiaries. According to the Announcement of the State Taxation Administration on Issuing the Measures for the Administration of Non-resident Taxpayers’ Enjoyment of Treaty Benefits, which became effective on January 1, 2020, if a non-resident enterprise determines through self-assessment that it is eligible for certain tax treaty benefits, it may claim for and enjoy such treaty benefits by filing certain information report with the PRC tax authorities at the time of declaration. In the meantime, it shall collect and retain relevant materials for future inspection. However, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible in the process of subsequent administration. Therefore, it is uncertain whether the 5% withholding tax rate (if applied) on dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries would be adjusted to a higher level by the PRC tax authorities subsequently.

Under the EIT Law, we may be classified as a “resident enterprise” of China. Such classification could result in unfavorable tax consequences to us and our non-PRC noteholders.

Under the EIT Law, an enterprise established outside of China with “de facto management organization” located within China will be considered a “resident enterprise,” 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. However, it is still unclear how the PRC tax authorities will determine whether an entity will be classified as a “resident enterprise.” 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 such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct income tax is imposed on us under the laws of Bermuda (For further information, see “Taxation – Bermuda Tax.”) Furthermore, as described in “Taxation – PRC,” if we are considered a “resident enterprise,” interest payable on the Notes and any gains realized from the transfer of the Notes may be treated as income derived from sources within China. Non-resident enterprise holders may be subject to PRC withholding tax (in the case of interest) or PRC tax at a rate of 10%, and non-resident individual holders may be subject to PRC withholding tax (in the case of interest) or PRC tax at a rate of 20%. Any PRC income tax liability may be reduced under applicable tax treaties. However, it is unclear whether in practice non-resident noteholders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries. In addition, as described in “Taxation – PRC,” there is uncertainty as to whether payments of interest to our non-PRC noteholders might be subject to withholding of PRC value-added tax. If we are required to withhold PRC tax on our interest payable to our non-resident noteholders, we will be, subject to certain exceptions, 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. 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. Furthermore, if PRC tax is imposed on dispositions of the Notes, the value of the Notes could be reduced. In addition to the uncertainty as to the application of the new “resident enterprise” classification, the PRC government could amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur or are applied retroactively, they could materially and adversely affect our results of operations and financial condition.

PRC regulations relating to the investment in offshore special purpose companies by PRC residents may subject our shareholders that are PRC residents to personal liability, limit our ability to contribute capital into or provide loans to our PRC subsidiary, limit our subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

SAFE has promulgated several regulations, including the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Overseas Special Purpose Vehicles, or Circular 37, issued on July 14, 2014, which require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities.

Under these SAFE regulations, PRC residents, including both legal persons and natural persons, are required to register with an appropriate local SAFE branch before it contributes its domestic or overseas assets or equity interests to any company outside of China, referred to as an “offshore special purpose company” for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. When a PRC resident contributes the assets or equity interests it holds in a PRC company or an offshore enterprise into the offshore special purpose company, or engages in overseas financing after contributing such assets or equity interests into the offshore special purpose company, such PRC resident shall modify its SAFE registration in light of its interest in the offshore special purpose company and any change thereof. In addition, any PRC resident that is the shareholder of an offshore special purpose company is required to amend its SAFE registration with the local SAFE branch, with respect to that offshore special purpose company in connection with any change in the basic information or other material changes such as capital increase or decrease, equity transfer or merger and acquisition of the domestic resident shareholders. If any PRC shareholder fails to make the required initial SAFE registration or update the previously filed registration, the PRC subsidiaries of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiaries.

It is unclear how these rules, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot assure you that all of our shareholders who are PRC residents, will comply with our request to make or update any applicable registrations or comply with other requirements required by these rules or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans to (including using the proceeds from any equity or debt securities offerings) our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

Substantially all of our revenue is denominated in Renminbi and fluctuations in the exchange rate Renminbi may materially and adversely affect our business, financial condition and results of operations.

Substantially all of our revenue is denominated in Renminbi and must be converted to pay dividends or make other payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, strict foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. See “Regulations – Foreign Exchange Controls.” In the past, there have been shortages of US dollars or other foreign currency available for conversion of Renminbi in the PRC, and it is possible that such shortages could recur, or that restrictions on conversion could be re-imposed.

The value of Renminbi against other foreign currencies is subject to changes in the PRC government's policies and international economic and political developments. Under the current unified floating exchange rate system, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by PBOC, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of RMB to Hong Kong and U.S. dollars have generally been stable. However, with effect from July 21, 2005, the PRC government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the Renminbi appreciated against the Hong Kong and U.S. dollars by approximately 2% on the same date. In September 2005, the PRC government widened the daily trading band for Renminbi against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. The floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was expanded from 0.3% to 0.5% around the central parity rate, effective in May 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. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 16.9% from July 21, 2005 to December 31, 2018. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes.

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

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. On May 23, 2007, the Ministry of Commerce ("MOFCOM") and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC, which, among other things, provides that:

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

In June 2008, to strengthen regulation of foreign-invested real estate enterprises, MOFCOM issued the Notice Regarding Completing the Filing of Foreign Investment in the Real Estate Sector. According to this notice, when a foreign-invested real estate enterprise is established or increases its registered capital, the commerce department at provincial level is required to verify all filing materials regarding such foreign-invested real estate enterprise and to make a filing with MOFCOM. This notice also requires that each foreign-invested real estate enterprise undertakes only one approved property project. Further, on August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises. Pursuant to this circular, Renminbi funds from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope of the enterprise as approved by the

examination and approval department of the government, and cannot be used for domestic equity investment unless it is otherwise provided for in other regulations. In addition, any foreign-invested enterprise, other than foreign-invested real estate development enterprises, shall not purchase domestic real estate for purposes other than self-use purposes with Renminbi funds derived from its capital fund. As a result, we may not be able to increase the capital contribution to our project companies or equity investees and subsequently convert such capital contribution into Renminbi for equity investment or acquisitions in the PRC. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other amounts to us, or to satisfy their foreign currency denominated obligations. Furthermore, in December 2011, NDRC and MOFCOM jointly amended and released the Foreign Investment Industrial Guidance Catalog (2011), which provides that, effective from January 30, 2012, the development of a whole land lot solely by foreign investors, as well as the construction and operation of golf course and villas, fall within the category of industries in which foreign investment is prohibited. On August 19, 2015, the Notice on Adjusting the Foreign Investment Access and Management Policies in the Real Estate Market liberalized the restriction on the difference between investment and registered capital for foreign-invested real estate enterprises; in addition, foreign-invested real estate enterprises have been allowed to accomplish the foreign exchange registration in banks by themselves pursuant to relevant foreign exchange regulations. However, restrictions imposed by the PRC government on foreign investment in the property sector may still affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material adverse effect on our business, financial condition and results of operations.

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and materially and adversely affect the implementation of our strategy as well as our business and prospects.

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (the “M&A Provisions”) issued by six PRC ministries including MOFCOM, effective from September 8, 2006 and further amended on June 22, 2009, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign-invested enterprise, and thus convert the domestic non-foreign-invested enterprise into a foreign invested enterprise to conduct asset merger and acquisition. It stipulates that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalog issued by NDRC and MOFCOM, which restricts the scope of permitted foreign investment. It also provides the takeover procedures for equity interests in domestic companies.

Our PRC legal advisors have advised us that there are uncertainties as to how the M&A Provisions will be interpreted or implemented. If we decide to acquire a PRC company, we cannot assure you that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Provisions. This may restrict our ability to implement any acquisition strategy and materially and adversely affect our business and prospects.

The legal system in the PRC is less developed than in certain other countries and uncertainty with respect to the PRC legal system could affect our operations.

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC

legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

The national and regional economies in the PRC and our prospects may be materially and adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. 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 the PRC. Some regions in the PRC, including the cities in which we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome (“SARS”), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus temporarily named COVID-19 by the World Health Organization. For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in August 2017 and resulted in tremendous loss of lives and destruction of assets in the region. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC.

In addition, the outbreak of SARS or other virulent contagious diseases, such as the H5N1 avian flu, the human swine flu or the ongoing COVID-19 epidemic, could potentially disrupt our operations if any buyers or sellers in our markets are suspected to have contracted such diseases, and our markets are identified as a possible source of spreading the contagious disease infection. We may be required to quarantine tenants who are suspected of being infected. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, among others new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact. We may also be required to disinfect the affected markets and therefore suffer a temporary suspension of operations. Any quarantine of users or suspension of operations at any one of markets is likely to materially and adversely affect our business, financial condition and results of operations.

It may be difficult to enforce any judgments obtained from non-PRC courts against us, our directors or our senior management in the PRC.

Substantially all of our assets are located within the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for you to enforce any judgments obtained from non-PRC courts against us, any of our directors or our senior management in the PRC.

We cannot guarantee the accuracy of facts, forecasts and other statistics derived from official government publications with respect to the PRC, the PRC economy and the PRC industries that affect our business, which are contained in this offering memorandum.

Facts, forecasts and other statistics in this offering memorandum relating to the PRC, the PRC economy and the PRC industries that affect our business have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Initial Purchasers, the Trustee the Paying Agent and the Registrar or any of our or their affiliates or advisors and, therefore, none of them makes any representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between official government publications and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, they might not be stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

RISKS RELATING TO THE NOTES

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. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be restricted subsidiaries under the indenture governing the Notes. 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.

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Notes.

We are a holding company with no material operations and conduct our operations mainly through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through our subsidiaries incorporated outside the PRC. On the date of issue of the Notes, all the Subsidiary Guarantors of the Notes are subsidiaries incorporated outside the PRC. The Subsidiary Guarantors do not have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under their guarantees 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-Subsidiary Guarantor subsidiaries and any holders of preferred shares in such entities, would have a claim on the assets of the non-Subsidiary Guarantor subsidiaries that would be prior to the claims of holders of the Notes. As a result, the Notes will be effectively subordinated to all existing and future obligations of our subsidiaries that do not guarantee the Notes, 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-Subsidiary 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. The Notes and the Indenture permit us the Subsidiary Guarantors and our non-Subsidiary 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 would have priority as to our assets or the assets of such Subsidiary Guarantor securing the related obligations over claims of holders of the Notes.

The Notes and the Subsidiary Guarantees are unsecured obligations.

As the Notes and the Subsidiary Guarantees are unsecured obligations, the ability of the Company or the Subsidiary Guarantors to fulfill its or their financial obligations may be compromised if:

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

If any of these events occur, the assets of the Company and the Subsidiary Guarantors may not be sufficient to pay amounts due on the Notes or the Subsidiary Guarantees.

The terms of the Notes permit us to make a substantial amount of Restricted Payment.

The covenant described under “Description of the Notes – Certain Covenants – Limitation on Restricted Payments” generally prohibits us from making any “Restricted Payment” (as defined in the “Description of the Notes”), subject to certain exceptions. One of the exceptions is that we could make restricted payments if (i) no Default has occurred and is continuing or would occur as a result of the proposed Restricted Payment, (ii) the Company could incur at least US\$1.00 of the Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “– Limitation on Indebtedness and Preferred Stock” and (iii) the proposed Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Measurement Date, does not exceed certain amounts as described in “Description of the Notes – Certain Covenants – Limitation on Restricted Payments”. As a result, if other conditions are satisfied, we will be able to make a substantial amount of Restricted Payment despite the restrictions under the terms of the Notes, including dividend payments to our shareholders as well as substantial minority investments.

Some of our subsidiaries will not be subject to the restrictive provisions in the Indenture governing the Notes, including restrictions on the incurrence of indebtedness.

Certain of our subsidiaries will be deemed to be Unrestricted Subsidiaries as of the Original Issue Date for purposes of the Indenture governing the Notes. See “Description of the Notes – Brief Description of the Notes” In addition, under the circumstances described under “Description of the Notes – Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries,” we will be permitted to designate certain of our other subsidiaries as Unrestricted Subsidiaries. Our Unrestricted Subsidiaries will not be subject to the restrictive provisions of the Indenture governing the Notes and will not guarantee the Notes.

There will be no limitation in the Indenture on the amount of indebtedness our Unrestricted Subsidiaries may incur. Indebtedness of the Unrestricted Subsidiaries does not need to be non-recourse to the Company and the Restricted Subsidiaries. Further, even if some indebtedness of Unrestricted Subsidiaries is non-recourse to the Company and the Restricted Subsidiaries, a creditor of an Unrestricted Subsidiary could successfully seek satisfaction from the Company or the Restricted Subsidiaries or, in the event of the bankruptcy of the Company or of one or more of our Unrestricted Subsidiaries, a bankruptcy court might consolidate the assets and debts of the Company and our Restricted Subsidiaries with those of the Unrestricted Subsidiaries.

In addition, because the covenant in the Indenture restricting, subject to certain exceptions, the creation of limitations on the ability of our subsidiaries to pay dividends does not apply to the Unrestricted Subsidiaries, the cash flows and assets of the Unrestricted Subsidiaries might not be available to us to pay our obligations under the Notes. In addition, the Indenture will not completely restrict our ability to make minority or majority investments in companies that are not subject to the covenants under the Indenture. The Indenture also permits certain transactions between the Restricted and the Unrestricted Subsidiaries that could result in transfers of significant amounts of cash and other assets from the former to the latter. It also permits the designation of Restricted Subsidiaries and future subsidiaries as Unrestricted Subsidiaries.

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

As a holding company, we depend, and will depend in the future, on the receipt of dividends and the interest or principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Subsidiary Guarantees. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders, including us, is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, restrictions contained in relevant debt instruments, and applicable laws. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to satisfy our obligations under the

Subsidiary Guarantee. Further, certain loan agreements in relation to bank loans entered into by our PRC subsidiaries from PRC lender banks may contain provisions that restrict or prohibit the payment or declaration of dividends or distributions.

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 on their behalf. The Trustee will not be obliged to take any such actions 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, 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 directly.

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

We may 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 Guarantees. 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 Guarantees. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the guarantees for 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 HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In addition, since January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are 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. In addition, according to PRC regulations issued by SAFE, our PRC subsidiaries are only permitted to declare and distribute dividends after the completion of a financial year. Also, pursuant to the articles of association of some of our PRC subsidiaries, dividends may only be declared and distributed annually. 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 guarantees for the Notes, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, in practice, the market interest rate 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 shareholders' 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 lower treaty rate withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require approval by SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with SAFE. Prior to payment

of interest and principal on any such shareholder loan, the PRC subsidiaries 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 might not have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Subsidiary Guarantees.

The PRC government has imposed restrictions on the ability of onshore real estate developers to receive offshore funds, which could impair our ability to make timely payments of interest and principal under the Notes.

According to PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In July 2007, the General Affairs Department of SAFE issued the Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with MOFCOM. Under this circular, local branches of SAFE shall not register any foreign debt of a foreign-invested real estate enterprise that obtained approval for incorporation or capital increase from the local branches of MOFCOM and filed with MOFCOM on or after June 1, 2007. In addition, the local branches of SAFE shall not process any foreign exchange registration (or amendment of registration) or foreign exchange settlement for capital account items for a foreign-invested real estate enterprise that was approved by the relevant local branches of MOFCOM on or after June 1, 2007, but has not been filed with MOFCOM.

Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as most of our PRC subsidiaries. Although we intend to use the proceeds from this offering for project construction in the PRC and refinancing, any proceeds used for production facilities and acquisitions in China may only be transferred to our PRC subsidiaries as equity investments and not as loans. We would therefore have to rely on dividend payments from our PRC subsidiaries, and we cannot assure you that dividend payments will be available on each interest payment date to pay the interest due and payable under the Notes, on the maturity date to pay the principal of the outstanding Notes, or at the time of the occurrence of any change of control to make purchases of outstanding Notes.

Further, the PRC government could introduce new policies that further restrict our ability to deploy, or that prevent us from deploying in the PRC, the funds raised outside China. Therefore, we may not be able to use all or any of the capital that we raise outside China as intended.

The insolvency laws of Bermuda, British Virgin Islands or Hong Kong and other local insolvency laws may differ from those of jurisdictions with which you are familiar.

Because we are incorporated under the laws of Bermuda, an insolvency proceeding relating to us, regardless of where they are brought, might involve Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws of other jurisdictions. For example, under Bermuda insolvency laws, the claims of unsecured creditors are payable only to the extent that assets remain available and can be sold after the assets subject to the claims of secured creditors are sold and the proceeds applied to pay those secured creditor claims. In addition, each Subsidiary Guarantor is incorporated either in the British Virgin Islands or Hong Kong, and the insolvency laws of these jurisdictions may also differ from the laws of the other jurisdictions with which you are familiar.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% withholding tax or lower tax treaty rate on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

We may not be able to repurchase or purchase the Notes upon a change of control.

We must offer to repurchase or purchase the Notes upon the occurrence of a change of control and an accompanied rating decline, 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 repurchase or purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control to make repurchase or purchases of outstanding Notes, the 2022 Notes, the July 2021 Notes, the January 2022 Notes and the 2024 Notes. If an event constituting a change of control occurs at a time when we are prohibited from repurchasing or purchasing (as the case may be) the Notes and the 2022 Notes, the July 2021 Notes, the January 2022 Notes and the 2024 Notes, we may seek the consent of the lenders under such indebtedness to purchase the Notes, the 2022 Notes, the July 2021 Notes, the January 2022 Notes and the 2024 Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, we may be unable to repurchase or purchase the Notes, the 2022 Notes, the July 2021 Notes, the January 2022 Notes and the 2024 Notes. Our failure to make the offer to repurchase 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, including the 2022 Notes, the July 2021 Notes, the January 2022 Notes and the 2024 Notes, 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 repurchase or purchase the Notes and repay the debt.

Certain of the events constituting a change of control under the Notes may also constitute an event of default under certain of our or our subsidiaries’ debt instruments. Future debt of the Company and the Subsidiary Guarantors may also (1) prohibit us from repurchasing or purchasing Notes in the event of a change of control; (2) provide that a change of control is a default; or (3) require repurchase or purchase of such debt upon a change of control. Moreover, the exercise by the noteholders of their right to require us to repurchase or purchase the Notes could cause a default under our or our subsidiaries other indebtedness, even if the change of control itself does not, due to the financial effect of the repurchase or purchase on us and our subsidiaries.

In addition, the definition of change of control for purposes of the indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control for purposes of the indenture also includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or our assets taken as a whole. 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 repurchase or purchase the Notes and the ability of a holder of the Notes to require us to repurchase or purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts due to certain changes in tax laws.

As described under “Description of the Notes – Redemption for Taxation Reasons,” in the event we are required to pay Additional Amounts (as defined therein) as a result of certain changes in or interpretations of tax laws of a Relevant Jurisdiction (as defined therein), including any change of interpretation or the stating of an official position that results in the Company or any of the Subsidiary Guarantors being required to withhold tax on payments on the Notes, we may, at our option, redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

As of the date of this offering memorandum, none of the Company and any of the Subsidiary Guarantors received notice that it should be treated as a PRC “resident enterprise” from the PRC tax authorities. However, 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 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 redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

Notes are subject to optional redemption by us.

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

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 Noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

If we are unable to comply with the terms of our future debt agreements, there could be a default under those agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the terms in the indenture governing the Notes or in our future debt obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the indenture governing the Notes, and our future debt agreements are likely to 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, the indenture governing our Notes. If any of these events occur, our assets and cash flow might not be sufficient to repay in full all of our indebtedness and we might not be able to find alternative financing. Even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes, 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 indenture governing the Notes 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;
- effect a consolidation or merger; and
- engage in different business activities.

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

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

The Notes are a new issue of securities for which there is currently no trading market. Application will be made for the approval in-principle for the listing of the Notes on the SGX-ST and we cannot assure you that we will be able to maintain a listing on the SGX-ST and, even if listed, a liquid trading market might not develop. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. Future trading prices of the Notes will depend on many factors, including prevailing interest rates, our operating results and the market for similar securities. 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 U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See "Transfer Restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

The Notes are expected to be assigned a rating of B+ by Fitch Ratings. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a corporate family rating of B2 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B with a stable outlook by Standard and Poor's Rating Services and a long-term corporate credit rating of B+ with a stable outlook by Fitch Ratings. 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 a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

We are allowed under the Indenture to make investments in Unrestricted Subsidiaries and minority owned joint ventures and the terms of the Notes also give us enhanced flexibility to pay dividends and repurchase our shares.

In light of land prices, project size and other factors, we may from time to time consider developing properties jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture. Although the Indenture generally restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. In particular, under the Indenture, we are not required to satisfy the Fixed Charge Coverage Ratio for making investments in minority joint ventures up to 25% of the total assets. See clause (16) in the definition of "Permitted Investment" in "Description of the Notes – Definitions" and "– Certain Covenants – Limitation on Restricted Payments."

Certain transactions that constitute "connected transactions" or "continuing 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 Stock Exchange and we are required to comply with the Listing Rules, which provide, among other things, that a "connected transaction" or "continuing connected transaction" exceeding the applicable percentage ratios (as defined in the Listing Rules) will require prior approval of the independent shareholders of such listed company. However, the "Description of the Notes – Certain Covenants – Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes does not capture transactions between the Company or any restricted subsidiary, on the one hand, and an affiliate of any restricted subsidiary, on the other hand. 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 officer's certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the Trustee for any such transactions.

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 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.

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 HKFRS, which differ in certain respects from 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 HKFRS 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 HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

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 representing the Notes will trade in book-entry form only, and Notes in definitive registered form 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 Notes for purposes of the indenture. A common depository for Euroclear and Clearstream will be the sole registered holder of the global Notes. Accordingly, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or 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.

Upon the occurrence of an event of default under the indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “Description of the Notes – Book-Entry; Delivery and Form.”

If the Company fails to complete the post-issuance report to the NDRC in connection with the Notes, NDRC may impose penalties or other administrative procedures on the Company.

On September 14, 2015, the NDRC promulgated the NDRC Circular pursuant to which if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue notes outside of the PRC with a maturity of more than one year, such PRC enterprise must in advance of issuing such notes, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The enterprise must also report certain details of the notes to the NDRC within 10 business days upon the completion of the note issue.

The NDRC Circular is silent on the legal consequences of noncompliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Company to perform or comply with any of its obligations under the Notes. Similarly, there is no clarity on the legal consequences of noncompliance with the post-issue notification requirement under the NDRC Circular. Additional guidance has been issued by the NDRC (《企業境外發行債券指引》) the (“NDRC Circular Guidelines”) on December 18, 2015, which states that companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Circular will be subject to a blacklist and sanctions. The NDRC Circular Guidelines are silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC, or any impact on the Noteholders, in the event of a noncompliance by the Company with the NDRC Circular. The Company has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed period under the NDRC Circular.

Since the NDRC Circular is new and without any detailed implementation procedures, there is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose in case of failure of such registration with, or post issuance report to, the NDRC. The Company has completed the registration with the NDRC and obtained the registration certificate on November 11, 2020. If the Company does not report the post issuance information with respect to the Notes within the timeframe as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on the Company which may have a material adverse impact on its business, financial condition or results of operations.

RISKS RELATING TO THE SUBSIDIARY GUARANTEES

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

Under bankruptcy laws, fraudulent transfer laws, financial assistance, insolvency or unfair preference or similar laws in the Bermuda, British Virgin Islands, Hong Kong or other jurisdictions where future Subsidiary Guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that Subsidiary Guarantor if, among other things, the Subsidiary 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 Subsidiary 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;
- received no commercial benefit;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the Subsidiary 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 law of the jurisdiction which is being applied. Under the laws of the British Virgin Islands, it would also be necessary for the respective directors to ensure that each of the Subsidiary Guarantors incorporated in the British Virgin Islands is solvent immediately after entry into, and performance of any obligation under, the transaction, that is:

- it will be able to satisfy its liabilities as they become due in the ordinary course of its business; and
- the value of the assets of each of the Subsidiary Guarantors exceeds its respective liabilities.

The directors should also ensure that the issued capital of the Subsidiary Guarantor is maintained and that, after this transaction, the Subsidiary Guarantor would have sufficient net assets to cover the nominal value of its issued share capital.

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

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

If a court voided a Subsidiary Guarantee, subordinated such guarantee to other indebtedness of a Subsidiary Guarantor, or held the Subsidiary Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) and any preferred stock of such Subsidiary Guarantor and would solely be creditors of our Company and any Subsidiary Guarantor whose guarantee was not voided or held unenforceable. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The Notes will not be guaranteed by existing or future PRC subsidiaries.

None of our current or future PRC subsidiaries, which are our operating subsidiaries, will provide a guarantee for the Notes either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a guarantee for the Notes at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and other non-Subsidiary Guarantor subsidiaries.

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

USE OF PROCEEDS

We estimate that we will receive gross proceeds from this offering in the amount of approximately US\$200 million, before deducting underwriting fees and commissions and other estimated transaction expenses payable by us. We intend to use the net proceeds from this offering for refinancing existing indebtedness.

EXCHANGE RATE INFORMATION

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\$7.76 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\$7.76 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.

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:

	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		<i>(HK\$ per US\$1.00)</i>		
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8305	7.8194	7.8321	7.8043
2019	7.7894	7.8335	7.7850	7.8499
2020				
July	7.7500	7.7509	7.7538	7.7499
August	7.7501	7.7502	7.7506	7.7498
September	7.7500	7.7500	7.7504	7.7499
October	7.7548	7.7503	7.7548	7.7498
November	7.7522	7.7526	7.7552	7.7505
December	7.7534	7.7519	7.7539	7.7505

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

CHINA

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 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. From July 21, 2005 to June 28, 2013, the value of the Renminbi appreciated by approximately 34.9% against the U.S. dollar. 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.

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:

	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		<i>(RMB per US\$1.00)</i>		
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.8837	6.9077	6.8343
2019	6.9618	6.9081	7.1786	6.6822
2020				
July	6.9744	7.0041	7.0703	6.9744
August	6.8474	6.9270	6.9799	6.8474
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November	6.5750	6.6044	6.6899	6.5556
December	6.5250	6.5393	6.5705	6.5208

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth on an actual basis our consolidated capitalization and indebtedness as of December 31, 2020, and as adjusted to give effect to the issuance of the Notes.

You should read this information together with “Use of Proceeds,” “Selected Financial Information and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related Notes included elsewhere in this offering memorandum.

	As of December 31, 2020			
	Actual		As Adjusted	
	HK\$	US\$	HK\$	US\$
		(unaudited)		(unaudited)
	(in thousands)			
Cash:				
Restricted cash	1,741,508	224,612	1,741,508	224,612
Cash and cash equivalents	27,908,584	3,599,528	29,459,260	3,799,528
Total cash	29,650,092	3,824,140	31,200,768	4,024,140
Short-term debt:				
Bank and financial institution borrowings	13,425,498	1,731,563	13,425,498	1,731,563
Commercial mortgage-backed securities	81,888	10,562	81,888	10,562
Senior notes	4,349,041	560,920	4,349,041	560,920
Total short-term debt	17,856,427	2,303,045	17,856,427	2,303,045
Long-term debt:				
Bank and financial institution borrowings	76,683,518	9,890,309	76,683,518	9,890,309
Commercial mortgage-backed securities	9,156,703	1,180,992	9,156,703	1,180,991
Senior notes	3,841,071	495,404	3,841,071	495,404
Notes to be issued ⁽²⁾	–	–	1,550,680	200,000
Total long-term debt	89,681,292	11,566,705	91,231,972	11,766,704
Equity:				
Share capital	219,137	28,263	219,137	28,263
Reserves	87,792,832	11,323,140	87,792,832	11,323,139
Non-controlling interests	9,856,187	1,271,208	9,856,187	1,271,208
Total equity	97,868,156	12,622,611	97,868,156	12,622,611
Total capitalization⁽¹⁾⁽³⁾	187,549,448	24,189,316	189,100,128	24,389,315

(1) Total capitalization represents total long-term debt and total equity.

(2) Notes to be issued represent the aggregate principal amount of the Notes, without taking into account, and before deduction of, management and subscription commissions and other estimated transaction expenses payable.

(3) In January 2021, the Group issued 5.8% senior notes due 2022 with a principal amount of US\$500,000,000 (equivalent to HK\$3,876,700,000) at par value. In May 2021, the Group issued 7.0% senior notes due 2024 with a principal amount of US\$300,000,000 (equivalent to HK\$2,326,020,000) at par value. The total adjusted capitalization and indebtedness would be approximately HK\$195,302,848,000 and HK\$115,291,119,000 respectively, after including these senior notes issued after December 31, 2020.

Except as otherwise disclosed in this offering memorandum, there have been no material changes in our capitalization and indebtedness since December 31, 2020.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

You should read the following selected financial information and other data together with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related Notes included elsewhere in this offering memorandum.

We have derived the following selected financial information from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020. Historical results are not necessarily indicative of results that may be achieved in any future period. We prepare and present our consolidated financial statements in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

In preparing the audited consolidated financial statements for the year ended December 31, 2019, the Group has adopted HKFRS 16 with effect from January 1, 2019 and has not restated prior years’ consolidated financial statements. Therefore, the audited consolidated financial statements for the year ended December 31, 2019 and 2020 is not comparable with the consolidated financial statements for the year ended December 31, 2018. For the impact of the adoption of HKFRS 16, please refer to Note 2.2 to the audited consolidated financial statements as of and for the year ended December 31, 2019 included elsewhere in this offering memorandum.

	For the Year ended December 31,			
	2018	2019	2020	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>US\$</i> <i>(unaudited)</i>
	<i>(in thousands, except for percentage)</i>			
Revenues	13,293,532	18,600,580	34,371,276	4,433,059
Cost of sales.	(6,765,596)	(9,237,436)	(12,539,531)	(1,617,294)
Gross profit	6,527,936	9,363,144	21,831,745	2,815,765
Fair value gains on investment properties.	4,673,345	8,175,781	763,689	98,497
Other gains, net	161,935	285,329	1,486,474	191,719
Selling and marketing expenses	(378,153)	(736,887)	(963,174)	(124,226)
General and administrative expenses	(1,581,856)	(1,831,815)	(2,988,358)	(385,425)
Finance income	173,949	394,311	240,342	30,998
Finance costs	(578,319)	(1,002,439)	(1,768,581)	(228,104)
Share of profit/(loss) of associates	1,637	(4,562)	903	116
Share of profit/(loss) of joint ventures	(6,152)	119,113	37,320	4,813
Profit before taxation	8,994,322	14,761,975	18,640,360	2,404,153
Taxation	(3,171,723)	(5,111,585)	(4,952,283)	(638,724)
Profit for the year	5,822,599	9,650,390	13,688,077	1,765,429
Attributable to:				
Equity holders of the company.	5,775,467	9,486,000	13,633,830	1,758,432
Non-controlling interests	47,132	164,390	54,247	6,997
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Assets revaluation reserve realised upon disposal of				
Properties held for sale	(87,746)	(87,079)	(118,340)	(15,263)
Deferred tax	33,081	40,341	54,823	7,071
Currency translation difference.	(3,205,050)	(1,535,553)	4,023,028	518,873

For the Year ended December 31,

	2018	2019	2020	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>US\$</i>
				<i>(unaudited)</i>
				<i>(in thousands, except for percentage)</i>
Items that will not be reclassified subsequently to profit or loss:				
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	(273,347)	(539,540)	588,374	75,886
Deferred tax	68,337	139,392	(143,782)	(18,544)
Currency translation differences	–	–	382,998	36,500
Other comprehensive income/(loss) for the year, net of tax	(3,464,725)	(1,982,439)	4,787,101	617,420
Total comprehensive income for the year	2,357,874	7,667,951	18,475,178	2,382,849
Attributable to:				
Equity holders of the company	2,410,104	7,553,435	18,037,933	2,326,455
Non-controlling interests	(52,230)	114,516	437,245	56,394
Other data:				
EBITDA ⁽¹⁾	4,803,423	7,182,036	18,214,968	2,349,288
EBITDA margin ⁽²⁾	36.1%	38.6%	53.0%	53.0%

As of December 31,

	2018	2019	2020	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>US\$</i>
				<i>(unaudited)</i>
				<i>(in thousands)</i>
ASSETS				
Non-current assets				
Land costs	1,675,097	–	–	–
Prepayments for acquisition of land	121,411	118,758	126,397	16,302
Prepayments for construction work	–	244,107	–	–
Loan receivables	743,201	170,801	321,591	41,477
Properties and equipment	4,571,452	4,976,880	4,245,066	547,510
Investment properties	46,856,835	56,961,529	61,396,797	7,918,693
Goodwill	35,249	34,534	389,577	50,246
Investments in associates	147,668	364,855	114,847	14,812
Investments in joint ventures	7,514,062	5,059,567	11,479,966	1,480,636
Financial assets at fair value through other comprehensive income	3,144,258	3,337,773	6,143,202	792,324
Financial assets at fair value through profit or loss	35,000	–	–	–
Right-of-use assets	–	1,634,045	1,627,933	209,964
Finance lease receivables	159,828	344,656	248,298	32,024
Prepayments, deposits and other non-current assets	–	–	1,170,643	150,987
Deferred tax assets	784,147	1,309,259	1,342,998	173,214
Total non-current assets	65,788,208	74,556,764	88,607,315	11,428,189
Current assets				
Prepayments for acquisition of land	9,403,647	10,767,194	30,105,213	3,882,840
Properties under development for sale	41,237,995	57,047,059	69,159,635	8,919,911
Completed properties for sale	30,299,744	31,260,655	45,041,301	5,809,232
Financial assets at fair value through profit or loss	775,943	788,403	22,020,697	2,840,134
Accounts receivable	784,882	1,058,081	2,622,871	338,287
Loan receivables	1,983,693	2,520,879	2,657,587	342,764
Prepayments, deposits and other current assets	5,370,900	8,060,451	9,023,528	1,163,816
Due from a joint venture	45,112	48,845	91,843	11,846
Due from associates	201	58,964	5,941	766
Due from related companies	7,149	8,318	246,111	31,742
Contract assets	473,606	982,860	1,639,200	211,417
Pledged/charged bank deposits	483,182	1,466,913	1,741,508	224,612
Cash and cash equivalents	7,456,708	12,635,125	27,908,584	3,599,528
Total current assets	98,322,762	126,703,747	212,264,019	27,376,895
Assets classified as held for sale	–	2,843,132	–	–
Total assets	164,110,970	204,103,643	300,871,334	38,805,084
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	222,556	222,556	219,137	28,263
Reserves	65,472,354	72,358,121	87,792,832	11,323,140
Non-controlling interests	2,078,725	2,434,725	9,856,187	1,271,208
Total equity	67,773,635	75,015,402	97,868,156	12,622,611

	As of December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$ (unaudited)
	<i>(in thousands)</i>			
LIABILITIES				
Non-current liabilities				
Land cost payable	88,310	91,043	96,280	12,418
Borrowings	41,656,532	50,700,558	89,681,292	11,566,705
Lease liabilities	–	676,246	649,999	83,834
Due to non-controlling interests	514,605	2,126,867	6,833,733	881,385
Deferred tax liabilities	8,323,506	9,957,093	10,757,987	1,387,519
Total non-current liabilities	50,582,953	63,551,807	108,019,291	13,931,861
Current liabilities				
Accounts payable	9,060,317	14,019,440	18,580,500	2,396,433
Land cost payable	4,996	359,201	–	–
Borrowings	13,444,611	12,689,322	17,856,427	2,303,045
Margin loans payable	–	–	9,163,844	1,181,913
Contract liabilities	10,304,371	19,505,008	25,940,333	3,345,672
Accruals and other payables	4,882,186	8,951,408	13,930,972	1,796,757
Lease liabilities	–	8,419	64,541	8,324
Due to an associate	6,299	5,964	6,348	819
Due to related companies	260,654	366,248	212,001	27,343
Due to joint ventures	2,773,349	3,011,241	1,416,623	182,710
Current tax liabilities	5,017,599	6,620,183	7,812,298	1,007,596
Total current liabilities	45,754,382	65,536,434	94,983,887	12,250,612
Total liabilities	96,337,335	129,088,241	203,003,178	26,182,473
Total equity and liabilities	164,110,970	204,103,643	300,871,334	38,805,084

	For the Year ended December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$ (unaudited)
	<i>(in thousands)</i>			
Net cash (used in)/generated from operating activities	5,536,477	3,093,586	(30,553,252)	(3,940,626)
Net cash used in investing activities	(3,098,780)	(4,072,943)	(4,981,327)	(642,470)
Net cash generated from/(used in) financing activities	(75,500)	6,379,784	49,544,650	6,390,055
Net increase in cash and cash equivalents	2,362,197	5,400,427	14,010,071	1,806,958
Exchange difference on cash and cash equivalents	(302,479)	(222,010)	1,263,388	162,946
Cash and cash equivalents at the beginning of the year	5,396,990	7,456,708	12,635,125	1,629,624
Cash and cash equivalents at the end of the year	7,456,708	12,635,125	27,908,584	3,599,528

- (1) EBITDA for any period is calculated as profit, adding back taxation, finance costs, depreciation of properties and equipment, amortization of land costs and goodwill impairment, and subtracting fair value gains on investment properties, other gains and finance income. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as selling and distribution costs 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 service debt and pay taxes. EBITDA presented in this offering memorandum may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. You should also note that EBITDA as presented may be calculated differently from Consolidated EBITDA as defined and used in the indenture governing the Notes. See "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the Notes. The following table reconciles our EBITDA to our profit for the year, which is the most directly comparable HKFRS measure:

	For the Year ended December 31,			
	2018	2019	2020	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>US\$</i> <i>(unaudited)</i>
			<i>(in thousands)</i>	
Profit for the year	5,822,599	9,650,390	13,688,077	1,765,429
Adjustments:				
Add:				
Taxation	3,171,723	5,111,585	4,952,283	638,724
Finance costs	578,319	1,002,439	1,768,581	228,104
Depreciation of properties and equipment	183,244	196,456	241,787	31,185
Depreciation of right-of-use assets	–	76,587	54,745	7,061
Amortization of land costs	56,767	–	–	–
Less:				
Fair value gains on investment properties	4,673,345	8,175,781	763,689	98,497
Other gains, net	161,935	285,329	1,486,474	191,719
Finance income	173,949	394,311	240,342	30,998
EBITDA	4,803,423	7,182,036	18,214,968	2,349,288

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

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

The following discussion and analysis should be read in conjunction with the financial statements and related Notes included elsewhere in this offering memorandum. Those financial statements and related Notes have been prepared in accordance with HKFRS. This discussion contains forward-looking statements and reflects our current view with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Risk Factors" and elsewhere in this offering memorandum.

OVERVIEW

We are one of the largest property developers in China as measured by land bank. We specialize in developing medium to high-end large-scale residential properties, as well as commercial properties. We are also engaged in property management, property investment and hotel management. Our geographic focus is three principal economic zones in China – the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone – with Guangzhou, Beijing, Tianjin and Shanghai as our core cities, where the property markets have grown significantly in recent years.

Since 1995, we have built a recognized brand name in the PRC for quality property development through a concerted corporate strategy and business development model. From our origins in Guangzhou and the Pearl River Delta Economic Zone, we have expanded our operations into Beijing, Tianjin and Shanghai. In Guangzhou, Shanghai and Beijing, our "Regal Riviera", "Gallopade", "Fairview", "Dongjiao Villa", "Sheshan Dongziyuan" and "No. 8 Royal Park" brands have become associated with quality product design, customer service and facilities accommodating various community cultures and different operating models that meet the diverse needs of our target customers.

Each of our property developments features a unique theme, such as leisure and tourism, to enhance its positioning and marketability and contribute to our overall corporate brand. Our residential projects are typically large-scale development projects in the urban area and incorporate a variety of comprehensive amenities and public facilities to meet the needs of a community. We develop commercial properties, including retail shops, shopping malls, office buildings and hotels. Commercial properties, including integrated residential and commercial developments, have become a substantially increasing proportion of our projects portfolio in recent years. We typically seek to identify large sites in areas at their early stage of development but with significant long-term development potential and strategic importance and therefore are able to acquire land in such areas at relatively low costs. Due to the large scale of our projects, we typically develop our projects in several phases over a period of three to seven years.

As of December 31, 2020, we had 97 property projects in various stages of development, of which 42 property developments were in the Pearl River Delta Economic Zone, 32 property developments in the Huanbohai Economic Zone and 23 property developments in the Yangtze River Delta Economic Zone. As of December 31, 2020, the total saleable GFA of our land bank amounted to approximately 46.4 million sq.m. Our property projects had an aggregate sold GFA of 16.0 million sq.m., an aggregate completed but unsold GFA of 5.7 million sq.m. and an aggregate unsold GFA of 30.4 million sq.m.

Although we intend to continue to focus on property development as our core business, we are also engaged in the following ancillary property-related businesses that are complementary to our core business:

- *Property investment:* we derive rental fees from our investment property portfolio located in Guangzhou, Beijing, Hangzhou and Shanghai, comprising primarily commercial, retail and carparking spaces within the property projects developed by us. As of December 31, 2020, we had a total of 15 investment properties in various stages of development.

- *Property management:* we derive management fees from the provision of property management services in respect of properties primarily developed by us. As of December 31, 2020, we provided management services to almost all of our developed properties.
- *Hotel operations:* we have interests in five hotel properties in Guangzhou, Shanghai, Taiyuan and Tianjin. All of these hotel facilities are located within property projects developed by us.

In addition, in order to promote our strategy on the balanced development, we expanded our businesses to capital management, community services, auto finance and elderly care services.

For the years ended December 31, 2018, 2019 and 2020, our total revenue was HK\$13,293.5 million, HK\$18,600.6 million and HK\$34,371.3 million (US\$4,435.1 million), respectively, and our total profit was HK\$5,822.6 million, HK\$9,650.4 million, and HK\$13,688.1 million (US\$1,765.4 million), respectively, during the same periods of time.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic conditions and regulatory environment in China

The PRC property industry depends heavily on overall economic growth and the resultant demand for residential and commercial properties. Because we target middle and upper-middle income purchasers, we believe that private sector developments and urbanization in China are especially important to our operations. Developments in the private sector, urbanization and the resultant demand for residential properties in China have in the past increased the sales of our properties. These factors will continue to have a significant impact on our results of operations.

The regulatory and fiscal environment affecting the real estate development industry, including tax policies (including government grant and LAT policies), land grant policies, pre-sale policies, policies on interest rates and the availability of mortgages and other macro-economic policies designed to slow down the growth of the PRC property market, will continue to have a significant impact on our results of operations.

Revenue recognition, sales volume and pricing

Because we derive a majority of our revenue from the sale of properties we develop, our results of operations are dependent on the number of properties we have available for sale, the market demand for those properties, the number of properties we sell, complete and deliver to purchasers, the time required to develop and sell our properties, and sale price we achieve.

Most of our projects are medium to high-end large-scale projects that require substantial time for completion. In addition, we are generally involved in several projects at different stages at the same time. Accordingly, the number of properties that we have available for sale and the number of properties we complete and deliver to purchasers could vary significantly from period to period. Revenue in a particular period is also dependent on our ability to gauge market demand and to deliver the properties sold in prior periods. In addition, since a significant source of our revenue consists of the proceeds from pre-sale of properties developed by us, and revenue from such properties are only recognized upon completion and delivery to purchasers, there is always a time lag between the receipt of pre-sale proceeds and the recognition of such proceeds as revenue.

The prices of our properties are determined by the market forces of supply and demand and by state guidance. We price our properties by reference to the market prices and state guidance for similar types of properties at comparable locations and the market response to our property launches. The average price of our projects therefore depends on the location and mix of properties sold and delivered during each

fiscal period. In addition, we generally develop and sell our residential projects in separate phases. For each development, we generally aim to price it higher at later phases than at the initial launch, partly reflecting the landscaping, amenities and infrastructure that are completed in subsequent phases.

Risks and costs associated with construction

Our ability to recognize revenue and profits and the timing of such recognition in any period depends on our ability to complete and deliver properties to customers in the current period and our ability to pre-sell properties in the current or prior periods. All of the property developments undertaken by us typically require substantial capital expenditures during construction and it may take many months or years before such projects can be pre-sold and/or completed or can generate revenue. The time taken and the costs involved in completing the construction of a property development can be adversely affected by many factors including shortages of construction materials, equipment and labor shortages, natural disasters, disputes with labor or sub-contractors, accidents and other unforeseeable circumstances. Delays in obtaining the requisite licenses, permits or approvals from government agencies or authorities can also increase the cost, and delay or prevent the pre-sale or completion of a project. Although we have not experienced any significant construction delay in the past, construction delays in the future may result in the loss of revenue.

The major components of our cost of sales consist of costs we incur directly during the property development process, such as land costs, construction costs, borrowing costs directly attributable to the construction of our properties and other direct costs. Property developments require substantial capital outlay for land acquisition and construction and it may take many months or even years before revenue can be generated.

Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the primary component of the construction costs of our property developments, with the cost of third-party contractors remaining relatively stable. Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by outsourcing our construction work at fixed prices (including procurement of supplies). Nonetheless, we are still subject to longer term price movements of construction materials. In addition, in line with industry practice, we may be required by our construction contractors to re-negotiate existing construction contracts to take into account significant price movements of construction materials in order to provide them with sufficient incentives to complete our projects. Furthermore, price movements of other supplies in relation to property developments, including construction equipment and tools, ventilation systems, plant watering systems, elevators and interior decoration materials, may also increase our construction costs. Costs associated with foundation/substructure design and construction are another major component of our construction costs which vary not only according to the area and height of the buildings, but also to the geological conditions of the site. The foundation/substructure designs and construction process for developments in different localities and the respective costs incurred may vary significantly. Therefore, construction costs of a property development may be substantially higher if the conditions of the site require more complex designs and procedures or the use of more expensive materials in order for the desired foundation support to be achieved.

Construction costs also increased between RMB500 and RMB2,000 in the last two to three years on a per square meter basis due to increased fit-out costs as a result of our efforts to enhance the standards and average selling prices of our properties through improvements in material quality as well as increased consumer demand for more luxurious items such as brand name bathtubs and faucets.

Ability to acquire suitable land, land cost and resettlement cost

Our growth depends on our ability to secure quality land at competitive prices that can offer reasonable returns. As the PRC economy continues to grow at a relatively high rate and demand for residential properties remains relatively strong, we expect that competition among developers to acquire land that is suitable for property development will continue to intensify.

We pay land premium to local land bureaus for the right to occupy, use and develop a particular parcel of land. The land bureau determines the actual land premium. The land bureau fixes the amount of land premium based on the following principal factors:

- the location of the land and the land premium of comparable sites in the vicinity;
- the national regulatory policies and local economic conditions;
- the expected GFA for the proposed development or plot ratio; and
- the intended category of use for the development, with commercial use attracting a higher charge compared to residential use.

The resettlement costs we pay involve the actual expenditure we incur for site clearing and relocation of the residents originally occupying the buildings on the site subject to demolition. We pay resettlement compensation to the original residents directly or through relevant government agencies. The PRC government has laid down some basic principles for determining the appropriate level of resettlement compensation, including:

- the replacement costs or market price of the property subject to demolition;
- the location of the property;
- the purpose and use of the property subject to demolition; and
- the GFA of the property to be demolished.

To date, we have one project in Shanghai, Bin Jiangyuan, which is subject to resettlement requirements. See “Risk Factors – Risks Relating to Our Businesses – Our business and results of operations may be materially and adversely affected if the resettlement costs or other costs of similar nature associated with our property developments increase.” We may acquire additional land in the future which is subject to such requirements, in which case our resettlement costs will increase.

Access to and cost of financing

Pre-sales constitute an important source of our operating cash flow during the property development process. The amount and timing of cash flows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the PRC government, market demand for our properties and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties would increase our reliance on external financing and affect our ability to repay project-specific loans. Bank borrowings, trust financing arrangements, asset-backed securities, commercial mortgage-backed securities and corporate bonds have been, and we expect will continue to be, an important source of funding for our property developments. Our total outstanding borrowing amounted to HK\$55,101.1 million, HK\$63,389.9 million and HK\$107,537.7 million (US\$13,869.7 million) as of December 31, 2018, 2019 and 2020, respectively. Increases in the PBOC benchmark lending rates increase the borrowing costs for our developments, as commercial banks in China link the interest rates on bank loans to these benchmark lending rates. In addition, increases in interest rates affect the attractiveness of

mortgage financing to potential purchasers of our properties, which in turn affect the demand for our properties. Further, our access to capital and cost of financing will also be affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

Fluctuation of results of operations

Our results of operations tend to fluctuate from period to period. We are limited in the number of properties that we can develop or complete during any given time due to the significant capital commitment required for land acquisition, demolition, resettlement and construction before a positive cash flows may be generated, as well as the limited availability of land supplies and lengthy development periods that are generally involved with the property development process. We develop larger-scale property developments in multiple phases over the course of several years. Typically, the selling prices of properties in larger-scale projects tend to increase as the overall development comes closer to completion. Seasonal variations cause further fluctuations in our interim revenues and profits. For example, our revenue and profits, recognized upon the delivery of properties, in the first half of a year are often lower than in the second half, and we will continue to experience significant fluctuations in revenue and profits on an interim basis. As a result, our results of operations fluctuate and our interim results may not proportionally reflect our annual results.

Land appreciation tax

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, being the proceeds of sales of properties less deductible expenditures including cost of land and development and contribution expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sale of commercial properties is not eligible for such exemption. Since 2003, local tax bureaus in certain cities have required prepayment of LAT on the pre-sales or sales proceeds of development properties. In addition, according to the notice issued by SAT, which came into effect on February 1, 2007, real estate developers are required to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85% of a development project having been pre-sold or sold. We make provisions for LAT based on the appreciation of land value, which is calculated based on the proceeds from the sale of properties less deductible expenditures, including lease charges of land use rights, borrowing costs and all property development expenditures. We have estimated our LAT liabilities according to our understanding of the requirements under the relevant PRC tax laws and regulations. Our final LAT liabilities are to be determined by the tax authorities after completion of our property development projects, which could be different from the amounts that we have estimated. If our assessment is incorrect and the amount of LAT that we are required to pay significantly exceeds what we have prepaid or made provision for, our obligation to pay such amount may materially and adversely affect our business, results of operations or financial condition.

CRITICAL ACCOUNTING POLICIES

Our audited consolidated financial statements for 2018, 2019 and 2020 have been prepared in accordance with the HKFRS. The preparation of financial statements in conformity with the HKFRS requires us to adopt accounting policies and make estimates and assumptions that affect amounts reported in our financial statements. In applying these accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Critical accounting judgments are those that require the application of management's most difficult, subjective or complex judgments, often involving matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. Accordingly, actual results could differ from those estimates.

Revenue recognition

We recognize revenue from the sale of properties in the ordinary course of business. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon handover of the respective property to the buyer.

We provide guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of our properties. These guarantees will expire when the relevant property ownership certificates are lodged with the various banks. In order to obtain mortgages, the purchasers settle certain percentage of the total contract amount in accordance with the related PRC regulations upon delivery of the properties. We believe that such settlements provide sufficient evidence of the purchasers' commitment to honor their contractual obligations of the bank loans. In addition, based on past experience, there have been no significant defaults of mortgage facilities by the purchasers resulting in execution of the bank guarantees. Accordingly, we believe that significant risks and rewards associated with ownership of the properties have been transferred to the purchasers.

Financial implication of regulations of idle land

Under the PRC laws and regulations, if a property developer fails to develop land according to the terms of a land grant contract, including the designated use of the land and the time of commencement and completion of the property development, the PRC government may regard the land as idle and issue a warning or impose a penalty on the developer or reclaim the land. Judgment is required in assessing whether these tracts of land will be subject to the penalty of idle land or may be reclaimed by the government and thereby resulting in any adverse financial impact to us. In making this judgment, we evaluate the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

Distinction between investment properties and owner-occupied properties

We determine whether a property qualifies as an investment property. In making our judgment, we consider whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. 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 can be sold separately (or leased out separately under a finance lease), we account for the portions separately. If the portions cannot be sold separately, the property is accounted for investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. We consider each property separately in making our judgment.

Estimated impairment of properties and equipment and intangible assets

Properties and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of properties and equipment and intangible assets have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculation and valuations require the use of judgments and estimates.

Estimated provision of properties under development for sale, completed properties for sale and related land costs

For the purpose of determining provision, land costs, properties under development and completed properties held for sale are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of these asset is assessed based on their fair value less costs to sell. The fair value is determined taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The assessment requires the use of judgment and estimates.

Estimate of fair value of completed investment properties and investment properties under development

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, we determine the amount within a range of reasonable fair value estimates. In making its judgment, we consider information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences, by reference to independent valuations; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, by reference to independent valuations.

In the case of investment properties under development, their fair value reflects the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The valuation and all key assumptions used in the valuation should reflect market conditions at the balance sheet date. The key assumptions include value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost. The fair value is made by reference to independent valuation.

Current taxation and deferred taxation

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

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

Depreciation and amortization

We depreciate our hotel properties, buildings, furniture and office equipment and motor vehicles on a straight line basis over the estimated useful life of 28 to 50 years, 50 years, 5 years and 3 to 10 years, respectively, and after taking into account of their estimated residual value, commencing from the date the asset is placed into productive use. The estimated useful lives and dates that we place the properties and equipment into productive use reflect our estimate of the periods that we intend to derive future economic benefits from the use of our assets.

Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of investment properties and development properties held for sale are determined by reference to market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities, as well as the amount of goodwill and negative goodwill from the acquisition.

CERTAIN INCOME STATEMENT ITEMS

Revenue

We consider the revenues generated for our business from both a business segments perspective and geographic area perspective. We have five business segments, including property development, property management, property investment, infrastructure and investment. Each business segment can be further divided into three main geographical areas, namely the Yangtze River Delta Economic Zone (including Shanghai, Hangzhou and Ningbo), the Huanbohai Economic Zone (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and the Pearl River Delta Economic Zone (including Guangzhou, Huizhou and Zhongshan). The following table sets forth our revenue derived from each of our business segments, both in an absolute amount and as a percentage of total revenues for the years/periods presented.

	Year ended December 31,						
	2018		2019		2020		
	HK\$	%	HK\$	%	HK\$	US\$	%
	<i>(in millions, except percentages)</i>						<i>(unaudited)</i>
							<i>(in millions)</i>
Property development	8,639.7	65.0	12,848.2	69.1	19,075.3	2,460.2	55.5
Property management	1,136.3	8.6	1,183.2	6.4	2,133.6	275.2	6.2
Property investment	2,434.9	18.3	3,154.4	16.9	3,624.6	467.5	10.5
Infrastructure (Note)	1,082.6	8.1	1,414.8	7.6	1,507.8	194.5	4.4
Investment (Note).	n/a	n/a	n/a	n/a	8,030.0	1,035.7	23.4
Total	13,293.5	100.0	18,600.6	100.0	34,371.3	4,433.1	100.0

Note: For the year ended December 31, 2020, the management reassessed and reported a new reportable operating segment, investment segment, in accordance with their economic characteristics. Investment business (including private equity investment in the primary market and listed equity investment in the secondary market, in particular equity investments in high-and-new technology and medical science and technology), represents an important component of the our future strategy.

Revenue from property development, which represents proceeds from the sale of our properties, accounted for 65.0%, 69.1% and 55.5% of our total revenue for the years ended December 31, 2018, 2019 and 2020, respectively. Our revenue from property development is mainly dependent upon the type and GFA of the properties we have available for sale during that period, the market demand for those properties and the unit price at which we are able to sell such properties. Conditions in the property markets in which we operate change from period to period and are significantly affected by the general economic, political and regulatory developments in China.

Revenue from property management, which represents fees for property management services we provide to properties owners, accounted for 8.6%, 6.4% and 6.2% of our total revenue for the years ended December 31, 2018, 2019 and 2020, respectively.

Revenue from property investment, which represents rentals from properties held by us for long-term rental yields or for capital appreciation or both, accounted for 18.3%, 16.9% and 10.5% of our total revenue for the years ended December 31, 2018, 2019 and 2020, respectively.

Cost of sales

Our cost of sales consists primarily of costs we incur directly associated with our property development activities, such as land costs, construction costs, borrowing costs directly attributable to the construction of our properties and other direct costs.

Land cost represents cost relating to acquisition of the rights to occupy, use and develop land, including land premiums, demolition and resettlement costs, and other land-related taxes and government surcharges. Construction costs includes costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. Substantially all of the costs of construction materials, whether procured by ourselves or by our contractors, are accounted for as part of the contractor fees upon settlement with the relevant contractors.

Fair value gains on investment properties

Fair value gains on an investment property represents the excess of the current estimated value over the carrying value of the investment property. Upward or downward fair value adjustments are unrealized capital gains or losses on an investment property as of the relevant balance sheet date. The amount of fair value gain or loss attributable to an investment property depends on the prevailing property market conditions and such gains or losses are non-cash gains or losses which do not generate any cash inflow or outflow as long as we hold the relevant investment property.

Other Gains, net

Other gains are comprised of excess of acquirer's interest over cost of acquisition, gain on disposal of subsidiaries, loss on disposal of certain equity interest in a subsidiary, dividend income from unlisted investments, government grants, fair value profit or loss on financial assets at fair value through profit or loss.

Selling and Marketing Expenses

Our selling and administrative costs consist primarily of sales personnel expenses, advertising and promotion expenses, travel expenses and other expenses in relation to the sale of properties.

General and Administrative Expenses

Our general and administrative expenses mainly include staff costs, management expenses of our headquarters and regional offices and depreciation and amortization charges, partially offset by exchange gains.

Finance Costs

Our finance costs consist primarily of interest expenses for our bank loans, senior Notes and convertible bonds, net of any capitalized interest. We capitalize our borrowing costs as part of the costs for a property development when there is evidence that the borrowing is used to finance such property development until the construction of the property development is completed. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the interest costs related to a property development can be capitalized. As a result, finance costs for a given period on its own may not reflect the level of our borrowings and they tend to fluctuate as a percentage of revenue, depending on the timing of capitalization.

Taxation

Our taxation expenses primarily consist of Hong Kong profits tax, PRC corporate income tax accrued by our operating subsidiaries and LAT. We are exempt from taxation in Bermuda until March 28, 2035. Our subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act (now the BVI Business Companies Act, 2004) of the British Virgin Islands, or the BVI Business Companies Act, 2004 of the British Virgin Islands, and are not liable to pay any form of taxation in the British Virgin Islands, provided that such subsidiaries do not own any interest in any land in the British Virgin Islands.

PRC Enterprise Income Tax and PRC Withholding Income Tax

Most of our PRC subsidiaries were subject to PRC enterprise income tax of 33% prior to January 1, 2008 (consisting of 30% income tax for foreign-invested enterprises and 3% local income tax). Effective from January 1, 2008, this has been reduced to 25% pursuant to the new Enterprise Income Tax Law which adopts a uniform income tax rate of 25% on the taxable income of both domestic enterprises and foreign-investment enterprises. Under the new tax law, the preferential corporate income tax rate applicable to certain of our group companies established and operated before the promulgation of the new tax law will be gradually increased to 25% in a five-year transition period starting from January 1, 2008.

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

Hong Kong Profits Tax

We are subject to Hong Kong profits tax at the rate of 16.5% on our assessable profit in Hong Kong.

Land Appreciation Tax

We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities. We cannot assure you that our LAT provisions are sufficient to cover our LAT obligations or that the tax authorities will agree with the basis on which we calculate our LAT obligations. See “Risk Factors – Risks Relating to Our Business – The PRC tax authorities may increase LAT prepayment rate, settle the full amount of LAT or challenge the basis on which we calculate our LAT obligations.”

For the years ended December 31, 2018, 2019 and 2020, LAT charged to our income tax expenses were, HK\$1,130.2 million, HK\$1,972.9 million and HK\$2,273.7 million (US\$293.3 million), respectively.

Non-controlling interests

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

OUR RESULTS OF OPERATIONS

The following table sets forth, for the years indicated, certain items derived from our consolidated income statements.

	For the Year ended December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$ (unaudited)
	<i>(in thousands, except for percentage)</i>			
Revenues	13,293,532	18,600,580	34,371,276	4,433,059
Cost of sales	(6,765,596)	(9,237,436)	(12,539,531)	(1,617,294)
Gross profit	6,527,936	9,363,144	21,831,745	2,815,765
Fair value gains on investment properties	4,673,345	8,175,781	763,689	98,497
Other gains, net	161,935	285,329	1,486,474	191,719
Selling and marketing expenses	(378,153)	(736,887)	(963,174)	(124,226)
General and administrative expenses	(1,581,856)	(1,831,815)	(2,988,358)	(385,425)
Finance income	173,949	394,311	240,342	30,998
Finance costs	(578,319)	(1,002,439)	(1,768,581)	(228,104)
Share of profit/(loss) of associates	1,637	(4,562)	903	116
Share of profit/(loss) of joint ventures	(6,152)	119,113	37,320	4,813
Profit before taxation	8,994,322	14,761,975	18,640,360	2,404,153
Taxation	(3,171,723)	(5,111,585)	(4,952,283)	(638,724)
Profit for the year	5,822,599	9,650,390	13,688,077	1,765,429
Attributable to:				
Equity holders of the company	5,775,467	9,486,000	13,633,830	1,758,432
Non-controlling interests	47,132	164,390	54,247	6,997
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Assets revaluation reserve realised upon disposal of				
Properties held for sale	(87,746)	(87,079)	(118,340)	(15,263)
Deferred tax	33,081	40,341	54,823	7,071
Currency translation difference	(3,205,050)	(1,535,553)	4,023,028	518,873
Items that will not be reclassified subsequently to profit or loss:				
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	(273,347)	(539,540)	588,374	75,886
Deferred tax	68,337	139,392	(143,782)	(18,544)
Currency translation differences	–	–	382,998	36,500
Other comprehensive income/(loss) for the year, net of tax	(3,464,725)	(1,982,439)	4,787,101	617,420
Total comprehensive income for the year	2,357,874	7,667,951	18,475,178	2,382,849
Attributable to:				
Equity holders of the company	2,410,104	7,553,435	18,037,933	2,326,455
Non-controlling interests	(52,230)	114,516	437,245	56,394

Year ended December 31, 2020 compared with year ended December 31, 2019

Revenue

Our revenue increased by 84.8% to HK\$34,371.3 million (US\$4,433.1 million) in 2020 from HK\$18,600.6 million in 2019. The increase was primarily due to the significant increase in revenue from property development and investments income.

Our delivery volume, in terms of GFA of properties delivered by us, increased by 65.2% to 1,206,554 sq.m. in 2020 as compared to 730,282 sq.m. in 2019 due to the increase of the amount of our property delivery. The average selling price for delivered and completed properties decreased by 11.6% to RMB13,582 per sq.m. in 2020 from RMB15,362 per sq.m. in 2019.

In 2020, our revenue was generated primarily from the sale and delivery of Hopson No. 8 Royal Park (合生霄雲路8號) in Beijing, The Town of Hangzhou Bay (合生杭州灣國際新城), Hopson International New City (合生國際新城) in Huizhou, Hopson Belvedere Bay (合生君景灣) and Hopson Hushan Guoji Villa (合生湖山國際) in Guangzhou.

Our contracted sales, which include sales secured by contracts for which we have yet to deliver completed properties, increased by 53.7% to RMB35,834.0 million (US\$4,621.7 million) in 2020 from RMB23,317.0 million in 2019. Our contracted sales area was 1,652,000 sq.m. in 2019 and 1,627,000 sq.m. in 2020.

Average contracted selling price also increased by 56.4% to RMB22,025.0 per sq.m. in 2020 from RMB14,079.0 per sq.m. in 2019.

Cost of sales

Our cost of sales increased by 35.7% to HK\$12,539.5 million (US\$1,617.3 million) in 2020 from HK\$9,237.4 million in 2019. The increase was primarily due to the increase of our property delivery volume in 2020. As a percentage of revenue, cost of sales decreased to 36.5% in 2020 from 49.7% in 2019.

Gross profit and gross profit margin

Our gross profit increased by 133.2% to HK\$21,831.7 million (US\$2,815.8 million) in 2020 from HK\$9,363.1 million in 2019. Our gross profit margin for 2020 increased to 63.5% from 50.3% for 2019, which was primarily attributable to the remarkable performance of the newly included investments business.

Fair value gains on investment properties

Our fair value gains on investment properties decreased by 90.7% to HK\$763.7 million (US\$98.5 million) in 2020 from HK\$8,175.8 million in 2019. The decrease was primarily due to the increase of cost of properties' renovation.

Other gains, net

We recognized the other gains, net of HK\$1,486.5 million (US\$191.7 million) in 2020 compared to HK\$285.3 million in 2019. Other gains, net in 2020 primarily consisted of (i) gain on disposal of assets classified as held for sale, subsidiaries, an associate and joint ventures of HK\$580.5 million; (ii) net exchange gains of HK\$777.6 million and (iii) other net gains of HK\$128.4 million.

Selling and marketing expenses

Our selling and marketing expenses increased by 30.7% to HK\$963.2 million (US\$124.2 million) in 2020 from HK\$736.9 million in 2019. This increase was primarily due to the increase of the amount of the properties we launched in 2020. Selling and marketing expenses as a percentage of revenue decreased to 2.8% in 2020 from 4.0% in 2019.

General and administrative expenses

Our general and administrative expenses increased by 63.1% to HK\$2,988.4 million (US\$385.4 million) in 2020 from HK\$1,831.8 million in 2019. This increase was primarily due to the increase in our contract sales and property development projects.

Finance income

Our finance income decreased by 39.1% to HK\$240.3 million (US\$31.0 million) in 2020 from HK\$394.3 million in 2019. This decrease was primarily due to the decrease in interest income from loan receivables.

Finance costs

Our gross interest expense before capitalisation increased by 52.9% to HK\$6,616.4 million (US\$853.4 million) in 2020 from HK\$4,326.1 million in 2019. This increase was attributable to the increase in expenses of sales promotion and sales marketing remuneration and benefits of employees and donations to charitable organisations during the year. The effective interest rate in respect of our borrowings was approximately 6.8% per annum in 2020 as compared to approximately 6.7% per annum in 2019.

Our finance costs increased by 76.4% to HK\$1,768.6 million (US\$228.1 million) in 2020 from HK\$1,002.4 million in 2019. The increase was primarily due the completion of certain projects which the interest could no longer be capitalized and increase in borrowings from banks and financial institutions.

Share of profit of joint ventures

Our share of profit of joint ventures decreased by 68.7% to HK\$37.3 million (US\$4.8 million) in 2020 from HK\$119.1 million in 2019. The decrease was primarily due to the disposal of Beijing Dongfangwenhua International Properties Company Limited.

Taxation

Our tax expenses decreased by 3.1% to HK\$4,952.3 million (US\$638.7 million) in 2020 from HK\$5,111.6 million in 2019, mainly reflecting the decrease of main taxation categories (including VAT and LAT). The effective tax rate decreased to 26.6% in 2020 from 34.6% in 2019. The lower effective tax rate in 2020 was mainly due to the change in mix of category and tax jurisdiction of the Group's revenue, in particular certain investments income is non-taxable.

Profit attributable to equity holders

As a result of the foregoing, including the HK\$763.7 million (US\$98.5 million) fair value gain on investment properties in 2020, our profit attributable to equity holders increased by 43.7% to HK\$13,633.8 million (US\$1,758.4 million) in 2020 from HK\$9,486.0 million in 2019. Our profit increased by 41.8% to HK\$13,688.1 million (US\$1,765.4 million) in 2020 from HK\$9,650.4 million in 2019. Our net profit margin decreased to 39.8% in 2020 from 51.9% in 2019.

Year ended December 31, 2019 compared with year ended December 31, 2018

Revenue

Our revenue increased by 39.9% to HK\$18,600.6 million (US\$2,398.6 million) in 2019 from HK\$13,293.5 million in 2018. The increase was primarily due to the increase of our property delivery volume in 2019.

Our delivery volume, in terms of GFA of properties delivered by us, increased by 56.5% to 730,282.0 sq.m. in 2019 as compared to 466,623.0 sq.m. in 2018 due to the increase of the amount of our property delivery. The average selling price for delivered and completed properties decreased by 0.5% to RMB15,362.0 per sq.m. in 2019 from RMB15,431.0 per sq.m. in 2018.

In 2019, our revenue was generated primarily from the sale and delivery of Hopson No. 8 Royal Park (合生霄雲路8號) in Beijing, The Town of Hangzhou Bay (合生杭州灣國際新城), Hopson International New City (合生國際新城) in Huizhou, Hopson Asset Seascape Residence (合生財富海景公館) in Shanghai and Hopson Hushan Guoji Villa (合生湖山國際) in Guangzhou.

Our contracted sales, which include sales secured by contracts for which we have yet to deliver completed properties, increased by 42.0% to RMB21,258.0 million (US\$2,741.3 million) in 2019 from RMB14,975.0 million in 2018. Our contracted sales area was 1,279,000 sq.m. in 2018 and 1,652,000 sq.m. in 2019.

Average contracted selling price also increased by 11.4% to RMB12,865.0 per sq.m. in 2019 from RMB11,547.0 per sq.m. in 2018.

Cost of sales

Our cost of sales increased by 36.5% to HK\$9,237.4 million (US\$1,191.2 million) in 2019 from HK\$6,766.0 million in 2018. The increase was primarily due to the increase of our property delivery volume in 2019. As a percentage of revenue, cost of sales decreased to 49.7% in 2019 from 50.9% in 2018.

Gross profit and gross profit margin

Our gross profit increased by 43.4% to HK\$9,363.1 million (US\$1,207.4 million) in 2019 from HK\$6,527.9 million in 2018. Our gross profit margin for 2019 increased to 50.3% from 49.1% for 2018, which was primarily attributable to our improved operational management capabilities and stable rate of return from our high-quality and high-price projects.

Fair value gains on investment properties

Our fair value gains on investment properties increased by 74.9% to HK\$8,175.8 million (US\$1,054.3 million) in 2019 from HK\$4,673.3 million in 2018. The reason for this increase was due to the faster growth rate of fair value gains on investment properties compared with 2018.

Other gains, net

We recognized the other gains, net of HK\$285.3 million (US\$36.8 million) in 2019 compared to HK\$161.9 million in 2018. Other gains, net in 2019 primarily consisted of (i) gains from disposal of listed securities of HK\$88.6 million; (ii) grants amounting to HK\$45.0 million in total from government authorities in Mainland China; (iii) fair value loss on financial assets at fair value through profit or loss of HK\$9.2 million; (iv) dividend income of HK\$155.8 million from investment in listed and unlisted securities; (v) interest income of HK\$5.8 million from financial assets at fair value through profit or loss; (vi) net exchange losses of HK\$15.2 million; (vii) gain of HK\$8.7 million from disposal of subsidiaries; and (viii) gain of HK\$5.8 million from disposal of an associate and a joint venture.

Selling and marketing expenses

Our selling and marketing expenses increased by 94.8% to HK\$736.9 million (US\$95.0 million) in 2019 from HK\$378.2 million in 2018. This increase was primarily due to the increase of the amount of the properties we launched in 2019. Selling and marketing expenses as a percentage of revenue increased to 4.0% in 2019 from 2.8% in 2018.

General and administrative expenses

Our general and administrative expenses increased by 15.8% to HK\$1,831.8 million (US\$236.2 million) in 2019 from HK\$1,581.9 million in 2018. This increase was primarily due to the increase in our contract sales and property development projects.

Finance income

Our finance income increased by 126.7% to HK\$394.3 million (US\$50.8 million) in 2019 from HK\$173.9 million in 2018. This increase was primarily due to the increase in our interest-bearing assets.

Finance costs

Our gross interest expense before capitalisation increased by 26.3% to HK\$4,326.1 million (US\$557.9 million) in 2019 from HK\$3,425.8 million in 2018. This increase was attributable to the increase in weighted average interest rate in 2019 as compared to the previous year. The effective interest rate in respect of our borrowings was approximately 6.7% per annum in 2019 as compared to approximately 6.0% per annum in 2018.

Our finance costs increased by 73.3% to HK\$1,002.4 million (US\$129.3 million) in 2019 from HK\$578.3 million in 2018. The increase was primarily due to the expansion of our business, whereby we increase our leverage for better overall project earnings.

Share of profit/(loss) of joint ventures

Our share of profit/(loss) of joint ventures increased by 2,021.0% to share of profit of HK\$119.1 million (US\$15.4 million) in 2019 from share of loss of HK\$6.2 million in 2018. The increase was primarily due to Beijing Dongfangwenhua International Properties Company Limited repaying some long-term borrowings, leading to the decrease of our interest cost.

Taxation

Our tax expenses increased by 61.2% to HK\$5,111.6 million (US\$659.2 million) in 2019 from HK\$3,171.7 million in 2018, mainly reflecting the increase of main taxation categories (including VAT and LAT) resulted from the increase of our sales. The effective tax rate decreased to 34.6% in 2019 from 35.3% in 2018. The lower effective tax rate in 2019 was mainly due to the fact that the land appreciation tax rate applicable to the major projects delivered this year was lower than that for the major projects in the previous year.

Profit attributable to equity holders

As a result of the foregoing, including the HK\$8,175.8 million (US\$1,054.3 million) fair value gain on investment properties in 2019, our profit attributable to equity holders increased by 64.2% to HK\$9,486.0 million (US\$1,223.2 million) in 2019 from HK\$5,775.5 million in 2018. Our profit increased by 65.7% to HK\$9,650.4 million (US\$1,244.4 million) in 2019 from HK\$5,822.6 million in 2018. Our net profit margin increased to 51.9% in 2019 from 43.8% in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

We need cash primarily to fund working capital needs, including land acquisition, payment of construction costs and capital expenditures associated with our hotel investments. We fund our working capital requirements through a variety of sources, including cash from operations (primarily from proceeds of property sales), short-and long-term lines of credit, trust financing arrangements and offerings of debt, equity or equity-linked securities. The availability of these sources of funding and our ability to fund our capital expenditure needs could be affected by our ability to sell our properties and the average selling prices achieved by us, which are largely dependent on the market conditions of the PRC residential property market, and our ability to control our construction schedule and deliver the properties sold by us in a timely manner. The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	For the Year ended December 31,			
	2018	2019	2020	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>US\$</i>
				<i>(unaudited)</i>
				<i>(in thousands)</i>
Net cash (used in)/generated from operating activities	5,536,477	3,093,586	(30,553,252)	(3,940,626)
Net cash used in investing activities	(3,098,780)	(4,072,943)	(4,981,327)	(642,470)
Net cash generated from/(used in) financing activities	(75,500)	6,379,784	49,544,650	6,390,055
Net increase in cash and cash equivalents	2,362,197	5,400,427	14,010,071	1,806,958
Exchange difference on cash and cash equivalents	(302,479)	(222,010)	1,263,388	162,946
Cash and cash equivalents at the beginning of the year	5,396,990	7,456,708	12,635,125	1,629,624
Cash and cash equivalents at the end of the year	7,456,708	12,635,125	27,908,584	3,599,528

Operating activities

Our cash used in operations comprises principally the amounts required for our property development activities, which are reflected on our balance sheet as an increase in our property inventory and land use rights. Our cash from operations is generated principally from the proceeds from the sale of our properties, including pre-sale of properties under development and sale of completed properties, and is at times supplemented by an increase in our accruals and other payables, representing primarily of construction costs we have accrued but have yet to pay in connection with our properties under development.

Year ended December 31, 2020. Our net cash used in operating activities of HK\$30,553.3 million (US\$3,940.6 million) in 2020 was mainly attributable to (i) cash used in operations of HK\$27,761.4 million, (ii) payment of Hong Kong profits tax of HK\$91.9 million, (iii) payment of PRC's corporate income tax of HK\$1,977.1 million and (iv) payment of PRC's LAT of HK\$958.3 million, partially offset by interest received of HK\$235.5 million. Operating profits before changes in working capital was HK\$11,215.3 million. Changes in working capital contributed to a net cash outflow of HK\$27,761.4 million, comprising primarily of (i) additions of financial assets at fair value through profit or loss of HK\$42,885.2 million; (ii) properties under development for sale and completed properties for sale of HK\$9,938.5 million, (iii) prepayments, deposits and other current assets of HK\$470.3 million, and (iv) prepayments for acquisition of land of HK\$19,420.2 million, partially offset by (i) contract liabilities of HK\$5,019.2 million, and (ii) proceeds from disposal of financial assets at fair value through profit or loss of HK\$29,308.9 million.

Year ended December 31, 2019. Our net cash generated from operating activities of HK\$3,093.6 million in 2019 was mainly attributable to (i) cash generated from operations of HK\$4,617.3 million, and (ii) interest received of HK\$389.5 million, partially offset by (i) payment of Hong Kong profits tax of HK\$4.2 million, (ii) payment of PRC's corporate income tax of HK\$1,222.7 million, and (iii) payment of PRC's LAT of HK\$686.3 million. Operating profits before changes in working capital was HK\$7,121.8 million. Changes in working capital contributed to a net cash outflow of HK\$2,504.5 million, comprising primarily of (i) a decrease of properties under development for sale and completed properties for sale of HK\$14,245.3 million, (ii) a decrease in prepayments, deposits and other current assets of HK\$2,464.3 million, and (iii) a decrease in prepayments for acquisition of land of HK\$1,569.1 million, partially offset by (i) an increase in contract liabilities of HK\$9,530.0 million, and (ii) an increase in accounts payable, accruals and other payables of HK\$7,495.8 million.

Year ended December 31, 2018. Our net cash generated from operating activities of HK\$5,536.5 million in 2018 was mainly attributable to (i) cash generated from operations of HK\$7,282.1 million and (ii) interest received of HK\$169.1 million, partially offset by (i) payment of Hong Kong profits tax of HK\$0.3 million, (ii) payment of PRC's corporate income tax of HK\$1,072.6 million and (iii) payment of PRC's LAT of HK\$841.9 million. Operating profits before working capital changes was HK\$4,889.1 million. Changes in working capital contributed to a net cash inflow of HK\$2,393.0 million, comprising primarily of (i) an increase in contract liabilities of HK\$4,915.8 million, (ii) an increase in accounts payable of HK\$1,207.3 million and (iii) an increase in accruals and other payables of HK\$222.8 million, partially offset by (i) a decrease in prepayments, deposits and other current assets of HK\$1,236.8 million and (ii) a decrease in accounts receivable of HK\$200.2 million and (iii) a decrease of properties under development for sale and completed properties for sale of HK\$2,200.4 million.

Investing activities

Year ended December 31, 2020. Our net cash used in investing activities of HK\$4,981.3 million (US\$642.5 million) in 2020 primarily consisted of (i) capital injection in joint ventures of HK\$5,893.9 million, (ii) additions of financial assets at fair value through other comprehensive income of HK\$1,968.8 million, partially offset by proceeds from the disposals of assets classified as held for sale HK\$2,802.2 million.

Year ended December 31, 2019. Our net cash used in investing activities of HK\$4,072.9 million in 2019 primarily consisted of (i) payment of HK\$1,106.2 million in connection with additions of investment properties, (ii) payment of HK\$1,548.9 million in connection with additions of financial assets at fair value through profit or loss, and (iii) payment of HK\$1,005.2 million in connection with the increase in pledged/charged bank deposits.

Year ended December 31, 2018. Our net cash used in investing activities of HK\$3,098.8 million in 2018 primarily consisted of (i) payment of HK\$783.9 million in connection with additions of loan receivables, (ii) payment of HK\$967.5 million in connection with additions of investment properties, and (iii) payment of HK\$1,108.6 million in connection with the acquisition of a subsidiary.

Financing activities

Year ended December 31, 2020. We had net cash generated from financing activities of approximately HK\$49,544.7 million (US\$6,390.1 million) in 2020, primarily due to additions of bank and financial institution borrowings of HK\$64,221.7 million, partially offset by repayments of bank and financial institution borrowings of HK\$29,018.4 million.

Year ended December 31, 2019. We had net cash generated from financing activities of approximately HK\$6,379.8 million in 2019, primarily due to (i) new long-term bank loans of HK\$14,397.1 million and (ii) new senior notes of HK\$3,829.7 million, partially offset by (i) repayments of bank loans of HK\$10,734.6 million, (ii) repayments of corporate bonds of HK\$2,257.4 million and (iii) interest payment of HK\$3,781.0 million.

Year ended December 31, 2018. We had net cash used in financing activities of approximately HK\$75.5 million in 2018, primarily due to (i) repayments of bank loans of HK\$15,043.5 million, (ii) repayments of asset-backed securities of HK\$376.1 million, and (iii) interest payment of HK\$3,291.0 million, partially offset (i) new long-term bank loans of HK\$12,667.5 million, and (ii) new short-term bank loans of HK\$2,554.6 million.

Working capital, cash and indebtedness

We fund our working capital needs, including land acquisition, payment of construction costs and capital expenditures associated with our hotel investments through a variety of sources, including cash from operations (primarily from proceeds of property sales), short-and long-term lines of credit, and offerings of debt, equity or equity-linked securities. As of December 31, 2018, 2019 and 2020, we had cash and cash equivalents of HK\$7,456.7 million, HK\$12,635.1 million and HK\$27,908.6 (US\$3,599.5 million), respectively. There was an increase in cash and cash equivalents as of December 31, 2020 compared to December 31, 2019, primarily reflecting our proper management of funds. There was an increase in cash and cash equivalents as of December 31, 2019 compared to December 31, 2018, primarily reflecting the increase of our bank loans, and our proper arrangement of our funds.

Borrowings

The following table sets forth the borrowing from us and our consolidated subsidiaries as of the dates indicated.

	As of December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$ (unaudited)
	<i>(in thousands)</i>			
Non-current				
Bank and financial institution borrowings	36,026,674	38,873,684	76,683,518	9,890,309
Commercial mortgage-backed securities	5,629,858	7,986,349	9,156,703	1,180,992
Senior notes	–	3,840,525	3,841,071	495,404
Current				
Bank and financial institution borrowings	9,436,196	12,661,692	13,425,498	1,731,563
Corporate bonds	2,280,415	–	–	–
Asset-backed securities	1,686,913	–	–	–
Commercial mortgage-backed securities	41,087	27,630	81,888	10,562
Senior notes	–	–	4,349,041	560,920
Total borrowings	55,101,143	63,389,880	107,537,719	13,869,750

Bank borrowing

Our total borrowings from banks and financial institutions were HK\$45,462.9 million, HK\$51,535.4 million, HK\$90,109.0 million (US\$11,621.9 million) as of December 31, 2018, 2019 and 2020, respectively. Long-term borrowings from banks and financial institutions due more than one year from the respective dates were HK\$36,026.7 million, HK\$38,873.7 million and HK\$76,683.5 million (US\$9,890.3 million) as of December 31, 2018, 2019 and 2020. The average interest rate was approximately 6.0%, 6.7% and 6.8% per annum as at the respective dates.

Senior notes. In June 2019, we issued 7.5% senior notes with an aggregate nominal value of US\$500,000,000 (equivalent to approximately HK\$3,875,185,000) (the “**2022 Notes**”). The 2022 Notes will mature in June 2022 and are repayable at their nominal value of US\$500,000,000. We may redeem all or a portion of the 2022 Notes at the redemption prices specified in the offering memorandum of the 2022 Notes, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering memorandum of the 2022 Notes. In February 2020, we issued 6.0% senior notes with an aggregate nominal value of US\$500,000,000 (equivalent to approximately HK\$3,875,185,000) (the “**2021 Notes**”). The 2021 Notes have been fully repaid as of the date of this offering memorandum. In July 2020, we issued 6.0% senior notes with an aggregate nominal value of US\$61,450,000 (equivalent to approximately HK\$482,107,000) (the “**July 2021 Notes**”). The 2021 Notes will mature in July 2021 and are repayable at their nominal value of US\$61,450,000. We may redeem all or a portion of the 2021 Notes at the redemption prices specified in the offering memorandum of the 2021 Notes, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering memorandum of the 2021 Notes. In January 2021, we issued 5.8% senior notes with an aggregate nominal value of US\$500,000,000 (equivalent to approximately HK\$3,876,700,000) (the “**January 2022 Notes**”). We may redeem all or a portion of the January 2022 Notes at the redemption prices specified in the offering memorandum of the January 2022 Notes, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering memorandum of the January 2022 . The January 2022 Notes will mature in January 2022 and are repayable at their nominal value of US\$500,000,000. In May 2021, we issued 7.0% senior notes with an aggregate nominal value of US\$300,000,000 (equivalent to approximately HK\$2,326,020,000) (the “**2024 Notes**”). We may redeem all or a portion of the 2024 Notes at the redemption prices specified in the offering memorandum of the 2024 Notes, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering memorandum of the 2024 Notes. The 2024 Notes will mature in May 2024 and are repayable at their nominal value of US\$300,000,000.

Commercial mortgage-backed securities. In June 2018, we issued commercial mortgage-backed securities with an aggregate nominal value of RMB5,600,000,000 (equivalent to approximately HK\$6,391,235,000) (the “**2018 CMBS**”). The 2018 CMBS will mature in 2039 and are repayable at their nominal value of RMB5,600,000,000. Subject to the terms and conditions of the 2018 CMBS, we have the right to redeem all of the securities every three years from the date of issue, the investor are also entitled to sell back the redeemable securities to us on the same date. As at October 31 2020, the 2018 CMBS are secured by an investment property of approximately HK\$11,943.3 million and rental receivables of the investment property.

In June 2019, we issued commercial mortgage-backed securities with an aggregate nominal value of RMB2,000,000,000 (equivalent to approximately HK\$2,273,606,000). The securities will mature in 2037 and are repayable at their nominal value of RMB2,000,000,000. Subject to the terms and conditions specified in the offering circular of the securities, we have the right to redeem all of the securities every three years from the date of issue, the investor are also entitled to sell back the redeemable securities to us on the same date. As at October 31, 2020, the securities are secured by an investment property of approximately HK\$3,166.4 million and rental receivables of the investment property.

In September 2020, we issued commercial mortgage-backed securities with an aggregate nominal value of RMB700,000,000 (equivalent to approximately HK\$781,442,000). We have the right to redeem all of the securities every three years from the date of issue, the investor are also entitled to sell back the redeemable securities to the Group on the same date. The securities will mature in 2041 and are repayable at their nominal value of RMB700,000,000. As at December 31, 2020, the securities are secured by an investment property of approximately HK\$996.9 million (December 31, 2019: nil) and rental receivables of the investment property.

Taking into account available banking facilities and cash flows from our operations, together with net cash generated from the proceeds of this offering, we believe we have sufficient working capital for our capital requirements and foreseeable debt repayment obligations for at least the next 12 months from the date of this offering memorandum.

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to incur additional debt in the future is subject to a variety of uncertainties, including, among other things, the amount of capital that other PRC entities may seek to raise in the domestic and foreign capital markets, economic and other conditions in the PRC that may affect investor demand for our securities and those of other PRC entities, the liquidity of PRC capital markets, restrictions on indebtedness imposed by our outstanding debt instruments, including our July 2021 Notes, 2022 Notes, January 2022 Notes and 2024 Notes and our financial condition and results of operations. We intend to continue to utilize long-term debt.

Our borrowings have a range of maturities from less than one year to more than five years. The weighted average interest rate of borrowing costs capitalised for the year ended December 31, 2020 was approximately 6.8% per annum.

The following table sets forth a summary of the maturity profile for our total borrowings as of December 31, 2020:

	As of December 31, 2020	
	<i>HK\$</i>	<i>US\$</i> <i>(unaudited)</i>
	<i>(in million)</i>	
Within one year or on demand	17,856.4	2,303.0
Greater than one year	89,681.3	11,566.7
Total borrowings	107,537.7	13,869.7

RESTRICTED CASH

Pursuant to relevant regulations, certain of our project companies are required to deposit a portion of proceeds from the pre-sales of properties into specific bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. As of December 31, 2018, 2019 and 2020, our restricted cash amounted to HK\$483.2 million, HK\$1,466.9 million and HK\$1,741.5 million (US\$224.6 million) respectively.

CONTRACTUAL COMMITMENTS

In addition to the payment obligations under our borrowings set forth above, we also have continuing obligations to make payments on land costs, our contract obligations with respect to construction fees, capital contributions to an associate and other capital commitments.

The following table sets forth our consolidated capital commitments as of December 31, 2020, which have not been provided for in our accounts:

	As of December 31, 2020	
	<i>HK\$</i>	<i>US\$</i> <i>(unaudited)</i>
	<i>(in million)</i>	
Contracted but not provided for:		
– Acquisition of land and equity interest in certain land holding entities	–	–
– Property construction costs	3,964	511.3
– Capital contribution to an associate	255	32.9
– Acquisition of an equity investment	3,031	390.9
Total	7,250	935.1

In addition, we had operating lease commitments in respect of premises under various non-cancelable operating lease agreements. The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases as of December 31, 2020:

	As of December 31, 2020	
	<i>HK\$</i>	<i>US\$</i> <i>(unaudited)</i>
	<i>(in million)</i>	
Amounts payable:		
Within one year	9	1.2
Over one year	–	–
Total	9	1.2

CONTINGENT LIABILITIES

As of December 31, 2020, guarantees we provided to our customers in relation to their purchase of our properties amounted to approximately HK\$16,868.6 million (US\$2,175.6 million).

The following table presents financial guarantee data from us and our consolidated subsidiaries not provided for in our consolidated financial statements for the years indicated:

	As of December 31,			
	2018	2019	2020	
	HK\$	HK\$	HK\$	US\$
				(unaudited)
	(in thousands)			
Guarantees given to banks for mortgage facilities granted to certain buyers of our properties	8,044,655	11,846,377	16,868,599	2,175,639
Guarantees given to banks for bank borrowings of a joint venture	1,494,367	1,252,886	1,336,330	172,354
Total	9,539,022	13,099,263	18,204,899	2,347,993

OFF-BALANCE SHEET ARRANGEMENT

Except as disclosed above under “– Contingent Liabilities,” we do not have any outstanding off-balance sheet arrangements.

MARKET RISKS

Interest risk

We are exposed to interest rate risks resulting from fluctuations in interest rates on our bank deposits and borrowings from period to period. Bank deposits and borrowings issued at variable rates expose us to cash flow interest risk. Borrowings issued at fixed rates expose us to fair value interest rate risk. We have not used any derivative instruments to hedge our interest rate risk. An increase in interest rates may also adversely affect our prospective purchasers’ ability to obtain financing and depress the overall housing demand in China.

Foreign exchange risk

Foreign exchange risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into our presentation currency are not taken into consideration.

The majority of our subsidiaries operate in China with most of the transactions denominated in Renminbi. Our exposure to foreign exchange risk is principally due to our U.S. dollars-dominated debt and our bank deposit balances dominated in Hong Kong dollars and U.S. dollars.

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

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See “Risk Factors – Risks Relating to Conducting Business in the PRC-Substantially all of our revenue is denominated in Renminbi and fluctuations in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations.” We currently do not engage and do not plan to engage in foreign exchange hedging activities.

Credit risk

Our credit risk is primarily attributable to deposits with banks and credit exposures to customers. For properties that are still under construction, we typically provide guarantees to banks in respect of mortgage loans extended by banks to our customers to finance their purchase of our properties. The principal amount of a mortgage loan typically does not exceed 70.0% of the total purchase price of the property. If a purchaser defaults on a mortgage payment during the term of the guarantee, the mortgagee bank may demand that we repay the outstanding amount under the loan and accrued interest. If we make payments under a guarantee, we will be entitled to sell the related property to recover any amounts paid by us to the bank. However, we may not be able to recover the full amount of our guarantee payments from the sale proceeds.

Inflation risk

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, the annual change in the Consumer Price Index in China was 2.1% and 2.9% in 2018 and 2019, respectively. Although inflation has not materially affected our operations, higher rates of inflation in China may affect our business in the future. For example, certain operating costs and expenses, such as the cost of raw materials, travel expenses, and labor expenses may increase as a result of higher inflation.

RECENT HKFRS PRONOUNCEMENTS

New or revised standards, interpretations and amendments		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	January 1, 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	January 1, 2019
HKAS 40 (Amendment)	Transfers of Investment Property	January 1, 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	January 1, 2018
HKFRS 9	Financial Instruments	January 1, 2018
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	January 1, 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	January 1, 2018
HKFRS 16	Leases	January 1, 2019
HKFRS 17	Insurance Contracts	January 1, 2021
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRSs	January 1, 2019
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019
HKFRS 3 (Amendments)	Definition of a Business	January 1, 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	January 1, 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKFRS16 (Amendment)	COVID-19-Related Rent Concessions	January 1, 2020

INDUSTRY OVERVIEW

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

OVERVIEW OF THE PRC ECONOMY

China has experienced significant economic growth since the adoption of the reform and opening-up policy by the PRC government in 1978. China's nominal GDP grew at a CAGR of 8.9% from 2012 to 2018, reaching approximately RMB90,031 billion in 2018 and making China one of the fastest-growing economies in the world.

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

ECONOMIC STATISTICS OF THE PRC										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP										
<i>(RMB billion)</i>	34,852	41,212	48,794	53,858	59,296	64,128	68,599	74,006	82,075	90,031
Real GDP growth rate.	9.4%	10.6%	9.6%	7.9%	7.8%	7.3%	6.9%	6.7%	6.8%	6.6%
Per capita GDP (RMB)	26,180	30,808	36,302	39,874	43,684	47,005	50,028	53,680	59,201	64,644
Total investment in fixed assets <i>(RMB billion)</i>	22,460	25,168	31,149	37,469	44,629	51,202	56,200	60,647	64,124	64,568
Fixed-asset investment growth	30.0%	12.1%	23.8%	20.3%	19.1%	14.7%	9.8%	7.9%	5.7%	0.7%
Foreign direct investment <i>(USD billion)</i>	90	106	116	112	118	120	126	126	131	135

Source: National Bureau of Statistics of China

OVERVIEW OF THE REAL ESTATE MARKET OF THE PRC

Key Growth Drivers of the Real Estate Market in the PRC

In addition to the overall growth of the PRC economy, the key factors driving the growth of the real estate market in the PRC include rapid urbanization and increases in disposable income.

The table below sets out selected economic statistics of the PRC for the years indicated:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Urban population (million)	645	670	691	712	731	749	771	793	813	831
Total population (<i>million</i>).	1,335	1,341	1,347	1,354	1,361	1,368	1,375	1,383	1,390	1,395
Urbanization rate (%)	48.3	49.9	51.3	52.6	53.7	54.8	56.1	57.4	58.5	59.6

Source: National Bureau of Statistics of China

Furthermore, demand for real estate is driven by the emergence and growth of the mortgage lending market in China. Due to this favorable market environment, investment in real estate development in China rose from approximately RMB7,180 billion in 2012 to approximately RMB12,026 billion in 2018, representing a CAGR of approximately 9.0%.

The table below sets out selected data relating to the property market in the PRC for the years indicated:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total GFA sold of commodity properties (<i>million sq.m.</i>)	948	1,048	1,094	1,113	1,306	1,207	1,285	1,574	1,694	1,717
Total GFA sold of residential properties (<i>million sq.m.</i>)	862	934	965	985	1,157	1,052	1,124	1,375	1,448	1,479
Real Estate Investment (<i>RMB billion</i>).	3,624	4,826	6,180	7,180	8,601	9,504	9,598	10,258	10,980	12,026
Total GFA of commodity residential properties completed (<i>million sq.m.</i>)	596	634	743	790	787	809	738	772	718	660
Average price of commodity properties (<i>RMB per sq.m.</i>)	4,681	5,032	5,357	5,791	6,237	6,324	6,793	7,476	7,892	8,737
Average price of residential commodity properties (<i>RMB per sq.m.</i>)	4,459	4,725	4,993	5,430	5,850	5,933	6,473	7,203	7,614	8,544

Source: National Bureau of Statistics of China

The average selling price of commodity properties sold in China increased from approximately RMB5,791 per sq.m. in 2012 to approximately RMB\$8,737 per sq.m. in 2018, while the average selling price of residential properties increased from approximately RMB5,430 per sq.m. in 2012 to approximately RMB8,544 per sq.m. in 2018.

RECENT DEVELOPMENTS OF REAL ESTATE POLICIES IN THE PRC

The real estate market in the PRC is subject to extensive government regulation. The PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by promulgating laws and regulations and imposing industry policies and other economic measures. Over the past few years, in order to avoid over-heating of the real estate market, the PRC government has promulgated various restrictive measures to stabilize housing prices. For details of recent developments of real estate policies in the PRC, see the section headed “– Real Estate Markets of Selected Cities in the PRC” below and the section headed “Regulations – Measures on Stabilizing Housing Price” in this offering memorandum.

REAL ESTATE MARKETS OF SELECTED CITIES IN THE PRC

Beijing

Beijing is the capital city of the PRC and the political, economic and cultural center of the country. It occupies a total land area of approximately 16,411 million sq.m. and has 16 districts.

According to the Beijing Municipal Bureau of Statistics, Beijing had a population of approximately 21.5 million as of the end of 2018. In 2018, its nominal GDP reached approximately RMB3,032 billion, representing a per capita nominal GDP of RMB140,202. The table below sets forth selected economic indicators of Beijing for the years indicated:

	BEIJING ECONOMIC INDICATORS										2009-2018 CAGR	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Beijing	China
Nominal GDP (<i>RMB billion</i>)	1,215	1,411	1,625	1,788	1,980	2,133	2,301	2,567	2,801	3,032	10.7%	11.1%
Per capita GDP (RMB)	66,940	73,856	81,658	87,475	94,648	99,995	106,497	118,198	128,994	140,202	8.6%	10.6%
Disposable income for urban households (RMB)	26,738	29,073	32,903	36,469	44,564	48,532	52,859	57,275	62,406	67,990	10.9%	9.6%

Source: Beijing Municipal Bureau of Statistics

Real estate investment increased from RMB315.3 billion in 2012 to RMB387.3 billion in 2018, representing a CAGR of 3.5%. The total GFA of commodity properties sold in Beijing was approximately 7.0 million sq.m. in 2018, representing a decrease of approximately 1.7 million sq.m. over 2017.

The table below illustrates key figures relating to the real estate market in Beijing for the years indicated:

BEIJING PROPERTY MARKET INDICATORS										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential properties GFA										
Completed ('000 sq.m.) . . .	16,132	14,985	13,161	15,227	16,920	18,043	13,782	12,671	6,040	7,312
GFA under construction										
('000 sq.m.)	55,519	61,760	71,681	75,104	74,069	69,780	62,612	58,576	53,909	58,771
GFA sold ('000 sq.m.)	23,623	16,395	14,400	19,437	19,031	14,542	15,543	16,589	8,700	6,962
Average price (RMB/sq.m.) . .	13,799	17,782	16,846	17,022	18,553	18,833	22,632	27,497	32,140	34,143

Source: Beijing Municipal Bureau of Statistics, China Real Estate Information

Shanghai

Shanghai is one of the four municipalities directly administered by the PRC central government and also the economic and financial center of China. It is home to the headquarters of numerous prestigious domestic enterprises and multinational firms and has the first pilot free trade zone in China. Shanghai occupies a total land area of approximately 6,341 million sq.m.

According to the Shanghai Municipal Bureau of Statistics, Shanghai had a population of approximately 24.2 million as of the end of 2018. In 2018, its nominal GDP reached approximately RMB3,268 billion, representing a per capita nominal GDP of RMB135,220. The table below sets forth selected economic indicators relating to Shanghai for the years indicated:

SHANGHAI ECONOMIC INDICATORS												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2018 CAGR	
											Shanghai	China
Nominal GDP												
(RMB billion)	1,505	1,717	1,920	2,018	2,182	2,357	2,512	2,818	3,063	3,268	9.0%	11.1%
Per capita GDP (RMB)	69,165	76,074	82,560	85,373	90,993	97,370	103,796	116,562	126,634	135,220	7.7%	10.6%
Disposable income for urban												
households (RMB)	28,838	31,838	36,231	40,188	44,878	48,841	52,962	57,692	62,596	68,034	10.0%	9.6%

Source: Shanghai Municipal Bureau of Statistics

Real estate investment increased from RMB238.1 billion in 2012 to RMB403.3 billion in 2018, representing a CAGR of 9.2%. The total GFA of commodity properties sold in Shanghai was approximately 17.7 million sq.m. in 2018, representing an increase of approximately 0.8 million sq.m. over 2017.

The table below illustrates key figures relating to the real estate market in Shanghai for the years indicated:

SHANGHAI PROPERTY MARKET INDICATORS										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential properties GFA										
Completed ('000 sq.m.) . . .	15,088	13,961	15,497	16,091	14,174	15,356	15,890	15,329	18,627	17,303
GFA under construction										
('000 sq.m.)	65,507	73,138	83,863	83,157	81,257	85,259	83,721	80,739	80,138	75,204
GFA sold ('000 sq.m.)	33,725	20,555	17,713	18,985	23,822	20,847	24,314	27,057	16,916	17,670
Average price (RMB/sq.m.) . .	12,840	14,400	14,503	14,061	16,420	16,787	20,949	24,747	23,804	26,890

Source: Shanghai Municipal Bureau of Statistics, China Real Estate Information

Guangzhou

Guangzhou is the capital of Guangdong province and also the economic center of South China. It occupies a total land area of approximately 7,434 million sq.m. and has 11 districts.

According to the Guangzhou Municipal Bureau of Statistics, Guangzhou had a population of approximately 14.9 million as of the end of 2018. In 2018, its nominal GDP reached approximately RMB2,286 billion, representing a per capita nominal GDP of RMB155,491. The table below sets forth selected economic indicators of Guangzhou for the years indicated:

GUANGZHOU ECONOMIC INDICATORS												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2018 CAGR	
											Guangzhou	China
Nominal GDP												
(RMB billion)	914	1,075	1,242	1,355	1,542	1,671	1,810	1,955	2,150	2,286	10.7%	11.1%
Per capita GDP (RMB) . . .	89,082	88,361	98,677	107,055	121,584	129,938	137,793	143,638	150,678	155,491	6.4%	10.6%
Disposable income for												
urban households												
(RMB)	27,610	30,658	34,438	38,054	42,049	42,955	46,735	50,941	55,401	59,982	9.0%	9.6%

Source: Guangzhou Municipal Bureau of Statistics

Real estate investment increased from RMB137.0 billion in 2012 to RMB270.2 billion in 2018, representing a CAGR of 12.0%. The total GFA of commodity properties sold in Guangzhou was approximately 15.5 million sq.m. in 2018, representing a decrease of approximately 2.1 million sq.m. over 2017.

The table below illustrates key figures relating to the real estate market in Guangzhou for the years indicated:

GUANGZHOU PROPERTY MARKET INDICATORS										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential properties GFA										
Completed ('000 sq.m.) . . .	7,937	7,747	8,441	8,009	7,096	12,205	9,813	8,184	8,318	8,676
GFA under construction										
('000 sq.m.)	34,533	39,838	48,384	49,176	49,907	57,696	57,600	61,057	63,995	65,077
GFA sold ('000 sq.m.)	13,754	14,051	11,941	13,331	17,000	15,400	16,531	19,491	17,578	15,503
Average price (RMB/sq.m.) . .	9,351	11,921	12,103	13,163	15,330	15,719	14,612	16,384	17,633	20,014

Source: Guangzhou Municipal Bureau of Statistics, China Real Estate Information

Tianjin

Tianjin is one of the four municipalities directly administered by the PRC central government and also the economic center of North China. It occupies a total land area of approximately 11,946 million sq.m. and has 16 districts.

According to the Tianjin Municipal Bureau of Statistics, Tianjin had a population of approximately 15.6 million as of the end of 2018. In 2018, its nominal GDP reached approximately RMB1,881 billion, representing a per capita nominal GDP of RMB120,706. The table below sets forth selected economic indicators of Tianjin for the years indicated:

	TIANJIN ECONOMIC INDICATORS										2009-2018 CAGR	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Guangzhou	China
Nominal GDP												
(RMB billion)	752	922	1,131	1,289	1,444	1,573	1,654	1,789	1,860	1,881	10.7%	11.1%
Per capita GDP (RMB) . . .	62,574	72,994	85,213	93,173	100,105	105,231	107,960	115,053	118,944	120,706	7.6%	10.6%
Disposable income for urban households												
(RMB)	21,402	24,293	26,921	29,626	28,980	31,506	34,101	37,110	40,278	42,976	8.1%	9.6%

Source: Tianjin Municipal Bureau of Statistics

Real estate investment increased from RMB126.0 billion in 2012 to RMB242.4 billion in 2018, representing a CAGR of 11.5%. The total GFA of commodity properties sold in Tianjin was approximately 12.5 million sq.m. in 2018, representing a decrease of approximately 2.3 million sq.m. over 2017.

The table below illustrates key figures relating to the real estate market in Tianjin for the years indicated:

	TIANJIN PROPERTY MARKET INDICATORS									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential properties GFA										
Completed ('000 sq.m.) . . .	15,808	16,036	16,417	19,140	21,177	21,303	21,830	21,891	14,332	15,223
GFA under construction										
('000 sq.m.)	45,178	51,176	64,358	69,235	75,625	72,045	69,688	63,117	59,110	71,512
GFA sold ('000 sq.m.)	15,900	15,645	16,431	16,617	18,471	16,130	17,711	27,111	14,821	12,499
Average price (RMB/sq.m.) . .	6,886	8,197	8,965	8,218	8,746	9,219	10,107	12,830	15,331	16,055

Source: Tianjin Municipal Bureau of Statistics, China Real Estate Information

Huizhou

Huizhou is a city in Southeast Guangdong Province, China. As part of the Pearl River Delta megalopolis, Huizhou borders Guangzhou to the west, Shenzhen and Dongguan to the southwest. It occupies a total land area of approximately 11,599 million sq.m. and has 2 districts and 3 counties.

According to the Huizhou Municipal Bureau of Statistics, Huizhou had a population of approximately 4.8 million as of the end of 2018. In 2018, its nominal GDP reached approximately RMB410 billion, representing a per capita nominal GDP of RMB85,418. The table below sets forth selected economic indicators of Huizhou for the years indicated:

HUIZHOU ECONOMIC INDICATORS												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2018 CAGR	
											Huizhou	China
Nominal GDP												
(RMB billion)	141	173	209	237	268	300	314	341	383	410	12.6%	11.1%
Per capita GDP (RMB)	35,819	38,917	45,829	51,721	58,434	64,398	67,046	72,465	80,205	85,418	10.1%	10.6%
Disposable income for urban households (RMB)	21,278	23,565	26,609	29,965	32,991	27,300	30,057	33,213	36,608	39,573	7.1%	9.6%

Source: Huizhou Municipal Bureau of Statistics

Real estate investment increased from RMB48.2 billion in 2012 to RMB98.4 billion in 2018, representing a CAGR of 12.6%. The total GFA of commodity properties sold in Huizhou was approximately 16.6 million sq.m. in 2018, representing an increase of approximately 0.2 million sq.m. over 2017.

The table below illustrates key figures relating to the real estate market in Huizhou for the years indicated:

HUIZHOU PROPERTY MARKET INDICATORS										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA under construction										
('000 sq.m.)	17,831	24,025	30,702	35,154	44,124	46,401	44,901	51,938	58,846	61,002
GFA sold ('000 sq.m.)	5,438	6,273	7,963	8,267	11,495	9,839	12,998	17,719	16,457	16,634
Average price (RMB/sq.m.)	4,266	4,960	5,536	5,787	5,847	5,984	6,158	7,986	9,898	10,692

Source: Huizhou Municipal Bureau of Statistics, China Real Estate Information

COMPETITION IN THE REAL ESTATE MARKET OF THE PRC

The PRC real estate industry is highly fragmented and competitive. In 2018, the aggregate market share in terms of sales value of the top 100 property enterprises in the PRC was less than 60%. However, concentration of the PRC property market has increased as the aggregate market share of the top 100 enterprises has gradually increased over the past six years. As a real estate developer in China, we primarily compete with other top Chinese real estate developers focusing on the development of residential properties in the PRC. We compete on many fronts, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors.

In recent years, an increasing number of property developers from the PRC and overseas have entered the property development markets in the cities where we have operations, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector. We believe major entry barriers into the PRC property development industry include a potential entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. We believe that the PRC real estate industry still has large growth potential. We believe that, with our solid experience in real estate development, our strategic focus on mid to high-end residential properties targeting middle to upper-middle income households in the first and second-tier cities in China, our reputable brand name and our effective management team, we are able to respond promptly and effectively to challenges in the PRC property market. We may confront more competitors when entering new markets.

SOURCE OF INFORMATION

We believe that it is general market practice to adopt the information and statistics set forth in this section based on official data and announcements from various PRC government agencies and database such as Bloomberg, and regarded them as reliable. While preparing such information and statistics, we have relied on the assumptions listed below:

- All data published by statistics bureaus of the PRC government are true and correct; and
- All information relating to residential sales transactions collected from the relevant local housing administrative bureaus is true and correct.

BUSINESS

OVERVIEW

We are one of the largest property developers in China as measured by land bank. We specialize in developing medium to high-end large-scale residential properties, as well as commercial properties. We also engaged in property management, property investment and hotel management. Our geographic focus is three principal economic zones in China – the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone – with Guangzhou, Beijing, Tianjin and Shanghai as our core cities, where the property markets have grown significantly in recent years.

Since 1995, we have built a recognized brand name in the PRC for quality property development through a concerted corporate strategy and business development model. From our origins in Guangzhou and the Pearl River Delta Economic Zone, we have expanded our operations into Beijing, Tianjin and Shanghai. In Guangzhou, Shanghai and Beijing, our “Regal Riviera”, “Gallopade”, “Fairview”, “Dongjiao Villa”, “Sheshan Dongziyuan” and “No. 8 Royal Park” brands have become associated with quality product design, customer service and facilities accommodating various community cultures and different operating models that meet the diverse needs of our target customers.

Each of our property developments features a unique theme, such as leisure and tourism, to enhance its positioning and marketability and contribute to our overall corporate brand. Our residential projects are typically large-scale development projects in the urban area and incorporate a variety of comprehensive amenities and public facilities to meet the needs of a community. We develop commercial properties, including retail shops, shopping malls, office buildings and hotels. Commercial properties, including integrated residential and commercial developments, have become a substantially increasing proportion of our projects portfolio in recent years. We typically seek to identify large sites in areas at their early stage of development but with significant long-term development potential and strategic importance and therefore are able to acquire land in such areas at relatively low costs. Due to the large scale of our projects, we typically develop our projects in several phases over a three to seven-year period.

As of December 31, 2020, we had 97 property projects in various stages of development, of which 42 property developments were in the Pearl River Delta Economic Zone, 32 property developments in the Huanbohai Economic Zone and 23 property developments in the Yangtze River Delta Economic Zone. As of December 31, 2020, the total saleable GFA of our land bank amounted to approximately 46.4 million sq.m. Our property projects had an aggregate sold GFA of 16.0 million sq.m., an aggregate completed but unsold GFA of 5.7 million sq.m. and an aggregate unsold GFA of 30.4 million sq.m.

In addition to our property development business, we have established a diversified business portfolio which achieved robust revenue growth over the years. Our other business segments include:

- *Property investment:* we derive rental fees from our investment property portfolio located in Guangzhou, Beijing, Hangzhou and Shanghai, comprising primarily of commercial, retail and carparking spaces within the property projects developed by us. As of December 31, 2020, we had a total of 15 investment properties in various stages of development.
- *Property management:* we derive management fees from the provision of property management services in respect of properties primarily developed by us. As of December 31, 2020, we provided management services to almost all of our developed properties.
- *Infrastructure:* we primarily engage in the design and construction of our own infrastructure projects, and we also undertake external contracted works. We strive to maintain the balance between efficiency and quality in our infrastructure projects. In 2020, we implemented a technology-driven business strategy to achieve transformative change in our qualifications, platform automation and talent acquisition.
- *Investments:* leveraging on our cash surplus, we focus on medium-to-long term equity investments that yield higher capital returns and stable cash flow in a low-interest environment. Our investment philosophy is to transform the Group from a traditional property developer into a comprehensive investment holding platform empowered by technology and driven by the industry.

In addition, in order to promote our strategy on the balanced development, we expanded our businesses to capital management, community services, auto finance and elderly care services.

Furthermore, in 2020, we officially included investment business as one of our principal business activities.

For the years ended December 31, 2018, 2019 and 2020, our total revenue was HK\$13,293.5 million, HK\$18,600.6 million and HK\$34,371.3 million (US\$4,433.1 million), respectively, and our total profit was HK\$5,822.6 million, HK\$9,650.4 million, and HK\$13,688.1 million (US\$1,765.4 million), respectively, during the same periods of time.

COMPETITIVE STRENGTHS

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

Market leading integrated property developers in China with an established presence in key geographic markets in China

We are one of the largest property developers in China as measured by land bank with a focus on developing residential and commercial properties in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone, three principal economic zones in the PRC. We have received numerous awards since our establishment, including but not limited to the 2018 China Real Estate Brand Value List “Quality Life Operator”, the 2018 Yicai China Real Estate Honourable Ranking “Annual Asset Profit Enterprise”, the 2018 China Real Estate Fashion Award, the Top 500 Chinese Private Companies in 2017, the 25-Years Hall of Fame Brand Enterprise in the Chinese Real Estate Industry, the Fashion Award of Chinese Real Estate Industry in 2017, Times Oscar Top 10 Chinese Real Estate Enterprises in 2016, Top 10 Brand Value of Chinese Real Estate Enterprises in Southeast China in 2016, 49th in 2019 China Real Estate Value Brand Top 100 List, 2019 China Real Estate Fashion Award 48th in 2020 China Real Estate Value Brand Top 100 List, 2020 China Real Estate Brand Value List “Quality Life Operator” and 2020 China Real Estate Oscar Investment Holding Company with the Most Comprehensive Strength.

We have continually improved and enhanced our product mix to respond to the demands of various customers and maintain our competitiveness in the market. We offer a diversified service and product offering, including the development of high quality residential properties aiming at medium to high-end customers and commercial properties, as well as property management, property investment and hotel management. We take an integrated approach to our business and our various product offerings complement each other. For instance, we develop commercial and other investment properties held for long-term investment, such as hotels, shopping arcades, office space, car parks, golf courses and schools, on our residential properties, and we provide comprehensive post-sales property management services to purchasers of our properties. We believe that our integrated approach to property development increases the value of our residential properties, provides us with economies of scale and a strong negotiating position when dealing with contractors and materials suppliers and allows us to enhance the stability of our long-term investment revenue streams by increasing the portion of our earnings and cash flow from recurring hotel and rental income. For the year ended December 31, 2020, sustainable revenue from property management and property investment accounted for approximately 16.7% of our total revenue, which outran most of other real property companies in China. In addition, we continue to grow our investment properties portfolio, which we believe will strengthen our resilience against market fluctuations in the residential property development market.

We believe our business strategy of stable, sustainable and integral development in the past years has been proved effective, and we believe we are well positioned to capitalize on the strong economic growth trend in our targeted areas and further enhance our market leading position in China.

A comprehensive investment holding platform with synergistic development of diversified business segments

We seek for sustainable growth, technological empowerment, business innovation and diversification. With around 30 years of proactive development and expansion, we have established a full industry value chain with five key business segments, including property development, property management, property investments, infrastructure and investments.

- *Property investment:* we are one of the leading commercial property operators in China with high market recognition. As of December 31, 2020, we had seven urban commercial complex in operation or under construction, all situated in the core business area of first or second tier cities in China. As of December 31, 2020, the property investment segment had a land bank of approximately 2.8 million sq.m., of which 91% was located in Beijing, Shanghai, Guangzhou, Shenzhen and Huizhou.
- *Property management:* we deployed dual headquarters located in Beijing and Guangzhou respectively. Our property development business covers northern China, eastern China, southern China and southwestern China with a top-down management model with additional commitment to first-or-second tier cities including Beijing, Shanghai, Guangzhou, Tianjing, Xi'an, Ningbo, Hangzhou and Chengdu.
- *Infrastructure:* since 2007, we have been undertaking to provide construction and operation services for residential and commercial projects. In 2020, we launched “Hopson Construction Cloud”, our pilot cloud construction digital platform that helps automatize the project management in terms of safety guidelines, quality control, procurement and supply chain finance. For the years ended December 31, 2018, 2019 and 2020, the output value of our infrastructure business was HK\$4,263 million, HK\$6,407 million, HK\$8,453 million, respectively. For the years ended 31 December 2019 and 2020, the area under construction of our infrastructure business was 10.72 million sq.m. and 10.98 million sq.m., respectively.
- *Investments:* we focus on medium-to-long equity investment in advanced technology. In 2020, we made a number of investments in primary and secondary market. For the year ended December 31, 2020, our total investment amounted to approximately HK\$25.9 billion, of which HK\$4.0 billion was to the primary market and HK\$21.9 billion was to the secondary market.

Sizable, high quality and low-cost land bank located in strategic locations in China

Our breadth of experience and in-depth understanding of the market have enabled us to identify prime locations and land acquisition opportunities, allowing us to build a strong project development pipeline. We have accumulated a significant volume of land bank located in strategic locations in China, which will be sufficient for us to continue our property development activities for the next seven to ten years. As of December 31, 2020, our land bank for property development amounted to approximately 30.4 million sq.m., of which 17.2 million sq.m. was located in first-tier cities (Guangzhou, Beijing, Shenzhen and Shanghai).

A key factor to our historical success has been our ability to acquire land banks in prime locations in our targeted cities at competitive prices, thereby enabling us to achieve a premium return on the properties we have developed and sold.

We also have abundant land bank reserve in second-tier and third-tier cities neighboring the first-tier cities, which enables us to diversify our product portfolio to cater to the needs of different consumers in various locations.

In addition, we remain disciplined in replenishing and expanding our land bank to meet our business needs based on our strict investment criteria. We strive to strike a balance between development opportunity and risk control, and we seek cooperation opportunities and diversify our land acquisition channels on top of public tender, auction and listing.

High quality residential properties targeted at wide range of customers with different needs in China

We have established ourselves as a developer of high quality residential properties aiming at medium to high-end customers in first-tier cities, where the property markets have grown significantly in recent years in tandem with economic growth. Our “Regal Riviera”, “Gallopade”, “Fairview”, “Dongjiao Villa”, “Sheshan Dongziyuan” and “No. 8 Royal Park” brands have become the representation of high quality product design, customer service and facilities accommodating various community cultures and different operating models that meet the diverse needs of our target customers.

In addition, we have also leveraged our reputation in first-tier cities to expand into neighboring second-tier and third-tier cities and diversify our property portfolio to cater to the imperative housing needs of customers. Our sale of property portfolio to customers with imperative housing needs enables us to expedite our cash turnover, which helps us maintain stable cash flow and healthy financial condition.

Our revenue from the residential development projects amounted to HK\$8,639.7 million, HK\$12,848.2 million and HK\$19,075.3 million (US\$2,460.2 million) for the years ended December 31, 2018, 2019 and 2020, respectively.

Prudent operational and financial strategies and access to multiple sources of capital

We believe in and follow a prudent operation philosophy since our establishment. We monitor closely on our key financial indicators and has been able to maintain them at a healthy level. Our average cost of lending decreased from 7.9% in 2014 to 6.8% in 2020, our total liability to total assets ratio was maintained at around 60% from 2014 to 2020, which is below the industry average of 77%, while our total interest bearing facility to total capital ratio was maintained at around 45% during the same period, which is also below the industry average of 60%.

We have well-established relationships with leading banks in China which provide us with multiple financing channels to fund our business operations, including Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Merchant Bank, China CITIC Bank, Ping An Bank, Industrial Bank, Bank of Shanghai, Chong Hing Bank, etc. As of December 31, 2020, total line of credit granted to us amounted to approximately RMB147.2 billion, of which RMB56.2 billion were granted by Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, and RMB56.6 billion remained unused.

We have engaged in several fund raising activities in the international capital markets, for instance, we issued 8.125% Senior Notes due in 2012 with an aggregate principal amount of US\$350 million in November 2005, which is the first US dollar bond publicly issued by a Chinese real estate property developer. In 2007, we issued zero coupon convertible bonds due in 2010 denominated in Renminbi and settled in US dollar with an aggregate principal amount of RMB1,830.4 million, which is also the first convertible bonds denominated in Renminbi and settled in US dollar issued by a Chinese company. In addition, we also issued the 2016 Notes and the 2018 Notes, all of which were subsequently repaid. We also issued commercial mortgage-backed securities with principal amount of RMB5,600 million and RMB2,000 million respectively in June 2018 and June 2019, and issued the 2022 Notes. In 2009, we conducted a private placement of our shares representing approximately 8.2% of our total outstanding shares for a consideration of RMB1,596.0 million.

We believe that our ability to access the global capital markets through multiple channels provides us with flexibility to fund our operations and enhances our liquidity position.

Experienced and stable management team with proven track record and in-depth industrial knowledge

We have engaged in property development in the PRC for over 25 years since the early stages of commercial housing reform in the PRC. Our management team has extensive experience in the property development, property investment and construction industries in the PRC and has accumulated substantial knowledge of the PRC property market.

In addition, we also have a large and experienced design and planning team, consisting of architects, planning experts, landscaping specialists, interior designers and engineers, who are focused on working with our marketing team to design our high quality property projects. Our in-depth knowledge of local markets enables us to understand market trends and the preferences of our target customers and identify fast growing areas at an early stage of development but with significant development potential, which has enabled us to acquire land in such areas at relatively low costs. For example, we acquired the site of Huanan New City in February 2000 before the commencement of the Guangzhou Government's expansion plan for Guangzhou in the mid-2000s. The site was subsequently developed into the center of the residential area in new Guangzhou, with efficient public transport connection to other major areas of Guangzhou by the Southern Expressways, Xinguang Expressway and Metro Lines No. 3 and 4, the construction of which were all commenced after our commencement of the development of this project, resulting in significant enhancement of the value of our project. We believe that our ability to identify and develop such large-scale high-quality projects in strategic locations allows us to secure premium for our projects. In addition, we have been able to apply our experience in effectively controlling and managing the quality, schedule and costs of the design and construction of our projects in the PRC, thereby improving our operational efficiency.

STRATEGIES

Our key business objective is to maintain our position as a leading residential and commercial property developer in China, while striving to achieve comprehensive development of our other business segments, such as property management and investment. We intend to seek growth opportunities and enhance profitability by pursuing the following strategies:

Continue to pursue diversification of properties portfolio and refine properties portfolio to achieve a balanced revenue profile and develop light asset operation business model

We intend to continue to expand into property management, property investment and hotel operation areas to diversify our source of revenue. At the same time, we aim to continue to refine our asset portfolio by increasing our proportion of properties held for investment to achieve greater revenue stability through recurrent hotel and rental income. We believe that such diversification measures will increase the breadth and stability of our revenue by reducing our exposure to volatility within the residential and commercial property development area.

In relation to our residential property development, we intend to optimize our properties portfolio by maintaining our steady development in first-tier cities and expediting our sales of inventorial properties in second-tier and third-tier cities in China. Meanwhile, we intend to increase our supply of properties catering to the imperative needs of customers while maintaining the stable supply of our high-end properties.

In relation to our commercial property development, we intend to further increase land and project reserve for our commercial property development, as well as improve the service quality and comprehensiveness of our ancillary property management services. We believe such strategic move will help us secure stable recurring income and cash flow.

In relation to our hotel operation business, we intend to seize the opportunity of cooperation with reputable international hotel management groups, and further deepen our cooperation to a more comprehensive level in order to further improve our hotel management expertise and brand recognition. We also intend to develop additional hotels to be operated by reputable international hotel management groups.

In addition, in light of our vast experience in property development and provision of project management services, we plan to utilise the light asset operation and management model for our development projects as and when appropriate where we will invest lesser (or do not invest) in hard assets, but will provide management and know-how in order to generate revenue and profit. We are of the view that “light asset investment” business is gradually becoming an important component of our business.

Continue to develop our financial investment business and broaden our investment and financing channel

Investment business (including private equity investment in the primary market and listed equity investment in the secondary market), in particular equity investments in high-and-new technology and medical science and technology, represents an important component of the our future strategy. We intend to continue to seek optimum investment opportunities and increase our investment in the primary and secondary markets to alleviate our financial risks faced in the volatile property development business. We also intend to broaden our investment channels by establishment of our financial investment platform and application of various financial investment qualifications. As property development business is capital intensive, we also actively explore into more financing strategies, including but not limited to use fund or investment holding companies for the fund raising for our development projects, in order to broaden our project financing channels.

Continue to strengthen our brand name

We place great emphasis on developing and maintaining our corporate image and brand recognition, and intend to continue to introduce comprehensive product and service portfolio that will enhance our profile, reputation and corporate image. We intend to continue to employ strict quality control standards and to closely monitor the product quality and the workmanship of our contractors throughout the development process. We also plan to continue to actively participate in the selection of the materials used in our projects in order to achieve desired quality levels and to maintain a cohesive brand image for our properties. In addition, we intend to continue to rigorously monitor and protect our trademarks that we consider essential to our brand image. We believe by cultivating a distinctive brand image, we will be able to further enhance our ability to attract our target customers and reinforce such customers’ perception of the quality, distinctiveness and comprehensiveness of our products and services.

Maintain prudent financial management policies and enhance operational efficiency

We intend to continue to follow a prudent financial management policy that includes monitoring our cash position, controlling costs and improving operational efficiency. Construction costs constitute the largest component of our cost of sales, therefore we seek to manage our construction costs by outsourcing our construction via a negotiated tender process to third-party contractors. We have traditionally outsourced our construction work to those third-party contractors which have consistently provided us with competitive quotations and established a proven execution track record. In order to better control our construction quality and costs, we also actively participate in, and closely monitor, the selection of suppliers of key construction materials, such as cement and steel, by our main contractors. In addition, we seek to mitigate the risk of short-term fluctuations in material costs by requesting our main contractors to contract on an all-inclusive and fixed-price basis. By adhering to a prudent financial management policy, we believe that we can utilize our working capital more efficiently and maintain our profit margin.

Promotion of information technology and improvement of management and control system

We intend to promote the construction of information technology system within our Group to drive our business operation into a more standardized, digitalized, automated and intelligent level, which we believe will significantly optimize our management structure, shorten internal authorization chain and improve our operational efficiency. Since 2015, the Group has engaged Hanjiang Group to set up the information technology infrastructure and maintain the servers of the Group, to supply information and computer system related products and facilities to the Group and to provide the Group with consultancy service, staff training and technical support for the information technology and computer systems of the Group.

BUSINESS ACTIVITIES

Our core business is the development and sale of high quality medium to high-end residential properties. We also develop and construct commercial properties used as shopping arcades, office space, carparkings and hotels. In addition, we are engaged in ancillary businesses such as property investment, property management, infrastructure and investments.

The following tables set forth the revenue contribution from our principal businesses for the years indicated.

	Year ended December 31,						
	2018		2019		2020		
	HK\$	%	HK\$	%	HK\$	US\$ (unaudited)	%
	<i>(in millions, except percentages)</i>					<i>(in millions)</i>	
Property development	8,639.7	65.0	12,848.2	69.1	19,075.3	2,460.2	55.5
Property management	1,136.3	8.6	1,183.2	6.4	2,133.6	275.2	6.2
Property investment	2,434.9	18.3	3,154.4	16.9	3,624.6	467.5	10.5
Infrastructure (Note)	1,082.6	8.1	1,414.8	7.6	1,507.8	194.5	4.4
Investment (Note).	n/a	n/a	n/a	n/a	8,030.0	1,035.7	23.4
Total	13,293.5	100.0	18,600.6	100.0	34,371.3	4,433.1	100.0

Note: In 2020, the management reassessed and reported a new reportable operating segment, investment segment, in accordance with their economic characteristics. Investment business (including private equity investment in the primary market and listed equity investment in the secondary market, in particular equity investments in high-and-new technology and medical science and technology), represents an important component of the our future strategy.

Our geographic focus is China's three principal economic zones – the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone – with Guangzhou, Huizhou, Beijing, Tianjin and Shanghai as our targeted cities, where the property markets have grown significantly in recent years. In addition, we are exploring the development potential of certain neighboring second-tier and third-tier cities. We believe the development in these second and third tier cities will begin to contribute more to our results in the future and enhance the diversity of our product portfolio.

PROPERTY DEVELOPMENT

Overview

We are primarily engaged in the development and sale of quality private residential properties to the middle-to upper middle-income households in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone. We will continue to focus on the property market in Guangzhou, Huizhou, Beijing, Tianjin and Shanghai, which are rapidly growing major cities in the PRC, and pursue quality business opportunities in other second and third tier cities in the Pearl River Delta Economic Zone, the Huanbohai Economic Zone and the Yangtze River Delta Economic Zone surrounding the major cities.

Property development has been and will continue to be our largest source of revenue. For the years ended December 31, 2018, 2019 and 2020, revenue from property development amounted to HK\$8,639.7 million, HK\$12,848.2 million and HK\$19,075.3 million (US\$2,460.2 million), respectively, amounting to 65.0%, 69.1%, and 55.5%, respectively, of our revenue.

We focus on the development and sale of large-scale and high-quality residential projects, targeting middle-to upper middle-income households, in each of our regions of operation. Our residential properties are typically large-scale developments in the urban area of a city, which are designed with a variety of comprehensive amenities and public facilities to meet the needs of a self-contained community. We typically seek to identify large sites in areas at their early stage of development but with significant long-term development potential and strategic importance and therefore are able to acquire land in such areas at relatively low costs. In addition to residential properties, we are also expanding our development of commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels, for sale and long-term investment.

As of December 31, 2020, we had 97 projects at various stages of development, of which 42 property developments were located in the Pearl River Delta Economic Zone, 32 property developments in the Huanbohai Economic Zone and 23 property developments in the Yangtze River Delta Economic Zone. We divide our property developments into three categories: (i) completed property developments; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments which are developed on a rolling basis, one project may include different phases that are at various stages of completion, under development or held for future development. As of December 31, 2020, our total land bank amounted to a saleable GFA of approximately 46.4 million sq.m. Our property projects had an aggregate sold GFA of 16.0 million sq.m., an aggregate completed but unsold GFA of 5.7 million sq.m. and an aggregate unsold GFA of 30.4 million sq.m.

The site area information for a property development project is based on the relevant land use rights certificates we receive from the relevant construction authorities. The aggregate GFA of an a property development project is calculated by multiplying the site area by the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project or such lower plot ratio that we reasonably expect to be able to develop for such project. Unlike above-ground and semi-underground car parks, underground car parks generally are not included in a project's total GFA. The aggregate GFA of a project includes both saleable and non-saleable GFA. Saleable GFA refers primarily to residential units (including internal floor area and shared areas in the building that are exclusively allocated to such residential units) and retail shops. Non-saleable GFA refers to certain communal facilities, including, among others, club houses and schools.

Generally, the development of a property is considered completed when we have received completion certificates from the relevant construction authorities. These certificates are typically issued when we have obtained approvals from the bureaus which manage zoning, fire services and environmental protection, signed guarantees of construction quality from contractors and other documents required by applicable laws and regulations. A property is considered to be under development after we have issued an approved schedule for foundation construction with respect to the property and before the completion of the

property. Typically, we issue the notice to proceed with engineering project to our contractors to commence the construction work after we have applied for and received approval for the construction of the property from the local authorities. A property is considered to be sold after we have executed a purchase contract with a customer and delivered the property to the customer. A property is considered to be pre-sold when we have executed a purchase contract with a customer but have not yet delivered the property to the customer. Properties held for future development comprise property projects with respect to which we had obtained the land use rights certificates but had not, as of December 31, 2019, obtained the requisite construction permits or approval letters for early construction.

The figures for completed GFA in this offering memorandum are taken from figures provided in the relevant government documents. The following information in this offering memorandum is based on our internal records and estimates: figures for GFA of projects under development, GFA of projects for future development, GFA sold, GFA pre-sold, saleable/leasable GFA, outstanding cost for each project, planned construction period and average selling price. The information setting out the construction period for the completed blocks or phases of our projects in this offering memorandum is based on relevant government documents or our own internal records.

The table below sets forth the information of our major projects as of December 31, 2020.

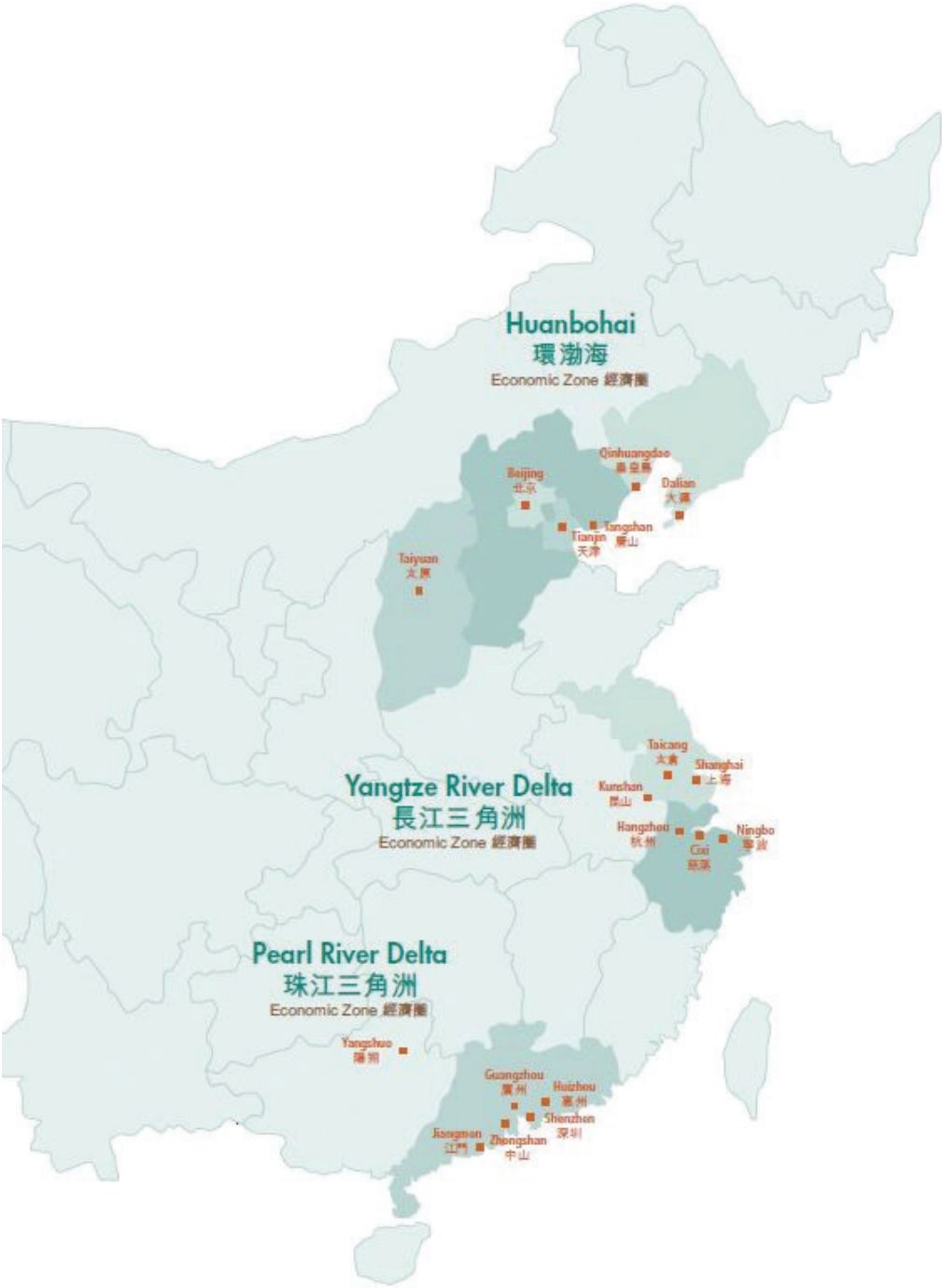
No	Project Name	Location	Aggregate GFA for Entire Project	Total Saleable GFA	Total Saleable GFA Sold	Total Completed Saleable GFA Unsold	Total Saleable GFA Unsold (including uncompleted GFA)
<i>(in sq.m.)</i>							
Huanbohai Economic Zone							
1	Beijing Oasis (北京綠洲)	Beijing	438,713.67	398,141.77	387,441.41	10,700.36	10,700.36
2	Hopson No. 8 Royal Park 北京新京潤(合生霄雲路8號)	Beijing	923,204.48	815,487.29	180,500.17	54,641.74	634,987.12
3	Hopson Regal Riviera (北京珠江帝景)	Beijing	1,102,711.00	950,627.66	605,125.86	96,658.80	345,501.80
4	Beijing Pearl River Roman Garden (北京珠江羅馬嘉園)	Beijing	488,258.99	432,600.98	396,528.67	36,072.31	36,072.31
5	Hopson Fortune Plaza (合生財富廣場)	Beijing	59,924.10	55,656.23	–	55,656.23	55,656.23
6	Hopson International Garden (合生國際花園)	Beijing	203,572.85	184,851.15	181,827.15	3,024.00	3,024.00
7	Jinqiao Project (金橋項目)	Beijing	185,558.80	164,563.93	140,851.25	23,712.68	23,712.68
8	Makeyan Project (馬科研項目)	Beijing	746,562.26	687,495.40	–	687,495.40	687,495.40
9	Hopson Regal Court (時代帝景)	Beijing	396,085.00	366,289.00	–	366,289.00	366,289.00
10	Hopson Dreams World (合生世界村)	Beijing	649,680.81	572,547.72	321,199.82	251,347.90	251,347.90
11	Tongzhou Yongshun Project (通州永順項目)	Beijing	462,770.48	392,823.65	303,372.94	39,734.19	89,450.71
12	Hopson Kirin Club (合生麒麟社)	Beijing	151,495.87	140,236.89	93,123.94	47,112.95	47,112.95
13	Dachang Project (大廠項目)	Beijing	125,359.82	112,784.80	–	–	112,784.80
14	Miyun Project (密雲項目)	Beijing	12,327.35	12,327.35	–	–	12,327.35
15	Yuhe Project (玉河項目)	Beijing	13,650.00	10,000.00	–	–	10,000.00
16	Pomegranate Village Project (石榴莊項目)	Beijing	105,738.12	76,338.67	–	–	76,338.67
17	Fenzhong Temple L39 Block Project (分鐘寺L39地塊項目)	Beijing	55,141.00	55,141.00	–	–	55,141.00
18	Fenzhong Temple L24, L26 Block Project (分鐘寺L24、L26地塊項目)	Beijing	163,685.06	138,978.83	–	–	138,978.83
	Subtotal		6,284,440	5,566,892	2,609,971	1,672,446	2,956,921

No	Project Name	Location	Aggregate GFA for Entire Project	Total Saleable GFA	Total Saleable GFA Sold	Total Completed Saleable GFA Unsold	Total Saleable GFA Unsold (including uncompleted GFA)
<i>(in sq.m.)</i>							
19	Hopson Seaside Regal Bay (濱海帝景灣)	Tianjing	246,647.61	184,077.19	140,145.44	10,195.44	43,931.75
20	Dongli Lake Project (東麗湖項目)	Tianjing	1,130,000.00	1,130,000.00	–	–	1,130,000.00
21	Tianjin Gbagbo (天津巴博)	Tianjing	162,028.34	80,319.84	–	–	80,319.84
22	Tianjin Binhai (天津濱海)	Tianjing	195,809.92	135,428.70	–	65,426.55	135,428.70
23	Hopson Tianjing (天津合生)	Tianjing	5,462,152.04	4,935,139.49	655,078.39	817,472.99	4,280,061.10
24	Tianjin Water Palace (天津水上皇宮)	Tianjing	165,135.41	162,969.42	–	162,969.42	162,969.42
25	Tianjin Hot Spring Resort (天津溫泉度假村)	Tianjing	36,793.27	36,793.27	–	36,793.27	36,793.27
	Subtotal		7,398,567	6,664,728	795,224	1,092,858	5,869,504
26	Hopson Regal Seashore (合生江山帝景)	Dalian, Liaoning	499,177.15	432,969.08	194,412.96	6,621.74	238,556.12
	Subtotal		499,177	432,969	194,413	6,622	238,556
27	Bazhou Guajazhuang Project (霸州掛甲莊項目)	Bazhou, Hebei	157,162.97	136,538.93	–	–	136,538.93
28	Caofeidian Project (曹妃甸項目)	Caofeidian, Hebei	468,872.87	425,879.10	–	4,388.70	425,879.10
29	Langfang Project Plot 249 (廊坊項目249地塊)	Langfang, Hebei	337,984.80	184,061.74	–	–	184,061.74
30	Langfang Project Plot 226 (廊坊項目226地塊)	Langfang, Hebei	361,898.76	200,217.42	–	–	200,217.42
31	Hopson Seasky Villa (天戴河)	Qinghuangdao, Hebei	1,391,992.36	1,271,834.16	–	–	1,271,834.16
	Subtotal		2,717,912	2,218,531	–	4,389	2,218,531
32	Hopson International City (合生國際城)	Taiyuan, Shanxi	426,142.22	382,696.69	100,717.97	16,650.64	281,978.72
	Subtotal		426,142	382,697	100,718	16,651	281,979
Yangtze River Delta Economic Zone							
33	Shanghai Tea Factory Project (上海茶葉廠項目)	Shanghai	37,366.00	37,366.00	–	–	37,366.00
34	Eastern Suburb Villa (東郊別墅)	Shanghai	62,838.47	62,172.52	47,018.22	15,154.30	15,154.30
35	Hopson International Garden (合生國際花園)	Shanghai	129,485.15	127,280.58	121,422.70	5,857.88	5,857.88
36	Haiyuntian International Plaza (海雲天國際廣場)	Shanghai	53,753.00	53,356.50	–	53,356.50	53,356.50
37	Hopson Town (合生城邦城)	Shanghai	614,013.41	551,124.89	528,081.17	22,520.76	23,043.72
38	Hopson Golf Apartment (合生高爾夫公寓)	Shanghai	58,708.04	57,975.65	57,120.15	855.50	855.50
39	Hopson International Plaza (合生國際廣場)	Shanghai	374,016.40	374,016.40	–	374,016.40	374,016.40
40	Hopson International Trade Center (合生國貿中心)	Shanghai	92,417.64	87,455.64	–	87,455.64	87,455.64
41	Hopson Langham Garden (合生朗廷園)	Shanghai	124,415.84	123,777.05	119,626.78	4,150.27	4,150.27
42	Hopson Yiting (合生頤廷)	Shanghai	654,621.43	582,189.17	259,320.34	39,703.85	322,868.83
43	Hopson Royal Court (合生御廷園)	Shanghai	128,578.95	123,373.83	116,998.97	6,374.86	6,374.86
44	Jinshan New Town (金山新城)	Shanghai	283,105.22	263,813.22	195,699.18	68,114.04	68,114.04
45	Sanlinji Town A14-1 Lot Project (三林集鎮A14-1地塊項目)	Shanghai	98,702.37	87,893.84	81,422.33	6,471.51	6,471.51
46	Hopson Sheshan Dongziyuan (合山佘山東紫園)	Shanghai	130,899.08	129,332.40	63,321.09	66,011.31	66,011.31
47	Songjiang Guangfulin Lot 2-5 Project (松江廣富林2-5號地塊項目)	Shanghai	131,986.42	124,287.94	57,647.20	66,640.74	66,640.74

No	Project Name	Location	Aggregate GFA for Entire Project	Total Saleable GFA	Total Saleable GFA Sold	Total Completed Saleable GFA Unsold	Total Saleable GFA Unsold (including uncompleted GFA)
<i>(in sq.m.)</i>							
	Subtotal.		2,974,907	2,785,416	1,647,678	816,684	1,137,738
48	Hopson Sea Block (合生伴海)	Taicang, Jiangsu	303,342.56	274,705.39	62,987.16	189,155.63	211,718.23
49	Taicang C26-4 Plot (太倉C26-4地塊)	Taicang, Jiangsu	101,074.32	90,570.52	–	–	90,570.52
50	Kunshan Bailu Road Project (昆山柏廬路項目)	Kunshang, Jiangsu	254,847.20	228,038.16	–	–	228,038.16
	Subtotal.		659,264	593,314	–	–	530,327
51	Hangzhou Genbei Project (杭州艮北項目)	Hangzhou, Zhejiang	166,374.62	137,044.75	–	–	137,044.75
52	The Town of Hangzhou Bay (Golf Course) (慈溪杭州灣新城高爾夫球場項目 (慈城))	Cixi, Zhejiang	956,368.76	–	–	–	–
53	The Town of Hangzhou Bay (Residential Community) (慈溪杭州灣新城住宅項目(錦城))	Cixi, Zhejiang	3,028,881.62	2,636,551.98	792,466.69	267,346.74	1,844,085.29
54	The Town of Hangzhou Bay (Commercial and Hotel project) 慈溪杭州灣新城商業、酒店項目	Cixi, Zhejiang	118,881.99	102,255.53	–	–	102,255.53
55	Hopson Ningbo International City (合生寧波國際城)	Ningbo, Zhejiang	543,089.22	482,647.09	459,641.03	23,006.06	23,006.06
	Subtotal.		4,813,596	3,358,499	1,252,108	290,353	2,106,392
Pearl River Delta Economic Zone							
56	Hopson TIT Project International Industrial Park (合生TIT國際產業園)	Guangzhou, Guangdong	375,333.76	375,333.76	–	–	375,333.80
57	TIT Project (International Park) (TIT項目(科貿園))	Guangzhou, Guangdong	824,410.00	788,425.00	–	–	788,425.00
58	Royal View Garden (帝景華苑)	Guangzhou, Guangdong	100,685.35	98,529.62	93,973.90	4,555.72	4,555.72
59	Hopson Regal Villa (合生帝景山莊)	Guangzhou, Guangdong	471,944.97	402,600.89	69,602.46	13,543.43	332,998.43
60	Royal View Court (帝景苑)	Guangzhou, Guangdong	254,050.08	241,630.07	224,927.54	16,702.53	16,702.53
61	Panyu Pearl River (番禺珠江)	Guangzhou, Guangdong	1,369,846.63	1,367,340.64	33,508.89	14,842.75	1,333,831.75
62	Guangzhou Ma Chao (廣州馬潮)	Guangzhou, Guangdong	193,513.00	193,513.00	–	–	193,513.00
63	Hopson Royal View International (合生帝景國際)	Guangzhou, Guangdong	107,389.30	93,811.19	69,903.35	23,907.84	23,907.84
64	Qianjin Road Project (前進路項目)	Guangzhou, Guangdong	325,662.50	208,862.50	–	–	208,862.50
65	Hopson Xijing Banshan (合生熹景半山)	Guangzhou, Guangdong	410,010.34	410,010.34	–	–	410,010.34
66	Hong Jing Project (宏景項目(中山帝景苑))	Guangzhou, Guangdong	202,072.29	175,985.05	146,404.50	29,580.55	29,580.55
67	Hong Jing Yuan (鴻景園)	Guangzhou, Guangdong	67,049.18	66,819.61	66,819.61	–	–
68	Hopson Hushan International (合生湖山國際)	Guangzhou, Guangdong	1,443,225.04	1,284,290.87	539,555.54	144,455.13	744,735.33
69	Huajing New Town (華景新城)	Guangzhou, Guangdong	870,923.34	817,472.43	778,206.14	39,266.29	39,266.29
70	Hopson Huanan New City (合生華南新城)	Guangzhou, Guangdong	975,598.45	941,972.95	661,439.77	150,343.18	280,533.18
71	Ji'nan Garden (暨南花園)	Guangzhou, Guangdong	116,210.99	116,148.06	108,251.45	7,896.61	7,896.61
72	Jiahe Project (嘉和項目)	Guangzhou, Guangdong	258,332.62	247,063.15	59,967.75	187,095.40	187,095.40
73	駿景北苑(科技園)	Guangzhou, Guangdong	767,861.55	709,362.49	387,074.81	1,184.49	322,287.68
74	Hopson Gallopade Park – South Court (合生駿景南苑)	Guangzhou, Guangdong	820,395.52	791,922.08	751,441.20	40,480.88	40,480.88

No	Project Name	Location	Aggregate GFA for Entire Project	Total Saleable GFA	Total Saleable GFA Sold	Total Completed Saleable GFA Unsold	Total Saleable GFA Unsold (including uncompleted GFA)
<i>(in sq.m.)</i>							
75	Hopson Belvedere Bay (合生君景灣)	Guangzhou, Guangdong	733,660.53	692,533.15	574,063.38	118,469.77	118,469.77
76	Xijing Project (熙景項目)	Guangzhou, Guangdong	404,364.90	356,379.33	138,106.99	28,913.68	218,272.34
77	Yijinghuayuan (頤景華苑)	Guangzhou, Guangdong	189,962.71	170,297.31	150,075.41	20,221.90	20,221.90
78	Yijing Cuiyuan (逸景翠園)	Guangzhou, Guangdong	1,041,062.32	970,187.13	802,425.17	9,121.27	167,761.96
79	Discovery View South Garden Project (愉景南苑項目)	Guangzhou, Guangdong	169,208.10	155,626.62	154,452.60	1,174.02	1,174.02
80	Discovery Garden (愉景雅苑)	Guangzhou, Guangdong	189,603.33	182,921.55	160,638.44	22,283.11	22,283.11
81	Yunshan Xijing (雲山熹景)	Guangzhou, Guangdong	148,025.60	138,338.65	129,903.80	8,434.85	8,434.85
82	Zhongshan Haojing (中山灝景)	Guangzhou, Guangdong	426,135.91	426,135.91	–	–	426,135.91
83	Hopson Regal Riviera (合生珠江帝景)	Guangzhou, Guangdong	1,696,617.64	1,614,820.99	978,912.81	87,288.18	635,908.18
84	Pearl River International Building (珠江國際大廈)	Guangzhou, Guangdong	101,900.61	95,746.18	–	95,746.18	95,746.18
85	Nanhai Dali Project (南海大瀝項目)	Guangzhou, Guangdong	52,284.51	45,097.11	–	–	45,097.11
86	Jiangmen Project (江門項目)	Guangzhou, Guangdong	224,149.10	212,277.40	–	–	212,277.40
87	Binhai City Project (濱海城項目)	Huizhou, Guangdong	2,313,631.85	2,169,587.84	382,539.22	167,698.59	1,787,048.62
88	Hopson Regal Bay (合生帝景灣)	Huizhou, Guangdong	743,483.19	637,690.97	464,270.71	60,350.26	173,420.26
89	Hopson International New City (合生國際新城)	Huizhou, Guangdong	1,486,882.79	1,394,324.68	1,048,416.00	202,109.75	345,908.68
90	Hopson Yujing Bay (合生愉景灣)	Huizhou, Guangdong	1,948,109.99	1,824,606.92	236,588.93	49,055.67	1,588,017.99
91	Huidong Zhongfu (惠東中福)	Huizhou, Guangdong	114,004.00	96,170.80	88,573.71	7,597.09	7,597.09
92	Shidai City Project (時代城項目)	Huizhou, Guangdong	1,607,208.17	1,520,714.18	–	–	1,520,714.18
93	Fantasy House (萬想營)	Huizhou, Guangdong	1,383,667.00	1,383,667.00	–	–	1,383,667.00
94	Boro Changning (博羅長寧)	Huizhou, Guangdong	94,150.85	92,279.26	–	–	92,279.26
95	Daya Bay Xinshe Village Project (大亞灣新畚村項目)	Huizhou, Guangdong	509,796.05	477,304.56	–	–	477,304.56
96	Shenzhen Yaoan (深圳耀安)	Shenzhen, Guangdong	59,998.34	59,998.34	–	59,998.34	59,998.34
	Subtotal		25,592,422	24,047,800	9,300,044	1,612,317	14,747,756
97	Yangshou Project (陽朔項目)	Yangshuo, Guangxi	361,231.22	351,701.57	–	–	351,701.57
	Subtotal		361,231	351,702	–	–	351,702

The following map shows the cities where our 97 projects are located as of December 31, 2020.



The following is a brief description of our major development projects as of December 31, 2020.

Hopson Regal Riviera (合生珠江帝景)

Hopson Regal Riviera is located at 23A, West Dawang Road, Chaoyang District, Beijing. This project occupies an aggregate site area of approximately 254,921 sq.m. and has an expected aggregate saleable GFA of approximately 946,294 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 701,785 sq.m.

As of December 31, 2020, properties with an aggregate saleable GFA of approximately 605,126 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had an expected aggregate saleable GFA of approximately 248,863 sq.m.

This project offers buildings for residential purposes. It also includes a club house. We have a 100% interest in this project.

Hopson No. 8 Royal Park (合生霄雲路8號)

Hopson No. 8 Royal Park is located at Xiaoyun Road, Chaoyang District, Beijing. It is being developed by Beijing Xingjingrun Property Co., Ltd., a project company in which we hold an 80% equity interest. This project occupies an aggregate site area of approximately 200,000 sq.m. and has an expected aggregate saleable GFA of approximately 919,122 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 235,142 sq.m., properties with an aggregate saleable GFA of approximately 180,500 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had expected aggregate saleable GFA of approximately 580,345 sq.m., respectively.

This project offers buildings for residential purposes. It also includes a club house. We have an 82.5% interest in this project.

Hopson Dreams World (合生世界村)

Hopson Dreams World is located at Majuqiao Town, Liangshui River south, Yizhuang, Tongzhou District, Beijing. It is being developed by Beijing Hopson Beifang Real Estate Development Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 129,070 sq.m. and has an expected aggregate saleable GFA of approximately 650,935 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 572,548 sq.m., properties with an aggregate saleable GFA of approximately 321,200 sq.m. had been sold and delivered.

This project offers buildings for residential purposes and a shopping arcade. We have a 100% interest in this project.

Hopson Regal Court (合生時代帝景)

Hopson Regal Court is located at West Dawang Road, Chaoyang District, Beijing. It is being developed by Beijing Hopson Yujing Property Development Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 47,285 sq.m. and has an expected aggregate saleable GFA of approximately 396,085 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 366,289 sq.m. and we have completed all the properties in Hopson Regal Court.

This project offers buildings for office and retail shop purposes. We have a 100% interest in this project.

Yuhe Project (玉河項目)

Yuhe Project is located at Southern District of Yuhe Wenbao Area, Dongcheng District, Beijing. It is being developed by Beijing Derun Fengtai Asset Management Company Limited, Beijing Dingyi Langxuan Investment Consultants Company Limited, Beijing Jianing Meitian Arts and Culture Company Limited, Beijing Jiasheng Chuangyi Culture and Media Company Limited, Beijing Ruihua Shiji Advertising Company Limited, Beijing Tianhe Yitai Arts and Culture Company Limited, and Beijing Zhuozhan Dekai Advertising Company Limited. The project companies acquired and upgraded an old Siheyuan, a historical type of residence, for future resale.

As of December 31, 2020, this property project was still under construction with an expected aggregate saleable GFA of approximately 10,000 sq.m.

This project offers buildings for residential purposes. We have a 100% interest in this project.

Hopson Regal Park (合生濱江帝景)

Hopson Regal Park is located at Qiaozhuang Village, Yongshun Town, Tongzhou District, Beijing. It is being developed by Beijing Hopson Lu Zhou Real Estate Development Limited, another wholly-owned project company of ours. This project occupies an aggregate site area of approximately 87,640 sq.m. and has an expected aggregate saleable GFA of approximately 398,142 sq.m.

As of December 31, 2020, the development of this project has been completed and properties with an aggregate saleable GFA of approximately 303,373 sq.m had been sold and delivered.

This project offers buildings for residential purposes. We have a 100% interest in this project.

Beijing Miyun Project (密雲項目)

Beijing Miyun Project is located at Shanzi Reservoir, Bulaotun Village, Miyun County, Beijing. It is being developed by Beijing Rui Yu Investment Management Company Limited, a project company in which we hold a 100% interest. This project occupies an aggregate site area of approximately 49,924 sq.m. and has an expected aggregate saleable GFA of approximately 12,327 sq.m.

As of December 31, 2020, this project remained held for future development with an expected aggregate saleable GFA of approximately 12,327 sq.m.

This project offers buildings for residential purposes. We have a 100% interest in this project.

Hopson Regal (合生帝景)

Hopson Regal is located at East of Wenquan East Road, North of National Highway 102, Dachang Hui Autonomous County, Langfang City, Hebei Province. This project occupies an aggregate site area of approximately 43,603 sq.m. and has an expected aggregate saleable GFA of approximately 112,784 sq.m.

As of December 31, 2020, all properties of this project were under development.

This project offers buildings for residential purposes. We have a 90.91% interest in this project.

Jingjin New Town (京津新城)

Jingjin New Town is located at Zhujiang South Road, Zhouliangzhuang Town, Baodi District, Tianjin. It is being developed by Tianjin Hopson Zhujiang Real Estate Development Limited, a project company in which we hold a 92.3% equity interest. This project occupies an aggregate site area of approximately 14,775,757 sq.m. and has an expected aggregate saleable GFA of approximately 5,021,633 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 1,472,551 sq.m., approximately 655,078 sq.m. of which had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had expected aggregate saleable GFA of approximately 3,462,588 sq.m..

This project primarily offers buildings for residential purposes. It also includes a shopping arcade and ancillary facilities such as a luxury hotel and a golf course constructed in accordance with international standard. We have a 92.3% interest in this project.

Hopson Belvedere Bay (合生君景灣)

Hopson Belvedere Bay is located at Interchange of Dongshi Road and No. 1 Shipcanal, Tanggu Development Zone, Tianjin. It is being developed by Tianjin Ruiwan Investment Development Co., Ltd., a project company in which we hold a 100.0% equity interest. This project occupies an aggregate site area of approximately 69,401 sq.m. and has an expected aggregate saleable GFA of approximately 184,077 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 150,341 sq.m., approximately 140,145 sq.m. of which had been sold and delivered.

As of December 31, 2020, properties under development and held for further development had expected aggregate saleable GFA of approximately 33,736 sq.m.

This project primarily offers buildings for residential purposes. It also includes a shopping arcade and ancillary facilities such as a luxury hotel and a golf course constructed in accordance with international standard. We have a 100.0% interest in this project.

Tianjin Hopson International Tower (天津合生國際大廈)

Tianjin Hopson International Tower is located at Interchange of Fuan Main Street and Xingan Road, Heping District, Tianjin. It is being developed by Tianjin Hopson Binhai Real Estate Development Company Limited, a project company in which we hold a 98.9% equity interest. This project occupies an aggregate site area of approximately 20,631 sq.m. and has an expected aggregate saleable GFA of approximately 135,429 sq.m.

As of December 31, 2020, all properties of this project were under development and are expect to complete in 2022 or after.

This project is expected to offer buildings for residential purposes. We have a 98.9% interest in this project.

Tianjin Hopson International Mansion (天津合生國際公寓)

Tianjin Hopson International Mansion is located at Interchange of Weijin South Road and Shuishang North Road, Nankai District, Tianjin. It is being developed by Tianjin Babo Real Estate Development Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 15,989 sq.m. and has an expected aggregate GFA of approximately 111,206 sq.m.

As of December 31, 2020, all properties of this project were under development and are expected to complete in 2022 and after.

This project is expected to offer buildings for residential purposes. We have a 100% interest in this project.

Dongli Lake Project (東麗湖項目)

Dongli Lake Project is located at East Chitu Town, Dongli Avenue North, Dongli Lake West, Dongli District, Tianjin. It is being developed by Tianjin Zeye Modern Agricultural Development Co., Limited, our wholly-owned project company. This project occupies an aggregate site area of 1,130,000 sq.m. and has an expected aggregate saleable GFA of approximately 1,130,000 sq.m.

As of December 31, 2020, properties of this project remained held for future development. The land occupied by Dongli Lake is collectively-owned land. We must convert this parcel of land to state-owned land before we commence construction.

This project is expected to offer buildings for residential purposes. We have a 100% interest in this project.

Hopson Regal Seashore (合生江山帝景)

Hopson Regal Seashore Project is located at Yanbei Road, Tieshan Town, Lushunkou District, Dalian. It is being developed by Dalian Hopson Xing Ye Real Estate Development Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 233,598 sq.m. and has an expected aggregate GFA of approximately 435,600 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 201,035 sq.m. and properties with an aggregate saleable GFA of approximately 194,413 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development had expected aggregate saleable GFAs of approximately 231,934 sq.m.

This project is expected to offer buildings for residential purposes. We have a 100% interest in this project.

Hopson International City (合生國際城)

Hopson International City is located at West of Bingzhou Road, East of Tiyu Road and North of Eryingpan Street, Taiyuan, Shanxi. It is being developed by Shanxi Hopson Dijing Construction Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 92,564 sq.m. and has an expected aggregate saleable GFA of approximately 449,541 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 117,369 sq.m. and properties with an aggregate saleable GFA of approximately 100,718 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had expected aggregate saleable GFAs of approximately 265,328 sq.m.

This project is expected to offer buildings for residential purposes and a shopping arcade. It will also include hotel and club houses. We have a 100% interest in this project.

Hopson Seasky Villa (天戴河)

Hopson Seasky Villa is located at the intersection of Hebei and Liaoning Provinces, Northwestern coast of Liaodong Bay. It is being developed by Suizhong Haisheng Tourism Development Corporation, a project company in which we hold a 51% equity interest. This project occupies an aggregate site area of approximately 579,002 sq.m. and has an expected aggregate saleable GFA of approximately 1,271,834 sq.m.

As of December 31, 2020, properties under development and properties held for future development had an expected aggregate saleable GFA of approximately 1,271,834 sq.m..

This project offers buildings for residential purposes. It will also include a shopping arcade and club houses. We have a 51% interest in this project.

Hopson Town (合生城邦城)

Hopson Town is located at Anning Road, Minhang District, Shanghai. It is being developed by Shanghai Lung Meng Real Estate Development Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 517,475 sq.m. and has an expected aggregate saleable GFA of approximately 551,329 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 550,602 sq.m. and properties with an aggregate saleable GFA of approximately 528,081 sq.m. had been sold and delivered.

This project offers terraced houses and high-rise apartment buildings. It also includes kindergarten. We have a 100% interest in this project.

Hopson Sheshan Dongziyuan (合山佘山東紫園)

Hopson Sheshan Dongziyuan is located at Linhu Road, Shanghai Sheshan National Holiday Resort, Shanghai. It is being developed by Shanghai Long Jia Properties Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 443,726 sq.m. and has an expected aggregate saleable GFA of approximately 127,161 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 129,332 sq.m. and properties with an aggregate saleable GFA of approximately 63,321 sq.m. had been sold and delivered.

This project offers villa buildings. We have a 100% interest in this project.

Hopson Guangfuhui (廣富匯)

Hopson Guangfuhui is located at Lot Nos. 2-5, Guang Fu Lin, Songjiang District, Shanghai. It is being developed by Shanghai Hopson Jinting Real Estate Development Company Ltd., a project company in which we hold a 100% interest. This project occupies an aggregate site area of approximately 94,476 sq.m. and has an expected aggregate saleable GFA of approximately 124,288 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 124,288 sq.m. and properties with an aggregate saleable GFA of approximately 57,647 sq.m. had been sold and delivered.

This project offers buildings for residential purposes. We have a 100% interest in this project.

Hopson Asset Seascape Residence (合生財富海景公館)

Hopson Asset Seascape Residence is located at Lot E25, Hangzhou Bay Avenue, Longsheng Road, Jinshan New District, Shanghai. It is being developed by Shanghai Hopson Linhai Real Estate Development Company Limited, a project company in which we hold a 100% interest. This project occupies an aggregate site area of approximately 88,449 sq.m. and has an expected aggregate saleable GFA of approximately 258,412 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 263,813 sq.m. and properties with an aggregate saleable GFA of approximately 195,699 sq.m. had been sold and delivered.

This project offers buildings for residential purposes. We have a 100% interest in this project.

Shanghai Tea Factory Project (上海茶葉廠項目)

Shanghai Tea Factory Project is located at No. 1300 Jungong Road, Yangpu District, Shanghai. It is being developed by Shanghai Tongzhen Investment Consulting Co., Ltd.. This project occupies an aggregate site area of approximately 36,914 sq.m and has an expected aggregate saleable GFA of approximately 37,366 sq.m.

As of December 31, 2020, all the properties were held for further development which had an expected aggregate saleable GFA of approximately 37,366 sq.m.

This project is expected to offer buildings primarily for residential purposes. We have a 100% interest in this project.

Hopson International Garden (合生國際花園)

Hopson International Garden is located at Zhoushi Town, Kunshan, Greater Suzhou, Jiangsu Province. It is being developed by Kunshan Hopson Property Development Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 255,581 sq.m. and has an expected aggregate saleable GFA of approximately 587,288 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 127,281 sq.m. and properties with an aggregate saleable GFA of approximately 121,423 sq.m. had been sold and delivered.

This project offers buildings primarily for residential purposes. We have a 100% interest in this project.

The Town of Hangzhou Bay (合生杭州灣國際新城)

The Town of Hangzhou Bay is located in the northwestern region of Hangzhou Bay New District, Cixi, Ningbo, Zhejiang Province. It is being developed by Ningbo Hopson Kam City Real Estate Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 3,947,845 sq.m. and has an expected aggregate saleable GFA of approximately 2,767,715 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 1,059,813 sq.m. and properties with an aggregate saleable GFA of approximately 792,467 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had expected aggregate saleable GFA of approximately 1,576,739 sq.m..

This project offers buildings for residential purposes. It will also include a shopping arcade and a chamber. We have a 100% interest in this project.

Hopson Sea Block (合生伴海)

Hopson Sea Block is located at No. 588, Longjiang Road, Taicang, Suzhou, Jiangsu Province. It is being developed by Suzhou Ruiyin Real Estate Company Ltd., a project company in which we hold a 100% interest. This project occupies an aggregate site area of approximately 100,044 sq.m. and has an expected aggregate saleable GFA of approximately 275,347 sq.m.

As of December 31, 2020, properties under development had expected aggregate saleable GFAs of approximately 252,143 sq.m.

This project offers buildings for residential purposes. We have a 100% interest in this project.

Hopson Pleasant View Garden (合生逸景翠園)

Hopson Pleasant View Garden is located at Guangzhou Avenue South, Haizhu District, Guangzhou. It is being developed by Guangdong Hopson Lejing Real Estate Co. Limited, our wholly-owned project company, Guangzhou Hopson Cuijing Real Estate Limited, a project company in which we hold a 97% equity interest, Guangzhou Hopson Yijing Real Estate Limited, a project company in which we hold a 99.5% equity interest, and Guangdong New Tai An Real Estate Limited, our wholly-owned subsidiary. This project occupies an aggregate site area of 309,882 sq.m. and has an expected aggregate saleable GFA of approximately 970,187 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 811,546 sq.m. and properties with an aggregate saleable GFA of approximately 812,425 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had an expected aggregate saleable GFA of approximately 158,641 sq.m.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and two schools. We have a 94.98% interest in this project.

Hopson Huanan New City (合生華南新城)

Hopson Huanan New City is located at Xingnan Avenue, Panyu District, Guangzhou. It is being developed by Guangdong Huanan New City Real Estate Limited. This project occupies an aggregate site area of approximately 549,431 sq.m. and has an expected aggregate saleable GFA of approximately 941,973 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 811,546 sq.m. and properties with an aggregate saleable GFA of approximately 802,425 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development held for future development had an expected aggregate saleable GFA of approximately 158,641 sq.m.

This project offers villa buildings. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and two schools. We have a 100% interest in this project.

Hopson Gallopade Park – South Court (合生駿景南苑)

Hopson Gallopade Park – South Court located to the East of Tianhe Park on the site of the Asian Games Guangzhou, which is located in the heart of Eastern Tianhe. It is being developed by Guangzhou Hopson Junjing Real Estate Limited, a project company in which we hold a 95% equity interest. This project occupies an aggregate site area of approximately 222,022 sq.m. and has an expected aggregate saleable GFA of approximately 791,922 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 791,922 sq.m. and properties with an aggregate saleable GFA of approximately 751,441 sq.m. had been sold and delivered.

As of December 31, 2020, we did not hold any properties for future.

This project offers buildings for residential purposes. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and a primary school. We have a 95% interest in this project.

Hopson Regal Riviera (合生珠江帝景)

Hopson Regal Riviera is located at Haojing Street, Yizhou Road, Haizhu District, the new city center of Guangzhou. It is being developed by Guangzhou Zhujiang Qiaodu Real Estate Limited, a project company in which we hold a 99.5% interest. This project occupies an aggregate site area of approximately 397,193 sq.m. and has an expected aggregate saleable GFA of approximately 1,599,491 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 1,066,201 sq.m. and properties with an aggregate saleable GFA of approximately 978,913 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had an expected aggregate saleable GFA of approximately 548,620 sq.m.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a hotel, a club house, a kindergarten and a primary school. We have a 99.5% interest in this project.

Hopson Regal Villa (合生帝景山莊)

Regal Villa is located at the mid-levels of Aoti Road, Tianhe District, Guangzhou. It is being developed by Guangzhou Hopson Dongyu Real Estate Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 221,529 sq.m. and has an expected aggregate saleable GFA of approximately 402,601 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 83,146 sq.m. and properties with an aggregate saleable GFA of approximately 69,602 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had an expected aggregate saleable GFA of approximately 319,455 sq.m.

This project offers residential and retail space. It also includes ancillary facilities such as a kindergarten and a primary school. We have a 100% interest in this project.

Hopson Belvedere Bay (合生君景灣)

Hopson Belvedere Bay is located at Huangqi Beicun Avenue, Dali, Nanhai District, Foshan, Guangzhou. It is being developed by Guangdong Hopson Hong Jing Real Estate Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 211,343 sq.m. and has an expected aggregate saleable GFA of approximately 692,533 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 692,533 sq.m. and properties with an aggregate saleable GFA of approximately 574,063 sq.m had been sold and delivered.

This project offers residential and retail space. It also includes facilities such as a club house and a kindergarten. We have a 100% interest in this project.

Hopson Xijing Banshan (合生熹景半山)

Hopson Xijing Banshan is located at Honbenggang Reservoir, Shiling Town, Huadu District, Guangzhou. It is being developed by Guangzhou Xin Chang Jiang Development Limited, a project company in which we have a 95.5% interest. This project occupies an aggregate site area of approximately 352,744 sq.m. and has an expected aggregate saleable GFA of approximately 410,010 sq.m.

As of December 31, 2020, properties held for future development had expected aggregate saleable GFAs of approximately 410,010 sq.m., respectively.

This project offers residential and retail space. It will also include ancillary facilities such as a club house, a kindergarten and a hospital. We have a 95.5% interest in this project.

Zhujiang Technology Innovation Park (TIT項目(珠江科技創意園))

Zhujiang Technology Innovation Park is located adjacent to Machao Industry Estate, Jiufu Town, Guangzhou. It is being developed by Guangzhou Dongtai Textile Industry Co., Ltd., a project company in which we hold a 55% equity interest. This project occupies an aggregate site area of approximately 242,567 sq.m. and has an expected aggregate saleable GFA of approximately 193,513 sq.m.

As of December 31, 2020, this project remained held for future development.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a kindergarten and a middle school. We have a 55% interest in this project.

Hopson Hushan International (合生湖山國際)

Hopson Hushan International is located at Yuanzhang Avenue, Xintang Town, Zengcheng City, Guangdong province. It is being developed by Guangzhou Ziyun Village Real Estate Company Limited, our-wholly owned project company. This project occupies an aggregate site area of approximately 443,571 sq.m. and has an expected aggregate saleable GFA of approximately 1,305,814 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 684,011 sq.m. and properties with an aggregate saleable GFA of approximately 539,556 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had expected aggregate saleable GFA of approximately 600,280 sq.m..

This project offers residential and retail space. It also includes ancillary facilities such as a club house, a kindergarten and two schools. We have a 100% interest in this project.

Qianjin Road Project (前進路項目)

Qianjin Road Project is located at Qianjin Road, Haizhu District, Guangzhou. It is being developed by Guangzhou Hopson Shengjing Real Estate Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 54,286 sq.m. and has an expected aggregate saleable GFA of approximately 208,863 sq.m.

As of December 2020, this project remained held for future development.

This project is expected to offer buildings for residential purposes. We have a 100% interest in this project.

Hopson TIT International Industrial Park (合生TIT國際產業園)

Hopson TIT International Industrial Park is located at Dawo Village, Tanbu Village, Huadu District, Guangzhou. It is being developed by Guangzhou Dongtai Textile Industry Company Limited, a project company in which we hold a 65% interest. This project occupies an aggregate site area of approximately 296,921 sq.m. and has an expected aggregate saleable GFA of approximately 375,334 sq.m.

As of December 31, 2020, properties under development and properties held for future development had expected aggregate saleable GFAs of approximately 28,843 sq.m. and 346,490 sq.m., respectively.

This project offers buildings for residential purposes. We have a 65% interest in this project.

TIT Project (International Park) (TIT項目(科貿園))

TIT Project is located at No. 489 Xingang Mid Road, Haizhu District, Guangzhou. It is being developed by Guangzhou No.1 Dyeing and Weaving Co., Ltd., a project company in which we hold a 65% equity interest. This project occupies an aggregate site area of approximately 111,267 sq.m. and has an expected aggregate saleable GFA of approximately 788,425 sq.m.

As of December 31, 2020, this project remained held for future development.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a kindergarten and a middle school. We have a 65% interest in this project.

Hopson Yijing Mingyuan (合生頤景茗苑)

Hopson Yijing Mingyuan is located adjacent to the Provincial Family Healthcare Hospital, Xingnan Avenue, Panyu District, Guangzhou. It is being developed by Guangzhou Zhujiang Qiaodu Real Estate Co., Ltd., a project company in which we hold a 100% equity interest. This project occupies an aggregate site area of approximately 904,458 sq.m. and has an expected aggregate saleable GFA of approximately 1,367,341 sq.m.

As of December 31, 2020, the completed properties had an aggregate saleable GFA of approximately 48,352 sq.m. and properties with an aggregate saleable GFA of approximately 33,509 sq.m. had been sold and delivered.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a kindergarten and a middle school. We have a 100% interest in this project.

Huizhou Yujing Bay (合生愉景灣)

Huizhou Yujing Bay is located at Longhe East Road, Shuikou Town, Huizhou, Guangdong province. It is being developed by Huizhou Yapai Real Estate Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 611,560 sq.m. and has an expected aggregate saleable GFA of approximately 1,828,781 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 285,645 sq.m. and properties with an aggregate saleable GFA of approximately 236,589 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had an expected aggregate saleable GFA of approximately 1,538,962 sq.m.

This project offers buildings for residential purposes, including town houses. We have a 100% interest in this project.

Huizhou Regal Bay (合生帝景灣)

Huizhou Regal Bay is located at Wenchangyi Road, Jiangbei District, Huizhou, Guangdong province. It is being developed by Guangdong Hopson Dijing Real Estate Co. Ltd., our wholly-owned project company. This project occupies an aggregate site area of approximately 206,272 sq.m. and has an expected aggregate saleable GFA of approximately 637,691 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 524,621 sq.m. and properties with an aggregate saleable GFA of approximately 464,271 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had an expected aggregate saleable GFA of approximately 113,070 sq.m., the development of which are expected to be completed in 2022 and after.

This project offers buildings for residential purposes, including town houses. It also includes a shopping arcade and ancillary facilities such as a hotel. We have a 100% interest in this project.

Hopson International New City (合生國際新城)

Hopson International New City is located at corner of Sanhuan East Road, Shuikou Town, Huizhou, Guangdong province. It is being developed by Huizhou Yaxin Real Estate Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 635,086 sq.m. and has an expected aggregate saleable GFA of approximately 1,376,036 sq.m.

As of December 31, 2020, completed properties had an aggregate saleable GFA of approximately 1,250,526 sq.m. and properties with an aggregate saleable GFA of approximately 1,048,416 sq.m. had been sold and delivered.

As of December 31, 2020, properties under development and held for future development had expected aggregate saleable GFA of approximately 143,799 sq.m..

This project offers buildings for residential purposes, including town houses. It also includes shopping arcade. We have a 100% interest in this project.

Shenzhen Wilcon Industrial Park (深圳耀安工業園)

Shenzhen Wilcon Industrial Park is located at No. 53 Xiantian Road, Xin Sheng Village, Longgang Road Office, Longgang District, Shenzhen. It is being developed by Zhongshan Hopson Hao Jing Real Estate Company Limited, a project company in which we have a 100.0% interest. This project occupies an aggregate site area of approximately 33,700 sq.m. and has an expected aggregate saleable GFA of approximately 59,998 sq.m.

As of December 31, 2020, this project remained held for future development.

This project is expected to offer buildings for residential and retail purposes. We have a 100.0% interest in this project.

LAND BANK

As of December 31, 2020, the total saleable GFA of our land bank amounted to approximately 30.4 million sq.m., of which 55.5% has yet to be developed.

While Guangzhou, Huizhou, Beijing, Tianjin and Shanghai will continue to be our core location of operations, we plan on increasing our presence in other cities in the future. As of December 31, 2020, approximately 25.4%, 24.2%, 18.7%, 19.3% and 12.3% of our land bank was located in Guangzhou, Huizhou, Beijing, Tianjin and Shanghai, respectively.

The following table sets forth a breakdown of our land bank in terms of saleable area by usage and location as of December 31, 2020:

	<u>Guangzhou</u>	<u>Huizhou</u>	<u>Beijing</u>	<u>Tianjin</u>	<u>Shanghai</u>	<u>Ningbo</u>	<u>Total</u>
	<i>(in million sq.m)</i>						
Residential	4.26	5.30	3.96	5.49	2.29	–	21.30
Shopping Arcade	0.90	0.24	0.37	0.05	0.30	0.02	1.88
Office	0.92	0.25	0.34	0.15	0.19	–	1.85
Car parks	1.41	1.47	0.87	–	0.88	–	4.63
Hotel	0.24	0.11	0.16	0.18	0.09	–	0.78
Total	7.73	7.37	5.70	5.87	3.75	0.02	30.44

The following table sets forth a breakdown of our land bank in terms of saleable area by development status and location as of December 31, 2020:

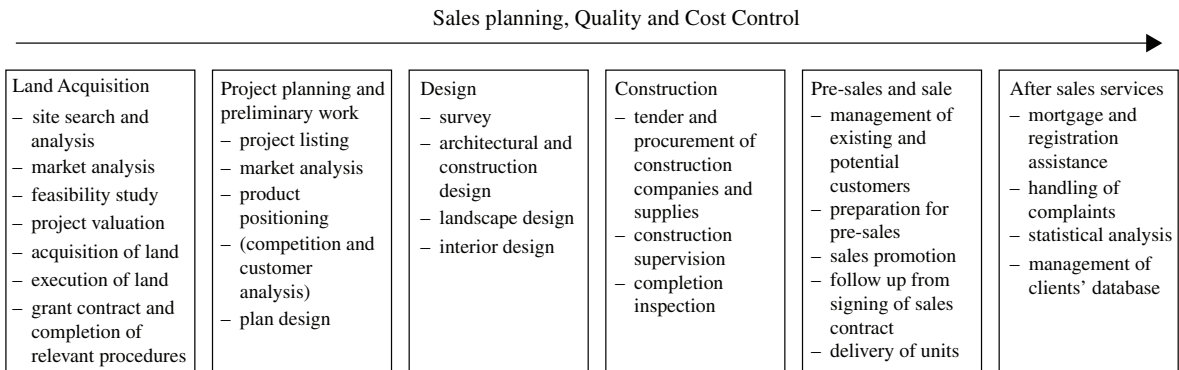
	<u>Guangzhou</u>	<u>Huizhou</u>	<u>Beijing</u>	<u>Tianjin</u>	<u>Shanghai</u>	<u>Ningbo</u>	<u>Total</u>
	<i>(in million sq.m)</i>						
Completed properties	1.13	0.49	1.70	1.09	1.27	0.02	5.70
Properties under development	1.32	1.64	1.60	1.03	2.26	–	7.85
Properties to be developed	5.28	5.24	2.40	3.75	0.22	–	18.89
Total	7.73	7.37	5.70	5.87	3.75	0.02	30.44

The following table sets forth a breakdown of our land bank in terms of saleable area by development status and usage as of December 31, 2020:

	<u>Residential</u>	<u>Shopping Arcade</u>	<u>Office</u>	<u>Car parks</u>	<u>Hotel</u>	<u>Total</u>
	<i>(in million sq.m.)</i>					
Completed properties	2.62	0.91	0.48	1.39	0.30	5.70
Properties under development	6.12	0.21	0.17	1.27	0.08	7.85
Properties to be developed	12.56	0.76	1.20	1.97	0.40	16.89
Total	21.30	1.88	1.85	4.63	0.78	30.44

PROPERTY DEVELOPMENT AND PROJECT MANAGEMENT PROCEDURE

The development of our properties usually entails six phases: land acquisition, project planning and preliminary work, design, project construction, pre-sales and sales, and after-sales services. The following diagram illustrates the stages of the property development cycle in the PRC:



The typical development cycle for vacant land in the PRC is approximately 18 to 30 months, whereas the development cycle for urban property projects can be longer, particularly for project sites that are not vacant at the time of acquisition. Depending on the size of a development and other factors, however, the entire development period may be substantially longer. As we focus on large-scale property developments, we typically develop our projects in phases over a three to seven-year period. Our pace of property development is determined by selling prices, sales volume and the level of our land reserves. As a result, we may obtain multiple governmental approvals and permits, including land use rights certificates, from the relevant authorities for a group of property developments that we view as a single property development for business purposes.

The relevant authorities will not generally issue the formal land use rights certificate in respect of a piece of land until the construction land use approval and the land planning permit have been obtained by the developer, the land premium is paid in full and the resettlement process is completed. As a result, in order to adjust to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development. Before we can deliver these properties to our purchasers, however, we need to have obtained the general property ownership certificates evidencing both the land use rights and the ownership interests in the buildings erected on the land.

We design and develop land according to the preliminary development plan, including the total GFA that may be built, in our land grant contracts. The actual GFA constructed, however, may exceed the total GFA authorized in the land grant contracts due to factors such as subsequent planning and design adjustments. The total GFA of some of our existing developments may have exceeded the original authorized area. This excess GFA is subject to governmental approval and may result in us paying additional land premiums and/or a penalty.

We are actively involved in all of the different stages of the development process in order to control the costs, schedule and quality of our projects. Except for the construction work which is contracted to third-party construction companies, we oversee and largely perform all aspects of our development operations, including selection and purchase of the sites, preparation of the feasibility studies, obtaining government approvals, design of the development project, supervising construction, and marketing and managing completed projects.

SITE SELECTION AND PRODUCT POSITIONING

We place a strong emphasis on the site selection process and consider it fundamental to the success of a property development project. We conduct an in-depth market analysis in order to understand the trends of the property market and market prices before commencing or launching a property development. We have established a land acquisition positioning committee to oversee the land acquisition process and assess available land acquisition options based on the following criteria:

- development plans of the government for the relevant site;
- cost, investment and financial return ratios;
- site area;
- accessibility of the site and available infrastructural support;
- consumer demand for properties in the area;
- competition from other developments in the area; and
- convenience and the amenities close to the site (such as natural parks, greenery, schools, rivers and commercial facilities).

Land Acquisition

Prior to the introduction by the PRC government of regulations requiring that land use rights for property development be granted through public tender, auction or listing-for-sale, we obtained most of our land use rights through purchase arrangements or cooperative arrangements with local governments or from the original grantees of land use rights.

In 2002, MLR issued The Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale as amended on September 28, 2007 and effective from November 1, 2007, which provides that, with limited exemptions, state-owned land use rights for profitable purposes such as industrial use, commercial use, tourism, entertainment and commodity residential properties in the PRC, as well as for land in which more than two land users are interested, can only be granted by the government through public tender, auction or listing-for-sale. In deciding to whom the land use rights should be awarded, the local government considers not only the tender price, but also the credit and qualification of the tendering party and the tender proposal. We believe these measures result in a more transparent land grant process, which enable developers to compete more effectively. We obtain most of our land use rights through public tender, auction, listing-for-sale, joint developments and acquisitions.

Under current regulations, grantees of land use rights are generally permitted to sell, assign or transfer the land use rights granted to them in secondary markets provided that they comply with the terms and conditions in the land use rights grant contract, unless the transferor is a state-owned enterprise or a collectively owned enterprise or the land use right is obtained by way of allocation. Where grants of commercial land use rights in the secondary markets are not permitted, the land must be granted through public tenders, auction or listing-for-sale. In order to acquire land in strategic locations at competitive prices, we intend to acquire land use rights through each of these venues, including through cooperative arrangements with third parties in the secondary markets or through acquisitions of corporate entities. The availability of privately held land will, however, remain limited and subject to uncertainties.

Since November 2007, a regulation issued by MLR requires property developers to pay the land premium in full for the entire parcel of land under the land grant contract before they can receive a land use rights certificate. As a result, property developers are not permitted to bid for a large piece of land on which they only make a partial land premium payment, then subsequently apply for a land use rights certificate for a portion of land in order to commence development, which had been common practice by many developers in the PRC. In March 2010, MLR issued a circular imposing more stringent requirements on the payment of land premium by property developers. The implementation of the regulation requires property developers to maintain a higher level of working capital than was previously required. As a result, under this regulation, larger property developers are generally in a better position to bid for large parcels of land due to their stronger financial condition.

We have obtained substantially all of our land use rights through government land sales and secondary market land sales. In certain cases, we may acquire land use rights by acquiring a corporate entity which owns the land use rights or is in the process of acquiring the land use rights. Upon completion of the acquisition, we complete the land acquisition and develop the land through the acquired entity.

Financing of Land Premiums and Property Developments

We have four main sources of funding for our property developments: internal resources, bank loans, trust financing arrangements and proceeds from pre-sales. Our financing method varies from property to property, although we are required by the PRC government to fund a substantial portion of our property developments with internal resources. Nevertheless, our policy is to finance property developments with external sources of financing, to the extent practicable, and pre-sell the development where we have satisfied the regulatory requirements for pre-sales and where market conditions allow in order to maximize our capital efficiency and the return-on-equity of our projects. We supplement external financing of our property developments with internal resources to satisfy the regulatory requirements.

Prior to June 2003, we financed our payments of land premiums through a combination of borrowings from banks and proceeds from the sales and pre-sales of properties. Since June 2003 commercial banks have been prohibited under the PBOC guidelines from advancing loans to fund the payment of land premium. As a result, we use our proceeds from the sales of properties and sources other than bank borrowings to pay for land premiums. In addition, the local bureaus of land resources and housing management abolished the installment payment method in connection with the transfer of state-owned land use rights. As a result, property developers are generally required to make a lump sum payment for the land premium within the period stipulated in the land grant contracts. In November 2009 and January 2010, the PRC government adjusted certain policies in order to enhance the regulation of the property market, including imposing more stringent requirements on the payment of land premiums.

In addition to restrictions on land premium financing, the PRC government also limits the extent to us property developers may fund their property projects by external sources of funding. Under guidelines jointly issued by MOC and other PRC government authorities in May 2006, commercial banks in China are not permitted to lend funds to property developers with an internal capital ratio, calculated by dividing the internal funds available by the total project capital required for the project, of less than 35%, an increase of five percentage points from 30% as previously required. In May 2009, as part of its measure to mitigate the impact of the recent global economic downturn, the PRC government lowered this ratio to 20% for affordable housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate property developments in China. The PRC government has recently announced a series of measures curtail the overheating of the PRC property market. As a result, property developers, including ourselves, must now fund at 35% of property developments with internal sources of funds. As such, we may not be able to secure adequate finding resources to fund our property development. See “Risk Factor – Risks Relating to Our Business – We may not have adequate finding resources to finance land acquisitions or property developments, or service our financing obligations.”

We typically use internal funds, project loans from PRC banks and funds from trust financing arrangements to finance the initial construction cost of our property developments. We use additional cash generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are our major sources of financing for the construction of our projects. When developers utilize bank loans to fund property developments, banks typically require guarantees from the developers' affiliates, security over bank deposits and/or mortgages over the assets of such developer and its subsidiaries.

Project Management

We have implemented a three-tier organization structure to manage our projects.

Headquarters

We oversee and control the major milestones of all of our developments, including strategic planning, project identification, site acquisition, financing and budget control, from our headquarters, located in Beijing. Our headquarters include, among others, our sales and marketing division, design and planning division, land acquisition and development division, and project management division.

Regional Offices

In order to enhance the management and coordination of our projects, we organize our projects under five regional offices in each of Guangzhou, Huizhou, Beijing, Shanghai and Tianjin. Senior management staff with local knowledge are appointed as regional heads. Each of the regional offices is responsible for overseeing the marketing, financing, technology, human resources and construction management of the projects located in its region within a budget set by our headquarters and within our overall strategic goals. Each regional head reports to our chairman and chief executive officer, who oversee our business operations as a whole.

Project Companies

In addition to project management from our headquarters and regional offices, we also have direct management control over our projects through the general managers of our project companies. All of the general managers are appointed by us and are responsible for the day-to-day operations and project management of each individual project. Each individual project company is responsible for implementing infrastructure, engineering and supervision of day-to-day construction work. Each general manager reports to regional chief manager.

We seek to control the cost of development from an early stage of the project development process. Feasibility studies, which include market analyses of prospective projects and assist our management in deciding whether to develop a particular site, are prepared by our project companies and approved by our headquarters. During the construction phase, our project companies are responsible for managing site progress. They work closely with the contractors to control costs and to ensure the quality of the construction work. We believe that by actively supervising the construction of our projects, we can enhance the quality while controlling the cost of our projects.

Design

The project design work for our property developments is typically conducted by reputable domestic architectural and interior design firms under contract with the assistance of our internal design team, which plan the architectural, landscape and interior designs of the relevant property development in accordance with our requirements. We have an internal design team, comprising architects, planning experts, landscaping specialists, interior designers as well as structural, mechanical, electrical and

plumbing engineers. In addition, we are among the first non-state-owned property developers to set up a design institute with an A-Grade Qualification Certificate for Project Design issued by MOHURD. We believe our modularized design and development system has enhanced our production efficiency.

The design companies become involved in planning research and preliminary design work for a development project at the site selection and land acquisition stages. When determining the design of a particular property development, the designers and engineers generally consider the recommendations of our marketing and sales center regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Involving the design companies at an early stage allows for the formulation of a preliminary design when we are negotiating with the government, enabling us to commence construction shortly after the requisite approval to develop a parcel of land has been granted. The overall time needed to complete the development is therefore reduced.

Contracting

We engage third-party contractors to provide various services, including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators, and landscaping and gardening services. We have traditionally engaged A-class domestic contractors, such as Guangdong Hanjiang Engineering Construction Limited (“**Guangdong Hanjiang**”), China State Construction Group, Jiangsu Zhongnan Construction Group Co., Ltd. and Fujian Bajian Construction Engineering Co., Ltd., as the main contractors in respect of our development projects. We select contractors through a negotiated tender process on the basis of the quality of their work, pricing and completion schedule. The tender procedures must comply with the relevant local regulations. The total contractor fee we pay our contractors takes into account the costs of these supplies and our construction contract with our contractors typically allows adjustment to the total contractor fees if at the time of purchasing supplies, the prices of materials have fluctuated beyond the range stipulated in the construction contract. For a description of our relationship with Guangdong Hanjiang, see “Related Party Transactions.”

The construction contracts contain warranties from construction companies in respect of quality and timely completion of the construction. We require construction companies to comply with PRC laws and regulations on the quality of construction products as well as our own standards and specifications. Contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. Payments for construction work determined primarily on the basis of the estimated labor and material costs and fitting requirements and are usually computed on a per square meter basis.

Contractor’s fees are paid in installments in accordance with the progress of construction. The first installment typically represents 20% of the contractor’s fees and is usually paid when construction is 30% complete. The second installment typically represents an additional 20% of the contractor’s fees and is usually paid when construction is 50% complete. The third installment typically represents an additional 30% of the contractor’s fees and is usually paid when construction is 80% complete. The fourth installment typically represents an additional 25% of the contractor’s fee and is usually paid when construction is fully complete. The remaining balance of the contractor’s fee is withheld by us as a retention fund for three years. In the event of a delay in construction or unsatisfactory workmanship, we may withhold construction payments or require the construction companies to pay a penalty or provide other remedies under PRC law and our contracts to recover any loss. For the years ended 2018, 2019 and 2020 construction fees of HK\$86.3 million, HK\$985.0 million, HK\$532.1 million (US\$68.6 million), respectively, were paid or made payable to Guangdong Zhujiang and Guangdong Hanjiang.

We have not had any major disputes with any of our construction contractors. All payments are made in Renminbi.

Installation and Decoration Work

The final stage of most of our projects includes installation and decoration in accordance with the standards set out in our design specifications for the project. Hanjiang Group, the branch office of China State Construction Engineering Group, provides most of the installation and decoration services for our projects. We also outsource some components of the installation and decoration work to independent third parties through a tender process.

Quality Management System

We place a strong emphasis on quality control to ensure that the quality of our residential developments and services complies with relevant regulations and meets market standards. Quality control procedures are in place in our various functional departments, as well as in each of our project companies. For each property development project, quality inspections and regulatory compliance reviews are carried out by the construction company, construction supervisory companies and our project management department. Although we outsource all of our construction work to third-party contractors, we maintain a team of engineers that supervises the construction works of each development project.

In accordance with the PRC regulations, we engage the services of PRC-qualified third-party construction supervisory companies to supervise the construction of our property developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a property development throughout the construction phase. We select construction supervisory companies through a tender process. In the past, we have often engaged Guangzhou Pearl River Engineering Construction Supervision Co., Ltd. to supervise our property developments.

Internal guidelines have been established and are monitored to ensure control over documentation, record-keeping, internal audit, service standards, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, monitoring and surveillance, information exchange and data analysis.

Payment Method and Mortgage Financing

Purchasers may pay for our properties by way of lump sum payment or payment in installments or payments with mortgage facilities, with the first installment comprising in general at least 30% of the purchase price.

We make arrangements with various domestic banks to provide mortgage facilities to purchasers of our properties. In accordance with current market practice, we continue to provide guarantees to mortgagee banks in respect of all mortgages offered to our customers, but only from the date of the relevant mortgage up to the date of submission of the relevant real estate ownership certificates and certificates of other interests in the property by us to the mortgagee bank and completion of the registration of the mortgage with the relevant local authority (which generally occurs after vacant possession has been delivered to the purchaser). In our experience, the period of such pre-registration guarantees typically ranges from 20 to 36 months. If, during the guarantee period, a borrower defaults on its repayment obligations, we will be liable to pay to the mortgagee bank the amount owing to them from the purchaser, but we will have the right to take possession and re-sell the mortgaged property. Accordingly, the period in which we actually bear the credit risk of our customers starts from the date we deliver vacant possession to the purchaser. 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. As of December 31, 2020, the outstanding guarantees over the mortgage loans of our customers amounted to HK\$16,868.6 million (US\$2,175.6 million). We have not experienced any default by a material portion of such customers under the pre-registration guarantees. We, however, cannot assure you that this will continue. See “Risk Factor – Risks Relating to Our Business – We have provided guarantees to secure obligations of our properties for repayment. A default by a significant number of purchasers would adversely affect our financial condition.”

Pre-Sales

Our policy is to pre-sell a property (i.e. sell property in advance of our completing its construction) as soon as the development has reached the stage when pre-sales are permitted under PRC laws. The majority of our properties are sold on a pre-sale basis.

We must apply to the relevant government authorities for pre-sale permits before commencing with the pre-sale of our properties. Under the PRC Law of the Administration of Urban Real Estate and the Administrative Measures Governing the Pre-sale of Urban Real Estate, we must meet the following conditions before the pre-sale of a particular property can commence:

- the land premium must have been paid in full and the relevant land use rights certificate must have been obtained;
- the construction planning permit and the construction permit must have been obtained;
- the funds earmarked for the development of a property must not be less than 25% of the total amount to be invested in the project and the progress and the expected completion date of the construction work must have been confirmed; and
- the pre-sale permit must have been issued.

Local governments have also implemented regulations relating to pre-sales of properties, some of which contain stricter requirements than the central government regulations. We are subject to these local regulations in areas where we have property developments.

Pre-sales are conducted in accordance with the terms of the land bureau of the local authority. Typical regulations on pre-sales include delivery times, termination events and guaranteed GFA of the unit sold. We are typically required to provide warranties with respect to minimum GFA for a unit, repairs and maintenance for one to three years, construction in accordance with approved plans, satisfactory inspection upon completion of the unit and approval of all necessary land use rights. If any buyer fails to pay the balance of the purchase price, we are entitled to resell the property and retain the pre-sale proceeds previously received in respect of that property.

Under PRC law, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, money deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. As of December 31, 2018, 2019 and 2020, our total deposited proceeds in such escrow accounts was approximately HK\$1,713.9 million, HK\$5,035.9 million, HK\$7,390.0 million (US\$953.1 million), respectively.

Sales and Marketing

Our sales force is distributed throughout our nationwide network. Overall sales and marketing coordination is located at our headquarters in Beijing.

Our customer base is predominantly PRC individuals. Our sales and marketing team formulates our marketing strategy, such as the production of videos, project brochures, sales documents, price lists, payment terms, floor plans and project models. We also market through advertising campaigns in newspapers and on television to increase public awareness of our “Regal Riviera,” “Gallopade,” “Fairview,” “Dongjiao Villa,” “Sheshan Dongziyuan,” and “No. 8 Royal Park” brands and new development projects. Currently all of our property sales are conducted through our own sales force. Only one property development in our operating history, namely Fairview South Court, was sold through the assistance of an outside real estate agent. We have established an Investment Committee and a Commercial Property Committee who are responsible for project positioning and operation process managing. In

addition, to further develop our brand name recognition, we introduced Hopson Club in June 2001, which serves as an interface between us and our customers. Customers who enroll in Hopson Club are entitled to receive updates on our latest developments and discounts at various designated shops and restaurants. In addition, we also organize customer events and product exhibitions to improve customer relations and enhance their confidence in our properties.

Our marketing and sales team is involved in our property development beginning from an early stage and provides input at key steps. During project evaluation and before commencement of construction, our sales and marketing team usually carries out substantial market research for particular projects, including identifying property trends, prospects and market potential. By identifying the potential demand for, and strengths and weaknesses of, a project at an early stage, we are able to formulate our marketing and promotion strategies at the planning stage of each project and target our sales efforts at potential classes of purchasers for the project throughout its development. During the project design and construction stage, our marketing and sales team also works closely with our project design team to formulate, modify and execute a design plan according to consumer preferences and market feedback. Our sales team regularly provides customer feedback to our design team and other departments in order to make continuous improvements.

Our sales representatives are remunerated by a combination of a fixed base salary and a variable commission. Each member of the sales force is allocated annual sales targets, and upon achievement of each sales target, the sales force member is compensated with a commission at a pre-determined percentage of sales volume. Sales targets vary by geographic location, depending on the average sales price of property in the region.

After-Sales Services

We assist our customers by arranging for and providing information relating to financing, including information on potential mortgage banks and the mortgage terms that they offer. We also assist our customers in various title registration procedures relating to the properties. We maintain a client relationship management system to foster customer relationships. Members of the Customer Services Department carry out customer surveys with the purchasers normally one year after delivery of possession to seek customer feedback on the design and quality of the properties and the quality of our customer and management services. Such data is then taken into account when developing and planning new projects. We also have a subdivision devoted to handling customer complaints and maintenance and repair requests. We believe that such services promote customer confidence and are effective in enhancing our brand name and encouraging customers to purchase, or recommend others to purchase, properties that we develop.

PROPERTY INVESTMENT

Our investment property portfolio includes office buildings, retail shop units, shopping malls and hotels. As of December 31, 2020, we had 15 investment properties.

Hopson Zhujiang International Tower (合生珠江國際大廈)

Hopson Zhujiang International Tower is located at Yuehua Road, Yuexiu District, Guangzhou. It was developed by Guangdong Hopson Yuehua Real Estate Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 6,560 sq.m. and has an aggregate GFA of approximately 95,378 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers office and retail space. We have a 100% interest in this project.

Hopson Plaza (合生廣場)

Hopson plaza is located at Guangzhou Avenue South, Haizhu District, Guangzhou. It is being developed by Guangzhou Yi Cheng Real Estate Development Limited, a project company in which we hold a 100.0% equity interest, and Guangzhou Yi Hui Real Estate Development Limited, a project company in which we hold a 100.0% equity interest. This project occupies an aggregate site area of approximately 6,560 sq.m. and has an expected aggregate GFA of approximately 163,362 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers commercial, retail and carparking space. We have a 100% interest in this project.

Hopson Regal International (合生帝景國際)

Hopson Regal International is located at No.188 Changgang Mid Road, Haizhu District, Guangzhou, Guangzhou Province. It is being developed by Guangzhou Jiannan Real Estate Development Co., Ltd. This project occupies an aggregate site area of approximately 13,257 sq.m. and has an expected aggregate GFA of approximately 104,845 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers commercial, retail and carparking space. We have a 100% interest in this project.

Hopson Gallopade Plaza (合生駿景廣場)

Hopson Gallopade Plaza is located at No. 1138 West of Zhongshan Avenue, Tianhe District, Guangzhou, Guangdong. It is being developed by Guangzhou Hopson Junjing Real Estate Co., Ltd. This project occupies an aggregate site area of approximately 7,152 sq.m. and has an expected aggregate GFA of approximately 25,739 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers commercial, retail and carparking space. We have a 95% interest in this project.

Hopson Fortune Plaza (合生財富廣場)

Hopson Fortune Plaza is located at De Wai Guan Xiang, Xicheng District, Beijing. It is being developed by Beijing Hopson Xing Ye Real Estate Development Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 9,459 sq.m. and has an aggregate GFA of approximately 58,701 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers office space, a shopping arcade and apartment buildings. We have a 100% interest in this project.

Hopson Kylin Xintiandi (合生麒麟新天地)

Hopson Kylin Xintiandi is located at Interchange of Wangjing Futong West Avenue and Wangjing Street, Chaoyang District, Beijing. It is being developed by Beijing Hopson Wangjing Real Estate Development Co., Ltd. This project occupies an aggregate site area of approximately 10,718 sq.m and has an aggregated GFA of approximately 48,694 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers commercial, shop and carparking space. We have a 100% interest in this project.

Makeyan Project (馬科研項目)

Makeyan Project is located at Plot A (Southern Region) and Plot D (Southern Region) of Scientific Research Site of National Environmental Protection Industrial Park, Tongzhou District, Beijing. It is being developed by Beijing Chuanghe Fengwei Real Property Development Co., Ltd. and Beijing Shengchuang Hengda Real Property Development Co., Ltd. This project occupies an aggregate site area of approximately 136,129 sq.m and has an expected aggregate GFA of approximately 746,562 sq.m.

This project offers buildings for purposes of scientific research. We have a 100% interest in this project.

Hopson Regal Fortune Plaza (合生帝景財富廣場)

Hopson Regal Fortune Plaza is located at Building 223, No. 28 Guangqu Road, Chaoyang District, Beijing. It is being developed by Beijing Hopson Beifang Real Estate Development Co., Ltd. This project occupies an aggregate site area of approximately 8,924 sq.m and has an expected aggregated GFA of approximately 23,864 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers commercial, office and retail space. We have a 100% interest in this project.

Hopson Fortune Plaza (合生財富廣場)

Hopson Fortune Plaza is located at Feihong Road, Hongkou District, Shanghai. It is being developed by Shanghai Shangzhi Haiyun Properties Company Limited, our wholly-owned project company. This project occupies an aggregate site area of approximately 9,894 sq.m. and has an aggregate GFA of approximately 53,753 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers office space and a shopping arcade. We have a 100% interest in this project.

Hopson World Trade Centre (杭州合生國貿中心)

Hopson World Trade Centre is located at Tianmushan Road, Xihu District, Hangzhou. It is being developed by Zhejiang Ke Hua Digital Plaza Company Limited, a project company in which we hold a 95% equity interest. This project occupies an aggregate site area of approximately 31,810 sq.m. and has an aggregate GFA of approximately 92,418 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers office space and a shopping arcade. We have a 95% interest in this project.

Hopson One Shopping Mall (北京合生匯)

Hopson One Shopping Mall is located at Dawang Road West, Chaoyang District, Beijing. It is being developed by Beijing Hopson Yujing Real Estate Development Co., Ltd., a project company in which we hold a 100% equity interest. This project occupies an aggregate site area of approximately 47,285 sq.m. and has an aggregate GFA of approximately 308,490 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers office space and a shopping arcade. We have a 100% interest in this project.

Hopson International Plaza (合生國際廣場)

Hopson International Plaza is located at Xiangyin Road, Yangpu District, Shanghai. It is being developed by Shanghai Dazhan Investment Management Co., Ltd. and Zhongxian International Holding Co., Ltd., project companies in which we hold 100% equity interest. This project occupies an aggregate site area of approximately 91,806 sq.m. and has an expected aggregate GFA of approximately 313,161 sq.m.

As of December 31, 2020, construction of all properties in this project had been completed.

This project offers office space and a shopping arcade. We have a 100% interest in this project.

Shenzhen Wilcon Industrial Park (深圳耀安工業園)

Shenzhen Wilcon Industrial Park is located at No. 53 Xiantian Road, Xin Sheng Village, Longgang Road Office, Longgang District, Shenzhen. It is being developed by Yaoan Battery Power Source Technology (Shenzhen) Co., Ltd., a project company in which we hold a 100.0% equity interest. This project occupies an aggregate site area of approximately 33,700 sq.m. and has an expected aggregate GFA of approximately 59,998 sq.m.

As of December 31, 2020, the construction of this project is expected to complete after 2021.

This project offers office space. We have a 100% interest in this project.

Tianjin Hopson International Tower (天津合生國際大廈)

Tianjin Hopson International Tower is located at Interchange of Fuan Main Street and Xingan Road, Heping District, Tianjin. It is being developed by a project company in which we hold a 98.94% equity interest. As of December 31, 2020, Tianjin Hopson International Tower had a gross GFA of 97,816 sq.m. and is intended for commercial purposes and carparking.

PROPERTY MANAGEMENT

We provide property management services in respect of properties primarily developed by us through our wholly-owned subsidiaries, Guangdong Esteem Property Services Limited and Beijing Zhujiang Century Property Management Limited. We believe that the provision of quality and value-added management services of an international standard enable us to enhance recognition of our brand and maintain our reputation as a developer of quality properties. We seek to provide comprehensive quality post-sales property management and post-sales services to purchasers of our properties, including services such as rental agency, security, maintenance, operation of clubhouse, cleaning of public areas, domestic assistance, gardening and landscaping and other services.

Our property management companies generally enter into property management agreements with the property owners. The property management contract sets forth the scope and the quality requirements of the services provided by our property management companies. We are not allowed to assign the management responsibilities to a third party. However, we can outsource some of the responsibilities, such as cleaning and security services, to independent third parties. We are responsible for establishing the property management procedures and preparing maintenance and renovation plans with respect to the properties and public facilities. The property management contracts also establish the payment arrangements of management fees, which cannot be increased without the prior consent of the property owners. Under PRC laws and regulations, property owners have a right to engage or dismiss a property management company with the consent of more than 50% of the owners who in the aggregate hold more than 50% of the total non-communal area of the building.

For the years ended December 31, 2018, 2019 and 2020, revenue from property management amounted to HK\$1,136.3 million, HK\$1,183.1 million and HK\$2,133.6 million (US\$275.2 million), respectively, amounting to 8.5%, 6.4% and 6.2%, respectively, of our revenue.

HOTEL OPERATIONS

We engage in hotel development and operations to complement our residential property development business. While we have historically derived a substantial majority of our revenue from residential property development, we expect revenue contribution from our hotel operations to steadily increase with the completion of new hotels currently under development in the next few years. Our first hotel, Guangzhou Regal Riviera Hotel, commenced operations in July 2004. Wyndham Grand Tianjin Jingjin City is managed by Hyatt Group, an internationally renowned hotel group, and commenced its soft opening in September 2007. We believe that by engaging Hyatt Group to operate our hotel in Tianjin, we will be able to benefit from its hotel operation expertise, as well as its integrated marketing services, reservation systems and employee training programs. They will also enable us to leverage its internationally recognized brand name to enhance our reputation and corporate image.

Since 2019, the revenue from our hotel operations is no longer reported on a stand-alone basis in our consolidated financial statements.

COMPETITION

We believe that the property market in the PRC is fragmented and that there is no single dominant market player. Competition is primarily based on factors such as location, types of properties offered, brand recognition, quality, facilities and supporting infrastructure, services and pricing. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. A number of our competitors have greater financial and other capital resources, marketing and other capabilities and/or name recognition than us. In addition, some local companies have extensive local knowledge and business relationships and/or a longer operational track record in the relevant local markets than us while international companies are able to capitalize on their overseas experience to compete in the PRC markets. Intensified competition between property developers may result in increased costs for land acquisition, oversupply of properties and a slowdown in the approval process for new property developments by the relevant government authorities.

EMPLOYEES

As of December 31, 2018, 2019 and 2020, we had 9,576, 10,385 and 11,368 employees, respectively.

We place great emphasis on the training and development of our employees and provide a wide range of training programs for them. In addition to providing internal courses, we also engage outside professionals and consultants to organize seminars and training courses to equip our employees with new knowledge in the industry. We also sponsor our employees to attend external training programs organized by various institutions to acquire advanced knowledge and skills.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by governments. All of our Hong Kong employees have joined a Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF scheme, each of us and our employees make a minimum monthly contribution to the scheme of 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation. In addition, as stipulated by the rules and regulations in the PRC, we and our employees are required to make monthly contributions to state-sponsored social labor insurance plans and housing reserve funds for the benefit of our employees in the PRC. The amounts of such contributions depend on local laws and regulations. We have no further obligations in respect of the actual payment of pensions beyond these contributions. The state-sponsored plans are responsible for the entire pension obligations payable to retired employees.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

LEGAL PROCEEDINGS

We are involved in various legal proceedings arising out of the ordinary course of our business with various parties involved in the development, sale and leasing of our properties, including contractors, suppliers, partners, purchasers and lessees.

We believe the ultimate outcome of our legal proceedings would not, individually or in aggregate, have a material adverse effect on our financial position, results of operations or cash flow. However, there can be no assurance that we will not be involved in a larger number of proceedings after the date of this offering memorandum or that the outcome of such proceedings commenced after the date of this offering memorandum will not materially and adversely affect our financial position, results of operations or cash flow.

INSURANCE

We carry third-party liability and fire insurance on certain completed developments in which we have an interest. We maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We generally do not maintain any insurance for our projects under development as it is a standard term in construction contracts in the PRC that the contractors bear the risk associated with the construction of the project. However, we may purchase such insurance if required by our creditors in respect of properties pledged to them. In addition, there are certain types of losses, such as losses from forces of nature, that are generally not insured because they are either uninsurable or because insurance cannot be obtained on commercially reasonable terms. This practice is consistent with what we believe to be the industry practice in the PRC.

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. Each of our property developments is required to undergo environmental assessments and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of property development. Although we have not submitted the environmental impact assessment documents with the local authorities with respect to

certain projects, we have nonetheless obtained the relevant government approvals to commence the development of these projects. We do not believe that such failure to submit the environmental impact assessment documents has resulted in any, nor do we believe that it will result in any, material impact on these projects. On the completion of each property development, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record. We believe that our operation is in compliance with currently applicable national and local environmental regulations in all material respects.

HEALTH AND SAFETY MATTERS

We outsource all construction work to independent construction contractors and require them to comply with the required safety standards in accordance with written agreements. The contractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority.

Under PRC law, we, as a property developer, are subject to very limited potential liability to the workers on and visitors to our construction sites, as the construction contractor assumes responsibility for the safety of the construction site. The main contractor takes overall responsibility for the site and the subcontractors are required to comply with the protective measures adopted by the main contractor. A contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries.

Our measures have been sufficient to meet the applicable safety standards, and we have not encountered any serious construction-related accidents or been charged for violations of safety standards.

MANAGEMENT

The following table sets forth certain information with respect to our directors and executive officers as of the date of this offering memorandum.

<u>Name</u>	<u>Age</u>	<u>Position</u>
<i>Executive Directors</i>		
Chu Kut Yung	32	Executive Director and Chairman
Zhang Fan	55	Executive Director and Co-president
Au Wai Kin	65	Executive Director
Xie Bao Xin.	41	Executive Director and Chief Financial Officer
Bao Wenge.	44	Executive Director
<i>Independent Non-executive Directors</i>		
Tan Leng Cheng, Aaron	65	Independent Non-Executive Director
Ching Yu Lung.	51	Independent Non-Executive Director
Ip Wai Lun, William.	64	Independent Non-Executive Director
<i>Executive Officers</i>		
Zheng Yaoqin.	58	Vice President
He Hui.	40	Assistant President
Cai Zhonghui.	41	Assistant President

DIRECTORS

Executive directors

Chu Kut Yung, aged 32, graduated from the Renmin University of China (中國人民大學), majoring in Finance. She joined the Group in 2006 and held the position as Assistant to President from 2009 to 2011. She was appointed as an Executive Director of the Company in November 2011 and was appointed as the Executive Vice President of the Company in March 2012. Ms. Chu had been the Deputy Chairman of the Company since July 11, 2013 until she was appointed as the Chairman of the board of directors of the Company (the “**Board**”) on January 10, 2020. Ms. Chu has solid experience in investment and management. She is also the chairman of the Nomination Committee of the Company and a member of the Option Shares Committee and the Finance Committee of the Company.

Zhang Fan, aged 55, holds a postgraduate qualification. Mr. Zhang joined the Group in March 2018 as chairman of the eastern regional company of the Group. In 2019, Mr. Zhang worked as the vice-president of the Group cum manager of the Guangdong-Hong Kong-Macao Greater Bay Area investment development committee of the Group. Mr. Zhang has been appointed as the co-president of the Group since January 2020. Mr. Zhang has been appointed as an Executive Director of the Company in November 2020. Mr. Zhang has substantial experience in corporate investment and operational management, primarily responsible for the optimization of the Group’s overall investment management system and operation management system, improvement in the Group’s primary and secondary land development models and national land development work, successfully expanding various first-level projects, formulating reform measures such as the Group’s development strategy and action plan, co-investment mechanism, adjustment of key position personnel, organizing the establishment of a large-scale operation management and control system, coordinating management and control operations, development and other pipelines to improve management and control operation efficiency and per capita effectiveness, and assisting projects to introduce industrial resources from multiple dimensions, strengthening the Group’s legal work and continuous improvement in the risk control level of the Group’s investment. He is also a member of the Option Shares Committee and the Finance Committee of the Company.

Au Wai Kin, aged 65, has been an Executive Director of the Company since 1997. Mr. Au joined the Group in 1995. He is also a director of various subsidiaries of the Company. Mr. Au graduated from Sun Yat-Sen University in Guangzhou and has over 20 years' experience in construction of buildings, town planning, real estate investment and property development. He is also a member of the Option Shares Committee and the Finance Committee of the Company.

Xie Bao Xin, aged 41, joined the Group in July 2002 and was the General Manager of Finance and Investment Management Centre of the Group and the members of the Group established in the Guangzhou District. He graduated from the Sun Yat-Sen University Lingnan (University) College and obtained a Bachelor degree in Economics. He has over ten years of experience in real estate and finance management. Mr. Xie has been appointed as Executive Director and Chief Financial Officer of the Company since July 11, 2013. He is also a director of certain subsidiaries of the Company. He is also a member of the Option Shares Committee and the Finance Committee of the Company.

Bao Wenge, aged 44, is a Vice President of the Group and Chairman of business investment department. He is also a director of certain subsidiaries of the Company. He graduated from the Tianjin University of Commerce and obtained a Bachelor degree in Economics. Mr. Bao joined the Group in 2000. He has worked in the real estate industry for over 20 years and successfully carried out several large-scale real estates projects. He is familiar with the operation of commercial properties, office buildings, residential projects, and hotel and property management. He has over 20 years of experience in real estate operation and management, marketing and operation management. Mr. Bao has been appointed as an Executive Director of the Company since November 18, 2014. He is also a member of the Option Shares Committee and the Finance Committee of the Company.

Independent Non-Executive Directors

Tan Leng Cheng, Aaron, aged 65, has been an Independent Non-executive Director of the Company since July 2, 2010. Mr. Tan currently serves as Senior Advisor to a global financial services firm and is also an independent non-executive director of a local bank. Prior to this, Mr. Tan was the managing director and head of the Hong Kong investment banking business of Barclays Capital. Mr. Tan holds a Bachelor of Commerce degree from the University of Alberta and has obtained a Master of Business Administration degree from City University in the United States of America. He is a Fellow Member of the Institute of Canadian Bankers. Mr. Tan has over 25 years of experience in the banking industry in both Canada and Hong Kong. Mr. Tan had held senior positions in several major and international financial institutions including Citicorp, JP Morgan Chase and HSBC. Mr. Tan has a wide breadth of experience in corporate and investment banking as well as capital markets. Mr. Tan was formerly the Vice Chairman of the Hong Kong Capital Markets Association. He is also the chairman of the Audit Committee, the Remuneration Committee and the Connected Transactions/Related Party Transactions Committee of the Company, as well as a member of the Nomination Committee of the Company.

Ching Yu Lung, aged 51, has been an Independent Non-executive Director of the Company since July 1, 2015. Mr. Ching currently serves as the chief financial officer of a company listed on the Stock Exchange. Mr. Ching also serves as the independent non-executive director of each of Shenzhen Investment Holdings Bay Area Development Company Limited (stock code: 737), Ngai Hing Hong Company Limited (stock code: 1047), Termbray Industries International (Holdings) Limited (stock code: 93) and AMVIG Holdings Limited (stock code: 2300), all of them are listed on the Main Board of the Stock Exchange. He obtained a bachelor's degree in business administration from the Chinese University of Hong Kong and an executive master degree in business administration from Tsinghua University in 1992 and 2006, respectively. Mr. Ching is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, and member of American Institute of Certified Public Accountants. He has more than 28 years of experience in auditing, corporate finance and accounting. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Connected Transactions/Related Party Transactions Committee of the Company.

Ip Wai Lun, William, aged 64, has over 26 years of investment banking experience in Asia, with a focus on Greater China and Japan. Mr. Ip was the executive director in the mergers and acquisitions department of SMBC Nikko Securities (Hong Kong) Limited during the period between April 2012 to January 2021. He served as the managing director and head of the investment banking department of Cantor Fitzgerald (HK) Capital Markets Ltd from 2010 to 2012. Prior to 2010, Mr. Ip has also worked at several major investment banks of Chinese and European background. Mr. Ip is a Chartered Financial Analyst Charterholder of the CFA Institute, the U.S.. Mr. Ip has been a Responsible Officer for Type 1, Type 4 and Type 6 (including giving advice on matters falling within the ambit of The Codes on Takeovers and Mergers and Share Buy-backs (as amended from time to time)) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). Mr. Ip obtained a Bachelor of Science in Economics and a Master of Science in Economics from London School of Economics and Political Science, University of London. He also earned a Master of Business Administration (MBA) from the Wharton School of Finance, University of Pennsylvania. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Connected Transactions/Related Party Transactions Committee of the Company.

Executive Officers

Zheng Yaoqin, aged 58, is a Vice President of the Group and Chairman of Guangdong Hechuang Construction Company Limited. Mr. Zheng graduated from Guangdong University of Technology. He is a national first-class registered architect and senior engineer. He served as the General Manager of Guangdong Hanjian Construction Company Limited (廣東韓建工程總承包有限公司) and the General Manager of Guangdong Zhujiang Engineering Construction Limited (廣東珠江工程總承包有限公司). He joined the Group as Deputy General Manager of Northern China regional office of the Group and the General Manager of Guangdong Hechuang Construction Company Limited in 2015. Mr. Zheng has extensive experience in real estate development, engineering management and cost control.

He Hui, aged 40, is an Assistant President of the Group and President of Hopson Capital Group. Ms. He graduated from University of International Business and Economics with a Bachelor degree. She joined the Group in 2004 and has served as Financing Manager, Vice General Manager and then General Manager of Investment and Financial Management Centre, General Manager of group operation platform, General Manager of Hopson Capital Investment and others. Ms. He has wide exposure in capital market operation, equity investment and investment and financing of real estate.

Cai Zhonghui, aged 41, is an Assistant President of the Group and the Executive Vice President of the Business Management Sector. Mr. Cai graduated from Sun Yat-Sen University with a master degree. He joined the Group in 2007. He has engaged in marketing, residential and commercial operations, investment and other work in the Group. He took lead in the management of a number of residential real estate and commercial complex projects, and has extensive investment and management experience.

BOARD COMMITTEES

Audit Committee

We have established an audit committee as required under the Listing Rules. The audit committee currently consists of three Independent Non-Executive Directors, Tan Leng Cheng, Aaron, Ching Yu Lung and Ip Wai Lun, William. Tan Leng Cheng, Aaron has been appointed as the chairman of the audit committee. The audit committee is authorized to obtain outside legal or other independent professional advice if it considers necessary. The primary duties of the audit committee are to make recommendations on the appointment, reappointment and removal of external auditor and to consider the terms of such appointments; to develop and implement policies on the engagement of external auditor for non-audit services; to monitor the integrity of the financial statements, annual and interim reports to ensure that the information presents a true and balanced assessment of our financial position; to ensure the management

has fulfilled its duty to maintain an effective internal control system; to review our internal audit program and to ensure that it is allocated with adequate resources and is effective; and to review the external auditor's management letter and any questions raised by the auditor to the management and the management's response.

Remuneration Committee

We have established a remuneration committee as required under the Listing Rules. The remuneration committee currently consists of three Independent Non-Executive Directors, Tan Leng Cheng, Aaron, Ching Yu Lung and Ip Wai Lun, William. Tan Leng Cheng, Aaron has been appointed as the chairman of the remuneration committee. The remuneration committee assists our board in achieving its objective of attracting and retaining directors and senior management of the highest caliber and experience needed to develop our business successfully. The remuneration committee is charged with developing a fair and transparent procedure for determining the remuneration policies and packages of the directors and senior management of the Company. It formulates remuneration policy for approval by the Board; establishes guidelines for the recruitment of the chief executive and senior management; recommends to the Board the policy and structure for the remuneration of directors, including non-executive directors and the chief executive and senior management; determines the remuneration packages of executive directors and senior management, including benefits-in-kind, pension rights and compensation payments; reviews and approves the compensation arrangements in connection with dismissal or removal for misconduct to directors and senior management; determines the criteria for assessing employee performance; and considers the annual performance bonus for executive directors, senior management and general staff and make recommendations to the Board.

Nomination Committee

We have established a nomination committee as required under the Listing Rules. The nomination committee currently consists of one Executive Director, Chu Kut Yung and three Independent Non-Executive Directors, Tan Leng Cheng, Aaron, Ching Yu Lung and Ip Wai Lun, William. Chu Kut Yung has been appointed as the chairman of the nomination committee. The nomination committee formulates nomination policy for the Board's consideration and implements the Board's approved nomination policy. The nomination committee also reviews the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, length of service, skills, knowledge and professional experience) of the Board and makes recommendations on any proposed changes to the Board to complement our corporate strategy; identifies individuals qualified to become the Board members and selects or makes recommendations to the Board on the selection of individuals nominated for directorships; assesses the independence of independent non-executive directors; makes recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and chief executive; reviews our board's diversity policy, as appropriate, and reviews the measurable objectives that the Board has set for implementing the board's diversity policy and the progress on achieving the objectives; does any such things to enable the nomination committee to discharge its powers and functions conferred on it by the Board; and conforms to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in our Bye-Laws or imposed by legislation.

Connected Transactions/Related Party Transactions Committee

We have established a connected transactions/related party transactions committee. The connected transactions/related party transactions committee currently consists of three Independent Non-Executive Directors, Tan Leng Cheng, Aaron, Ching Yu Lung and Ip Wai Lun, William. Tan Leng Cheng, Aaron has been appointed as the chairman of the connected transactions/related party transactions committee. The connected transactions/related party transactions committee is primarily responsible for reviewing all continuing connected transactions and related party transactions to ensure that they are conducted on normal commercial terms and in the ordinary and usual course of business; and for recommending to the Board any corrective measures, if needed.

Option Shares Committee

We have established an option shares committee. The option shares committee current consists of any two Executive Directors elected from time to time by the Board at the time of any committee meeting when issues arising from our share option scheme, which we adopted on November 4, 2002 (the “**November 2002 Share Option Scheme**”), are presented. The option shares committee is primarily responsible for dealing with the allotment and issue of our shares upon the exercise of options that have been granted or are to be granted under the November 2002 Share Option Scheme.

Finance Committee

We have established a finance committee. The finance committee currently consists of any three Executive Directors and a chairman shall be nominated for each finance committee meeting among the three committee members. The finance committee is primarily responsible for approving and dealing with debt financing for the Group’s matters which are within the normal and ordinary course of business and do not require approval by the shareholders in general meetings. Such debt financing include borrowing or raising any money by and for the Company or any of its subsidiaries in the normal and ordinary course of business, or securing by guarantee the payment of money on the debt obligations or the performance or fulfilment of any obligation of any subsidiary of the Company under any loan agreement, finance document or contract for raising money entered into by such subsidiary in the normal and ordinary course of business, provided that the power and authority of the finance committee shall not be extended to: matters outside the normal and ordinary course of business of the Company or its relevant subsidiary; any decision to change the general character or nature of the business of the Company and its subsidiaries, taken as a group; matters relating to any notifiable transaction or connected transaction within the meaning under the Listing Rules; matters which, according to the Listing Rules, require approval at a full Board meeting or by the Independent Non-Executive Directors; matters which, according to the Listing Rules or the Bye-laws of the Company, require approval by the shareholders of the Company in general meeting; and matters involving a conflict of interest for any director of the Company.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Our executive directors and independent non-executive directors received aggregate remuneration and benefits in kind of HK\$10.5 million (US\$1.4 million), HK\$1.0 million (US\$0.1 million) for the year ended December 31, 2020, respectively.

We do not have service contracts with any of our directors, supervisors and executive officers that provide for benefits upon termination of employment.

DIRECTORS’ INTEREST IN SECURITIES

As of December 31, 2020, the interests of our directors and their associates in our equity securities were as follows:

<u>Name of director</u>	<u>Capacity</u>	<u>Number and class of securities held</u>	<u>Approximate percentage of our issued share capital</u>
Au Wai Kin	Corporate interests	34,500,000 ⁽¹⁾	1.57%
Chu Kut Yung	Corporate interests	1,014,000 ⁽²⁾	
	Personal interests	1,000,000	0.09%

Notes:

- (1) Mr. Au Wai Kin held 34,500,000 shares of the Company through Yield Plentiful Incorporated, a company wholly-owned and controlled by him.
- (2) Ms. Chu Kut Yung held 1,014,000 shares of the Company through Ju Rong Investment Holdings Limited, a company wholly-owned by her.

SUBSTANTIAL SHAREHOLDERS

As of December 31, 2020, persons who had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by us under Section 336 of the Securities and Futures Ordinance of (Chapter 571 of the Laws of Hong Kong) (the “SFO”) are as follows:

<u>Name of shareholder</u>	<u>Capacity and nature of interests</u>	<u>Number of issued shares</u>	<u>Approximate percentage of shares outstanding</u>
Sounda Properties Limited ⁽¹⁾	Beneficial owner	1,160,363,809	52.95%
Mr. Chu Mang Yee ⁽¹⁾	Interest of controlled corporation	1,160,363,809	52.95%
Farrich Investments Limited ⁽²⁾	Beneficial owner	395,246,625	18.03%
TheBest Investments Limited ⁽²⁾	Interest of controlled corporation	395,246,625	18.03%
Clear Build Investments Limited ⁽²⁾	Interest of controlled corporation	395,246,625	18.03%
Mr. Chu Yat Hong ⁽²⁾	Interest of controlled corporation	395,246,625	18.03%

Notes:

- (1) 1,160,363,809 shares were held by Sounda Properties Limited, which is wholly-owned by Mr. Chu Mang Yee. Mr. Chu Mang Yee was deemed to be interested in 1,160,363,809 shares under the SFO.
- (2) 395,246,625 shares were held by Farrich Investments Limited which is a wholly-owned subsidiary of TheBest Investments Limited. The entire issued share capital of TheBest Investments Limited is held by Clear Build Investments Limited which is in turn wholly-owned by Mr. Chu Yat Hong. Each of TheBest Investments Limited, Clear Build Investments Limited and Mr. Chu Yat Hong was deemed to be interested in 395,246,625 shares under the SFO.

Except as disclosed above and under “Management – Directors’ Interest in Securities”, as of December 31, 2020, no person had interests or short positions in the shares and underlying shares that was required to be recorded under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The following is a summary of material transactions we have engaged in with our direct and indirect shareholders, affiliates of our shareholders and other related parties, including those in which we or our management have a significant equity interest. We believe each of these arrangements as described below have been entered into on arm's length terms or on terms that we believe have been at least as favorable to us as similar transactions with non-related parties. For a further discussion of related party transactions, see note 43 to our audited consolidated financial statements for the year ended December 31, 2020, note 42 to our audited consolidated financial statements for the year ended December 31, 2019, each of which is included elsewhere in this offering memorandum.

We established the Connected Transactions/Related Party Transactions Committee on October 4, 2005 which currently consists of three Independent Non-Executive Directors, Tan Leng Cheng, Aaron, Ching Yu Lung and Ip Wai Lun, William. The Connected Transactions/Related Party Transactions Committee is responsible for reviewing all continuing connected transactions and related party transactions to ensure that they are conducted on normal commercial terms and in the ordinary and usual course of business of the Group and to recommend to the Board corrective measures in such transactions if needed.

SALES AND PURCHASE OF GOODS AND SERVICES WITH RELATED PARTIES

From time to time, we engage in the sale and purchase of goods and services with minority shareholders of certain subsidiaries of our Company and subsidiaries of these minority shareholders.

For the years ended December 31, 2018, 2019 and 2020, we provided services, including property management services, property construction services, building design services, shop and office lease services, heating services, hotel management services, office lease services and/or commercial real estate management services to the related parties amounting to approximately HK\$142.8 million, HK\$283.4 million and HK\$641.0 million (US\$82.7 million), respectively.

For the years ended December 31, 2018, 2019 and 2020, we received goods and services from the related parties amounting to approximately HK\$404.1 million, HK\$1,701.7 million and HK\$1,390.4 million (US\$179.3 million), respectively. Such goods and services include property construction services, property construction supervision services, electricity installation, low voltage system and intelligent building system installation and consultancy service on budgeting and/or cost control for construction work, office lease services, information technology related services and/or marketing services.

KEY MANAGEMENT COMPENSATION

See "Management – Compensation of Directors and Senior Management."

AMOUNTS DUE FROM/TO RELATED PARTIES⁽¹⁾

As of December 31, 2018 and 2019 and 2020, amounts due from related parties, including a joint venture, our associates, and related companies⁽¹⁾, were approximately HK\$52.5 million, HK\$116.1 million, and HK\$343.9 million (US\$44.4 million), respectively.

Note (1): These related companies are owned by the son, the brother and the brother-in-law of Mr. Chu Mang Yee (the controlling shareholder and former Chairman of the Board and executive director of the Company) and brother and uncles of Ms. Chu Kut Yung (Chairman of the Board and executive director of the Company).

As of December 31, 2018 and 2019 and 2020, amounts due to our related parties, including our associate, joint ventures, and related companies⁽¹⁾, amounted to approximately HK\$3,040.3 million, HK\$3,383.5 million and HK\$1,635.0 million (US\$210.9 million), respectively.

As of December 31, 2018 and 2019 and 2020, we had accounts payable of approximately HK\$454.7 million, HK\$829.0 million and HK\$916.9 million (US\$118.3 million) due to certain related companies⁽¹⁾ in respect of property construction.

As of December 31, 2020, all outstanding balances with related companies, associates and joint ventures were denominated in Renminbi, unsecured, non-interest bearing and without pre-determined repayment terms.

ACQUISITION OF SUN EXCEL INVESTMENTS LIMITED (“SUN EXCEL”)

On November 3, 2010, our Group entered into an agreement with Farrich Investments Limited (“**Farrich**”) (and subsequently amended and supplemented on 13 December 2010 and 26 October 2012), a related company, to acquire 100% equity interests in Sun Excel at a total consideration of RMB6,605,066,000. The consideration would be satisfied by (i) cash of RMB2,313,787,000, and (ii) the issuance of 523,246,625 shares of our Company for RMB4,291,279,000 (US\$553,370,687), on the basis that the construction will be fully completed by Farrich at its own cost.

The sole asset of Sun Excel is its 100% interests in Beijing Chuanghe Fengwei Real Property Development Co. Limited (formerly known as Beijing Chuanghe Fengwei Technology Investment and Management Co. Limited) (“**Project Co A**”) and Beijing Shengchuang Hengda Real Property Development Co. Limited (formerly known as Beijing Shengchuang Hengda Technology Investment and Management Co. Limited) (“**Project Co D**”). Project Co A and Project Co D hold the land use rights of a piece of land in Tongzhou District, Beijing, Mainland China (the “**Project**”).

The acquisition of Sun Excel was completed in October 2013 and 523,246,625 shares were issued by the Company. As at December 31, 2020, cash consideration of RMB2,313,787,000 (US\$354.6 million) out of the total cash consideration of RMB2,313,787,000 was paid, representing the amount of construction work completed by Farrich. The acquisition costs paid were recognised as investment properties under development and prepayments for construction work.

UNDERTAKING PROVIDED BY MR. CHU MANG YEE, OUR CONTROLLING SHAREHOLDER, TO THE GROUP IN RELATION TO THE ACQUISITION OF PANYU ZHUJIANG REAL ESTATE LIMITED* (“PANYU ZHUJIANG”)

In March 2010, the Group completed the acquisition of the entire interest in Panyu Zhujiang from Hanjiang Construction Installation Project Limited, now known as Guangdong Hanjiang Engineering Construction Limited (“**Hanjiang**”) (together with its subsidiaries and its associates, “**Hanjiang Group**”). Panyu Zhujiang possesses the right to develop a piece of land in Panyu District, Guangdong, Mainland China. Hanjiang Group agreed to perform and complete all necessary demolition and preparation work to obtain the land use right certificate at its own expense. In relation to the Group’s acquisition of Panyu Zhujiang, Mr. Chu Mang Yee, our controlling shareholder, the former Chairman of the Board and a former executive director of the Company, has undertaken to the Group to guarantee the due and punctual performance by Hanjiang Group of its obligations in relation to the land (subject to a maximum amount of RMB3,600 million). As at December 31, 2020, Hanjiang Group was in the process of applying the land use right certificates.

UNDERTAKING PROVIDED BY MR. CHU MANG YEE, OUR CONTROLLING SHAREHOLDER, TO THE GROUP IN RELATION TO ACQUISITION OF BELIEVE BEST INVESTMENTS LIMITED (“BELIEVE BEST”)

In 2007, the Group completed the acquisition of 80% of the issued share capital of Believe Best from Mr. Chu Mang Yee, our controlling shareholder, the former Chairman of the Board and a former executive director of the Company. Believe Best has, through its indirect wholly-owned subsidiary (the project company), a piece of land for property development in Chaoyang District, Beijing, Mainland China (known as the “**Jing Run Project**”). In August 2019, the Group acquired 2.5% of the entire issued share capital of Believe Best from a minority shareholder of Believe Best. As a result of which, Believe Best has been owned by the Group as to 82.5% and Mr. Chu Mang Yee as to 17.5% since 13 August 2019.

In relation to our interest in the Jing Run Project through our interest in Believe Best, Mr. Chu Mang Yee, has (i) fully guaranteed the bank loans which were used by the project company for the demolition and relocation of the extra public greenfield site peripheral to the Jing Run Project at the request of the local government; and (ii) undertaken to the Group to be responsible for the excess amount, if any, being the difference in the unit cost per square metre (including the demolition and relocation fees for the extra public greenfield site and the land transfer fees as compared with the original agreed valuation price of Jing Run Project) for the gross floor area to be developed, payable by the project company in respect of any increase in plot ratio as the government may approve. The demolition and relocation work on the extra public greenfield is ongoing and related costs of approximately RMB1,630 million (US\$210.2 million) had been incurred by us up to December 31, 2020. Such additional costs may be compensated by an increase in plot ratio for the Jing Run Project, although government approval for increase in plot ratio is pending.

DISPOSALS OF LAND USE RIGHTS TO MR. CHU MANG YEE, OUR CONTROLLING SHAREHOLDER

In May 2012, our Group entered into agreements to dispose of its land use rights of two pieces of land in Panyu District, Guangdong, Mainland China and Baodi District, Tianjin, Mainland China to Mr. Chu Mang Yee, our controlling shareholder, the former Chairman of the Board and a former executive director of the Company, for considerations of RMB29,258,305 and RMB2,500,000, respectively.

The transactions have not yet been completed as of December 31, 2020. It is expected that the Group will recognise gain on disposals, net of tax, of approximately RMB9.8 million (US\$1.3 million) upon completion of the transactions.

The following is a brief description of our related party transactions which also constituted our significant continuing connected transactions and/or connected transaction(s) under the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

ON-GOING TRANSACTIONS WITH HANJIANG AND/OR CHU’S CONTROLLED ENTITIES

On April 22, 2015, the Company entered into a framework agreement (the “**2015 Framework Agreement**”) with the Hanjiang Group in respect of certain recurring transactions between our Group and Hanjiang Group for a term of three years ended December 31, 2017.

As of the date of the 2015 Framework Agreement, Hanjiang was 99% owned by Mr. Chu Yat Hong who is the son of Mr. Chu Mang Yee (our controlling shareholder, the former Chairman of the Board and a former executive director of the Company) and brother of Ms. Chu Kut Yung (the Chairman of the Board and an executive director of the Company). In addition, Mr. Chu Yat Hong also indirectly owned approximately 17.61% of the shares of the Company. Accordingly, Hanjiang was a connected person of the Company and the 2015 Framework Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Hanjiang subsequently underwent restructuring on October 14, 2016 and as a result, members of Hanjiang Group that entered into transactions with our Group under the 2015 Framework Agreement (the “**Previous Contracting Parties**”) became either directly or indirectly held by Mr. Chu Yat Hong or Mr. Chu Wai Hong who is the son of Mr. Chu Mang Yee (our controlling shareholder, the former Chairman of the Board and a former executive director of the Company) and brother of Ms. Chu Kut Yung (the Chairman of the Board and an executive director of the Company).

The 2015 Framework Agreement expired on December 31, 2017. On April 26, 2018, the Company entered into a framework agreement (the “**2018 Framework Agreement**”) with Mr. Chu Yat Hong and Mr. Chu Wai Hong to govern certain recurring transactions between our Group and companies which are associates of either Mr. Chu Yat Hong or Mr. Chu Wai Hong (including the Previous Contracting Parties) (collectively, “**Chu’s Controlled Entities**”) in the three financial years ended December 31, 2020. The recurring transactions as contemplated under the 2018 Framework Agreement include (i) services to be provided/premises to be leased by Chu’s Controlled Entities to our Group, including construction, electrical installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work, office lease, information technology related services and/or marketing services; and (ii) services to be provided/premises to be leased by our Group to Chu’s Controlled Entities, including building design, management of vacant properties and delivery of sold property units to purchasers, heating service, hotel management, shop and office lease and/or commercial real estate management. The 2018 Framework Agreement was conditional upon the Company having obtained the approval of the independent shareholders of the Company at a general meeting of the Company.

As both Mr. Chu Yat Hong and Mr. Chu Wai Hong are connected persons of the Company under the Listing Rules, the 2018 Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. The Company has obtained its independent shareholders’ approval of the 2018 Framework Agreement, the transactions contemplated thereunder and the maximum aggregate annual transaction amounts thereof for the three financial years ended December 31, 2020 at a special general meeting of the Company held on June 15, 2018.

On July 2, 2019, the Company entered into a supplemental framework agreement (the “**Supplemental Framework Agreement**”) with Mr. Chu Yat Hong and Mr. Chu Wai Hong, to amend and supplement the 2018 Framework Agreement. Pursuant to the Supplemental Framework Agreement, the scope of services to be provided by our Group to Chu’s Controlled Entities under the 2018 Framework Agreement is extended to include the provision of construction work for certain property development projects of Chu’s Controlled Entities, for a term commencing from the date when it becomes unconditional and ending on December 31, 2020 (the “**New Transaction**”). Further, in light of the extension in the scope of services to be provided by our Group to Chu’s Controlled Entities pursuant to the Supplemental Framework Agreement to include the New Transaction, and the annual transaction amounts in respect of certain transactions under the 2018 Framework Agreement (the “**Revised Transactions**”) for each of the two financial years ended December 31, 2020 were expected to exceed the relevant maximum aggregate annual transaction amounts (the “**Annual Caps**”) for the relevant periods, the Company proposed to (i) revise the Annual Caps in respect of each of the Revised Transactions; and (ii) set the proposed Annual Caps for the New Transaction for the two financial years ended December 31, 2020. The Supplemental Framework Agreement was conditional upon the Company having obtained the approval of the independent shareholders of the Company at a general meeting of the Company.

As both Mr. Chu Yat Hong and Mr. Chu Wai Hong are connected persons of the Company under the Listing Rules, the 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. The Company has obtained its independent shareholders’ approval of the Supplemental Framework Agreement, the New Transaction, the Annual Caps for the New Transaction and the revised Annual Caps for the Revised Transactions for the two financial years ended December 31, 2020 at a special general meeting of the Company held on 29 August 2019.

The 2018 Framework Agreement (as supplemented by the Supplemental Framework Agreement) expired on December 31, 2020. Since our Group expects to continue certain recurring transactions contemplated under the 2018 Framework Agreement and to enter into certain new recurring transactions with the Chu’s Controlled Entities and companies which are associates of Mr. Chu Mang Yee (our controlling shareholder, the former Chairman of the Board and a former executive director of the Company (“**Mr. M. Y. Chu’s Controlled Entities**”, and together with the Chu’s Controlled Entities, the “**Chu Family’s Controlled Entities**”)) in the three financial years ending December 31, 2023, the Company entered into a framework agreement (the “**2021 Framework Agreement**”) with Mr. Chu Mang Yee, Mr. Chu Yat Hong and Mr. Chu Wai Hong on April 30, 2021. The transactions as contemplated under the 2021 Framework Agreement include (i) services to be provided/premises to be leased by the Chu’s Family Controlled Entities to the Group, including construction, consultancy service on cost control for construction work, office lease, information technology related services and enterprise resource planning system services, marketing services and management of a property development project; and (ii) services to be provided/premises to

be leased by the Group to the Chu Family's Controlled Entities, including building design, management of vacant properties, office lease, operational and building management, construction, refurbishments and renovations and smart technology services. The 2021 Framework Agreement is conditional upon the Company having obtained the approval of the independent shareholders of the Company at a general meeting of the Company.

As Mr. Chu Mang Yee, Mr. Chu Yat Hong and Mr. Chu Wai Hong are connected persons of the Company under the Listing Rules, the 2021 Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. The Company proposes to seek the independent shareholders' approval of the 2021 Framework Agreement, the transactions contemplated thereunder and the maximum aggregate annual transaction amounts thereof for the three financial years ending December 31, 2023 at a special general meeting of the Company to be held.

The Company has complied and will comply with the applicable requirements under the Listing Rules for the continuing connected transactions as set out above.

CONNECTED TRANSACTION

SUBSCRIPTION AGREEMENT IN RESPECT OF SUBSCRIPTION OF 20% OF META GROUP LIMITED (“YUANZHI CAYMAN”) BY JOYFUL FIT LIMITED (怡康有限公司) (“JOYFUL FIT”), SUBSCRIPTION OF 20% OF HOOPLIFE TECHNOLOGY GROUP LIMITED (合生活科技集團有限公司) (“HOOPLIFE”) BY MILLION SURPLUS DEVELOPMENTS LIMITED (百盈發展有限公司) (“YUANZHI BVI”) AND SUBSCRIPTION OF 30% OF HOPSON TECHNOLOGICAL COMMERCE GROUP LIMITED (“HOPSON COMMERCE”) BY YUANZHI BVI

On 3 November 2020, (i) Joyful Fit, (ii) Yuanzhi Cayman, (iii) Yuanzhi BVI, (iv) Hooplife and (v) Hopson Commerce entered into the subscription agreement (the “**Subscription Agreement**”), pursuant to which:

- (a) Joyful Fit conditionally agreed to subscribe for, and Yuanzhi Cayman conditionally agreed to allot and issue, 25 new ordinary shares of Yuanzhi Cayman (the “**Yuanzhi Shares**”) at a total consideration of US\$182 million (the “**Subscription (I)**”). The Yuanzhi Shares represent 20% of the enlarged share capital of Yuanzhi Cayman immediately following the completion of the Subscription (I) in accordance with the terms of the Subscription Agreement;
- (b) Yuanzhi BVI conditionally agreed to subscribe for, and Hooplife conditionally agreed to allot and issue, 20 new ordinary shares of Hooplife (the “**Hooplife Shares**”) at a total consideration of US\$170 million (the “**Subscription (II)**”). The Hooplife Shares represent 20% of the enlarged share capital of Hooplife immediately following the completion of the Subscription (II) in accordance with the terms of the Subscription Agreement; and
- (c) Yuanzhi BVI conditionally agreed to subscribe for, and Hopson Commerce conditionally agreed to allot and issue, 60 new ordinary shares of Hopson Commerce (the “**Hopson Commerce Shares**”) at a total consideration of US\$12 million (the “**Subscription (III)**”). The Hopson Commerce Shares represent 30% of the enlarged share capital of Hopson Commerce immediately following the completion of the Subscription (III) in accordance with the terms of the Subscription Agreement.

As at the date of the Subscription Agreement, (i) each of Joyful Fit, Hooplife and Hopson Commerce was an indirectly wholly-owned subsidiary of the Company; and (ii) each of Yuanzhi Cayman and Yuanzhi BVI was ultimately 100% held by Mr. Chu Mang Yee, our controlling shareholder. As such, each of Yuanzhi Cayman and Yuanzhi BVI is a connected person of the Company and each of the Subscription (I), the Subscription (II) and the Subscription (III) constitutes a connected transaction of the Company. Completion of the Subscription (I), the Subscription (II) and the Subscription (III) took place on January 29, 2021.

REGULATIONS

LEGAL SUPERVISION RELATING TO THE PROPERTY SECTOR IN THE PRC

Establishment of a property development enterprise

Pursuant to the PRC Urban Real Estate Administration Law (the “Urban Real Estate Law”) promulgated by the Standing Committee of NPC on July 5, 1994, effective on January 1, 1995 and amended on August 30, 2007, August 27, 2009 and August 26, 2019, a property developer is defined as an enterprise which engages in the development and sale of properties for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (the “Development Regulations”) promulgated and implemented by the State Council on July 20, 1998 and amended on January 8, 2011, March 19, 2018, March 24, 2019, March 27, 2020 and November 29, 2020, a property developer is required to meet the following requirements: (i) has a registered capital of not less than RMB1 million; and (ii) has four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom must hold relevant qualification certificates. The Development Regulations also allow the local government of a province, autonomous region or municipality directly under the central government to impose more stringent requirements on the registered capital and the number of professional personnel of a property developer based on local circumstances.

Pursuant to the Development Regulations, to establish a property development enterprise, a property developer is required to register with the local Administration for Industry and Commerce. The property developer must also report its establishment to the property development authority in the location of the registration authority within 30 days upon receipt of its business license.

Pursuant to the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries issued by the State Council in April 2004, the portion of capital-account funding for real estate projects (excluding affordable housing projects) has been increased from 20% or above to 35% or above. Pursuant to the Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets issued by the State Council in May, 2009, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%. However, pursuant to the Notice on Adjusting and Improving the Capital System of Fixed Asset Investment Projects issued by the State Council in September 2015, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects remains 20%, while that for other real estate projects has been reduced to 25%.

Foreign-invested property enterprises

On July 11, 2006, MOC (the predecessor of MOHURD), MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce (“SAIC”) and SAFE jointly promulgated the Opinions on Regulating the Access and Management of Foreign Capital in the Real Estate Market (Jian Zhu Fang [2006] No. 171) (the “Opinions”). According to the Opinions, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- Foreign institutions or individuals who buy property not for their own use in China should follow the principle of “commerce existence” and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope;
- Foreign investors may not carry out property development and business operations until they obtain the Approval Certificates for a Foreign-invested Enterprise and business licenses from the relevant authorities;

- Where the total investment amount of a foreign-invested property enterprise is US\$10 million or more, its registered capital shall be no less than 50% of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital must follow the requirements of the existing regulations;
- For the establishment of a foreign-invested property enterprise, the commerce authorities and the Administration for Industry and Commerce will be responsible for the approval and registration of the foreign-invested property enterprise and the issuance of a temporary Approval Certificate for a Foreign-invested Enterprise (which is only effective for one year) and a temporary business license. Upon full payment of the land grant fee for the land use rights, the foreign-invested property enterprise should apply for the land use rights certificate. With the land use rights certificate, the property developer can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and a formal business license with the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise;
- Transfers of projects or equity interests in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow the relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: a) a written undertaking of fulfillment of the State-owned land use rights grant contract, construction land planning permit and construction work planning permit; b) land use rights certificate; c) documents evidencing the filing for modification with the construction authorities; and d) documents evidencing the payment of tax from the relevant tax authorities; and
- When acquiring domestic property enterprises by way of shares transfer or other means, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with unsound records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, the General Office of MOFCOM enacted the Notice on Relevant Issues concerning the Carrying out the Opinions on Regulating the Access and Management of Foreign Capital in the Real Estate Market (the “Notice on the Real Estate Market”). According to the Notice on the Real Estate Market, if the total investment of a foreign-invested property development enterprise exceeds US\$3 million, the registered capital must not be less than 50% of the total investment amount; if the total investment is less than or equal to US\$3 million, the registered capital must not be less than 70% of the total investment amount. When a foreign investor who merges with a domestic property development enterprise by transferring equity or by other means, the original employees of the merged companies must be arranged properly, bank debts must be settled and the entire consideration for the transfer must be paid off with its self-owned capital in one installment within three months after the date of the issue of the business license. When a foreign investor who merges with a domestic property development enterprise by purchasing equity from other Chinese shareholders of a foreign-invested property development enterprise, the original employees of the merged companies must be arranged properly, bank debts must be settled and the entire consideration for the transfer must be paid off with its self-owned capital in one installment within three months from the effective day of the equity transfer agreement.

On May 23, 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Industry (Shang Zi Han [2007] No. 50) (“**Notice 50**”) which set down the following requirements for approving and supervising of foreign investment in real estate sector:

- foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;

- before applying for the setup of real estate entities with foreign investment, (a) both the land use rights certificates and building ownership certificates should be obtained or, (b) pre-sale or pre-grant contracts for obtaining land use rights or building ownership rights should be entered into;
- entities which have been set up with foreign investment need to obtain approval before expanding their business operations into the real estate sector and entities with foreign investment which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;
- acquisitions of real estate entities and foreign investment in real estate sector by way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- registration should be immediately effected according to applicable laws with MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC government authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those which fail to file with MOFCOM; and
- for real estate entities which are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigation, order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for these entities.

Pursuant to the Law of the Notice of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (Hui Fa [2015] No. 19) (“**Notice 19**”) promulgated by the Comprehensive Department of SAFE on March 30, 2015, effective on June 1, 2015, the capital of a foreign-invested enterprise and the RMB funds obtained from the exchange settlement thereof shall not be used for expenditures, directly or indirectly, beyond the enterprise’s business scope or those prohibited by the laws and regulations of the State. According to Notice 19, except for the original currency transfer of equity investment funds, foreign-invested enterprises with investment as their main business are allowed to, under the premise of authenticity and compliance of their domestic investment projects, carry out based on their actual investment scales direct settlement of foreign exchange capital or transfer the RMB funds in the foreign exchange settlement account for pending payment to the invested enterprises’ accounts.

On November 22, 2010, the General Office of MOFCOM issued the Notice on Strengthening Administration on the Approval and Filing of Foreign-invested Real Estate Enterprises (Shang Ban Zi Han [2010] No. 1542). The Notice stipulates, among other things:

- Further strengthening the examination of property projects involving foreign investment. The commerce departments at the provincial level shall examine the filing materials with the focus on the completeness of the required documents in connection with the lands. Provided that the land use right is not required by law to be granted through competitive bidding, auction and listing-for-sale, the filing party shall submit the materials issued by the land resource administrations demonstrating that the granting is in compliance with national laws and regulations regarding land administration. In addition, MOFCOM will increase the number of random examinations of the foregoing filing materials.
- Further strengthening the supervision of cross-border financing and investment activities and the risks associated with the real estate market and reducing speculative investments. Foreign-invested real estate enterprises are prohibited from purchasing or selling domestic real estate properties completed or under construction for the purpose of arbitrage. MOFCOM, together with MOHURD, SAFE and other departments shall closely examine the filing materials of the foregoing projects for compliance.
- Further strengthening the examination of foreign-invested investment enterprises. Local commerce departments are not permitted to approve foreign-invested investment enterprises engaging in real estate properties development business.
- Further strengthening the control over property development enterprises receiving any foreign investment. Local commerce departments, together with foreign exchange departments and other relevant departments, shall thoroughly examine and control the establishment of any domestic real estate enterprises relating to any foreign investments.
- Further strengthening the approval procedure, supervision and examination of property projects that are established pursuant to mergers, acquisitions or equity-payment-based takeover. MOFCOM together with other relevant departments, shall periodically examine and supervise the utilization of foreign capital for the purposes of establishing such a property project.

Pursuant to the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises promulgated by the General Office of MOFCOM on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, the formation and modification of foreign-funded enterprises that do not involve the implementation of special administrative measures for access as prescribed by the state shall carry out the work of recordation through the integrated foreign investment management information system. Furthermore, pursuant to the Measures for the Reporting of Foreign Investment Information issued by the MOFCOM and the State Administration of Market Regulation on December 30, 2019, which came into effect on January 1, 2020 and replaced the aforesaid Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises, where foreign investors carry out investment activities directly or indirectly in China, foreign investors or foreign-funded enterprises shall report investment information to the commerce authorities.

Qualifications of a property developer

Classifications of a property enterprise's qualification

Under the Development Regulations, a property developer must report its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its Business License. The property development authorities should examine applications for classification of a property developer's qualification by considering its assets, professional personnel and industrial achievements. A property enterprise should only engage in property development projects in compliance with its approved qualification.

Under the Provisions on Administration of Qualification of Real Estate Developers (the "Provisions on Administration of Qualification") promulgated by MOHURD and implemented on March 29, 2000 and amended on May 4, 2015 and December 22, 2018, a property developer shall apply for registration of its qualification. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualification, property enterprises are classified into four categories: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by corresponding authorities. Class 1 qualification should be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualification should be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property developer, after it files its establishment through the website of platform of the qualification examination authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days. The Provisional Qualification Certificate will be effective for one year from its issuance while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer should apply for qualification classification with the property development authority within one month before expiry of the Provisional Qualification Certificate.

The business scope of a property developer

Under the Provisions on Administration of Qualification, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property developer may undertake a property development project anywhere in the country without any limit on the scale of property project. A property developer with class 2 or a lower qualification may undertake a project with a GFA of less than 250,000 sq.m. and the specific scopes of business must be as formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under central government.

The annual inspection of a property developer's qualification

Pursuant to the Provisions on Administration of Qualification, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with property developers of class 2 or lower qualifications must be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under central government.

Development of a property project

Land for property development

The Provisional Regulations of the People's Republic of China on Grant and Transfer of the Rights to Use State-owned Urban Land in Urban Areas (the "Provisional Regulations on Grant and Transfer") promulgated and implemented by the State Council on May 19, 1990 and amended on November 29, 2020, sets out a framework for the grant and transfer of the right to use state-owned land in urban areas. A land user must pay a premium to the government as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use prescribed by the government. Land administration authority under the local government of the relevant municipality or county must enter into a contract with the land user for grant of the land use rights. The land user must pay the grant premium as stipulated in the grant contract. After paying the grant premium in full, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of the land use rights. The Development Regulations provide that the land use rights for a land parcel intended for property development must be obtained through grant except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

The Regulations on the Grant of State-Owned Land Use Right through Competitive Bidding, Auction and Listing-for-Sale (the "2002 Regulations"), as amended by the 2007 Regulations (as defined below) on September 28, 2007 enacted by MLR on May 9, 2002 and enforced on July 1, 2002, provides that land for commercial use, tourism, entertainment and commodity housing development shall be granted by way of competitive bidding, public auction or listing-for-sale. The procedures are as follows:

The land authority under the people's government of the city and county (the "Grantor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid;

The Grantor shall verify the qualification of the applicants to the bidding or auction and, inform and invite the applicants who satisfy the requirements set out in the announcement to participate in the competitive bidding, public auction or listing-for-sale;

Once the winning tender or bidder is determined through competitive bidding, public auction or listing-for-sale, the grantor and the winning tender or bidder shall then enter into a confirmation. The grantor should return the bidding or tender deposit to other bidding or auction applicants;

The Grantor and the winning tender or bidder shall enter into a contract for the grant of state-owned land use rights according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or bidder will be applied to the grant premium to be paid for grant of state-owned land use rights; and

The winning tender or bidder shall apply for the land registration after paying the land premium in full in accordance with the state-owned land use right grant contract. The people's government above the city and county level shall then issue the Land Use Rights Certificate for State-Owned Land.

On June 11, 2003, MLR promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement, which provides that under circumstances where there is only one entity interested in a piece of land, rights to use such land (excluding land to be used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate a plan to address issues regarding the land including its specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design, time

of supply as well as the proposed land premium, which shall not be lower than the minimum price set by the State, and submit such plan to the relevant government for approval. The local land bureau and the interested party will negotiate and enter into a grant contract based on such plan. If two or more parties are interested in the land use rights, such land use rights must be granted by way of tender, auction or putting up for bidding.

On March 31, 2004, MLR together with the Ministry of Supervision promulgated the Notice in Respect of Continuing to Enforce and Supervise the Transfer of Operative Land Use Rights Through Tenders, Bidding and Public Auction, which expressively provides that land use rights transfer in the form of agreement by the excuse of historical difficulties will not be allowed after August 31, 2004.

On September 28, 2007, MLR promulgated the Regulation on Bidding, Auction and Listing Required for Grant of State Owned Construction Land (the “2007 Regulations”), which provides that the grantee of state-owned construction land use rights shall fully pay up the premium for the land use rights specified in the state-owned land grant contract before it could proceed with the relevant procedures for land use rights registration and apply for a state-owned construction land use rights certificate. A land user shall not be granted a state-owned construction land use rights certificate in proportion to the partial payment of the premium that the grantee has paid up. The 2007 Regulations also provided in detail that operative lands for properties to be used for industrial (including land for warehouses but not including land for mining), commercial, tourism, entertainment and commodity residential purposes as well as lands with two or more prospective users must be granted only through competitive bidding.

In order to stop illegal occupation and abusive use of land, prevent overheating in investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council issued the Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land on April 29, 2004 which addresses issues regarding: (i) further governing and rectifying land market; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects to be approved by the State Council.

On May 28, 2020, NPC promulgated the Civil Code of the People’s Republic of China (the “Civil Code”) effective on January 1, 2021, which provides that the construction land use rights may only be created through grant or allotment. The rights to use construction land for industrial, business, entertainment or commercial residential purposes must be granted by means of public tender, auction or listing-for-sale. There are stringent restrictions imposed upon creating the construction land rights through allotment. The Civil Code also requires full compliance with the provisions regarding land uses in other laws and administrative regulations.

On September 30, 2007, MLR issued the Notice on Implementing Several Opinions of State Council on Addressing Housing Hardship Issues Relating to Low Income Families and Further Strengthening the Control of Land Supply, which stipulates: (i) that the supply of land to be used for the development of low-rent housing, economical housing and housing at low or medium price and of small or medium size shall not be less than 70% of the total land supply in any given year and (ii) the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land supplied in order to prevent the competition for land among property developers. Property developers shall develop land for which they have been granted use rights in accordance with the terms of the relevant land use rights grant contract. Any violation of the land use rights grant contract may restrict or prevent such property developers from participating in future land bidding. Generally, the development period for each parcel of land shall not exceed three years.

On January 3, 2008, the State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (Guo Fa [2008] No. 3), which stipulates, among other things:

- The land use standards must be strictly implemented during the process of designing and constructing construction projects and approving construction lands. The land area beyond the land use standard must be deducted accordingly;
- The disposal policies for idle land must be implemented strictly. If the land approved for development remains unused for more than two years, it must be recovered without any compensation by the government according to applicable laws and regulations; even if the land may not be recovered according to relevant laws and regulations, the land should be disposed in time and used efficiently through altering usage of the land, equivalent exchange, arranging temporary use, or bringing into land reserve by the government. An appreciation premium should be levied on the idle land, especially on those used for property development, and the relevant rules will be formulated jointly by MLR and other authorities;
- The area of each parcel of land to be granted should be reasonably determined. The detailed controlling rules and land supply plans should be formulated before granting the land as well as the plot ratio, greenery ratio, and site coverage must be clarified accordingly. The planning stipulations may not be adjusted without relevant approvals;
- The tender, auction and listing-for-sale system for the grant of land used for industry and business purposes must be strictly enforced;
- The land grant contracts or allocation approvals must stipulate or clarify that the government may take back and re-grant the land use rights in relation to the alteration of the land usage from non-business into business;
- Land supply for the development of villas must keep suspended. The minimum plot ratio, the unit numbers on per area of land and the dwelling size for the residential construction must be stipulated in the grant contract or allocation approvals of the land for residential purpose. No less than 70 percent of the land used for construction of urban housing must be designated for residential purposes for low-rent units, affordable homes and smaller units of less than 90 sq.m.; and
- The completion inspection and examination system for construction projects must be improved. Whether the land has been legally used and whether the land grant contracts or allocation approvals have been duly performed should be inspected and examined for the purpose of the completion inspection and examination of the construction projects. The construction projects may not pass the completion inspection and examination procedures without or failing to obtain the approvals from relevant land and resources authorities.

The Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Version) and the “Catalog for Prohibited Land Use Projects (2012 Version) issued by MLR and NDRC in May 2012, set forth ceilings on the amount of land that local governments can grant for the development of commodity housing: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities. These catalogs further provide that the plot ratios of residential property projects should be no lower than 1.0 and that villas and similar projects will be categorized as prohibited land-use projects.

Pursuant to the Notice to Further Strengthen the Management of Revenue and Expenditure Associated with Land Grant (Cai Zong [2009] No. 74), jointly issued by the Ministry of Finance (the “MOF”), MLR, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office on November 18, 2009, payment of land premium must generally be made in full within one year. The payment term may be extended to two years under certain circumstances upon the approval of the competent authorities. The initial down payment may not be less than 50% of the total land grant premium owned by the developers to the government. Property developers will not be permitted to purchase new land if they are unable to pay in full such land grant premium in time. The local governments is forbidden from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

According to the Notice on Problems Regarding Strengthening Control and Monitor of Real Estate Land Supply (the “March 8 Notice”) promulgated by MLR on March 8, 2010, the supply of land for the development of affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of the total land supply in a given year. The land supply for large residential units will be strictly controlled while the supply of land for the development of villa projects is banned. The March 8 Notice also requires that i) the lowest land grant price shall not be less than 70% of the basic land price where the land granted is located, ii) bid deposits made by a property developers shall not be less than 20% of the lowest grant price, iii) a land grant contract must be executed within ten working days after a land transaction is confirmed, iv) the minimum down payment should be 50% of the total land premium which must be paid within one month after the execution of the land grant contract and v) the remaining balance of the land premium shall be paid in accordance with the land grant contract but not later than one year. If the land grant contract is not executed in accordance with the requirement above, the land shall not be delivered and the deposit made by the developer will not be returned. If no grant premium is paid after the execution of the contract, the grant of the land must be withdrawn.

Pursuant to the Circular on Issues Concerning Strict Implementation of Real Estate Land Control Policies and Promotion of Healthy Development of the Land Market promulgated by MLR on December 19, 2010, the competent departments of land and resources of relevant cities and counties must tighten the examination of land bidders’ qualification. Before starting examination, they must conduct online inquiry about the credit records of real estate developers in land development and utilization via the websites of MLR and the competent departments of land and resources of all provinces (autonomous regions and municipalities directly under the central government). Where bidders or their controlling shareholders act in violation of relevant laws, regulations and contracts such as obtaining land by forging official documents, illegally reselling land, illegally transferring land-use-right, leaving land idle for more than one year, and developing and utilizing land in violation of land use rights grant contracts, relevant bidders cannot pass the bidding qualification examination. The competent departments of land and resources of relevant cities and counties must announce acts against relevant laws, regulations and contracts which they discovered during the examination on local media and on the China Land Market webpage of the portable website of MLR. Relevant enterprises and their controlling shareholders cannot participate in land bidding activities before the acts against relevant laws, regulations and contracts are investigated, punished and rectified.

On May 13, 2011, MLR issued the Opinions Regarding Upholding and Improvement of the Systems for the Granting of Land through Tender, Auction and Listing (Guo Tu Zi Fa [2011] No. 63), which, among other things, provide that:

Improving the public notification system for tender, auction and listing (the “TAL”) plans for land to be used for housing

The cities and counties shall establish an announcement mechanism on land parcel conditions for granting of land parcels planned for development and construction based on the yearly plan for granting of land to be used for housing as announced to the society. They shall further refine the land parcels intended for granting, the planning for land zoning and the conditions for use of land according to the granting progress and arrangement. They shall periodically announce detailed information on the use of land for the construction of commodity housing and various types of housing of affordable housing projects to the society.

Adjusting and improving the policies on granting of land through TAL

All places are to select the suitable methods and policies for granting of land in respect of land parcels required to be granted, in light of the local land market and housing construction and development phases. The housing prices or land prices shall be restricted, and the land to be used for policy-based housing shall be granted through listing or auction. Limits shall be prescribed on the construction floor area for affordable housing built in conjunction, and the land to be used for commodity housing shall be granted through listing or auction. Comprehensive assessment of the conditions for development and utilization of land and the price for granting of land shall be conducted, and the person with land use right shall be determined through tender.

Improving the contract for granting of land through TAL

The competent department of land and resources at municipal or county level shall include additional terms in the contract for granting in respect of the granting of land used for policy-based commodity housing with various conditions for development, construction and sale attached thereto in accordance with the current land administration laws and policies, improve the contents of the contract for granting and tighten the supervision after the supply.

On July 19, 2012, MLR and MOHURD jointly issued a notice, reiterating the importance of implementing adjustment and control policies for the property market in China. The central government urged its local counterparts to secure sufficient land supply for construction of low-income housing while closely monitoring land premium in the market to avoid excessive speculation.

Relocation

On January 21, 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-owned Land (the “Expropriation and Compensation Regulation”). The Expropriation and Compensation Regulation provides that, among other things: (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations; (ii) compensation shall be paid before the resettlement; (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal; and (iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations. In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

The termination of land use rights

In accordance with the Land Administrative Law of the People’s Republic of China promulgated by the Standing Committee of NPC on June 25, 1986 and amended on December 29, 1988, August 29, 1998, August 28, 2004 and August 26, 2019, the land administrative authorities may forfeit the state-owned land use rights with the approval of the people’s governments that originally grants the approvals or the relevant competent people’s governments under any of the following circumstances:

- use of land for adjustment in re-building old city districts in order to implement urban construction plans;
- failure by the land user to apply for extension or obtain approval for extension when the term of the land use rights expires;

- cease to use the land for its intended purpose due to cancellation or removal of units; and
- roads, railways, airports and mining sites approved to be abandoned.

Proper compensation should be provided to the land users who lose the land use rights due to circumstances of the preceding paragraph.

Under the Provisional Regulations on Grant and Transfer of State-owned Land Use Rights, the maximum term of the land use rights shall be determined based on the use of the land: (i) 70 years for land used for residential purposes; (ii) 40 years for land used for commercial, tourism and entertainment purposes; (iii) 50 years for land used for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes. According to the Civil Code, the term of the land use rights for residential purpose will be renewed automatically upon expiry. To renew the term of the land use for used for other purposes, a land user must apply at least one year prior to expiration of the term. Such application will generally be approved unless the tract of land needs to be forfeited out of public interest consideration. Once an extension of the term of the land use rights is granted, a land grant contract shall be executed and land premium shall be paid by the developer in accordance with the re-executed land grant contract. If the term of the land use rights expires and the land user has not applied for extension or the application for extension has not been approved, the land use rights shall be returned to the State gratis. Also, the land use rights should terminate with the extinction of the land. Where the construction land use rights is terminated, the grantor shall go through deregistration formalities in time, and the construction land use rights certificate will be taken back by the land registration authority.

Land reserve

In order to control the land market and promote reasonable land utility, MLR, MOF, PBOC and China Banking Regulatory Commission (the predecessor of China Banking and Insurance Regulatory Commission) jointly promulgated the Administration Measures on Land Reserve on January 3, 2018, which regulates that a land reserving institution shall be a public institution established as approved by the people's government at or above the county level, qualifying as an independent legal person, affiliated to the land and resources authority in the political division where it is located, and undertaking the land reserving work in its jurisdiction. The land and resources authorities shall subject land reserving institutions to directory system administration. Subject to the plan for the tract of land, front-end development of reserved land means the construction of road, water supply, electricity supply, gas supply, drainage, communications, fencing, and other infrastructures and land leveling to meet the necessary requirements for "generally leveling." For a specific project, project survey, design, construction, supervision and other entities shall be chosen for construction according to the relevant provisions.

Commencement of development and idle land

Under the Urban Real Estate Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the land use right assignment. According to the Measures on Disposal of Idle Land revised by MLR on May 22, 2012 and effected on July 1, 2012, a parcel of state-owned land can be defined as idle land if:

- the user of the land fails to commence construction within one year after the date of commencement of construction as agreed to and specified in the contract for paid use of state-owned construction land or the land allocation decision; or
- the development and construction of the land has begun, but the area of the development and construction 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 has been continuously suspended for one year or more.

The contract for paid use of state-owned construction land or the land allocation decision must expressly specify the date of commencement of construction, the date of completion and liabilities for breach of contract. In the event that the date of commencement of construction is not specified, the period of construction commencement is one year after the date of the actual transfer of the land. The date of the actual transfer of the land is the date as determined in the land transfer confirmation letter. With respect to idle land caused by acts of governments or relevant governmental departments or force majeure, or in the second scenario above, the administrative departments of land and resources at the municipal or county level will negotiate with the users of state-owned construction land for a proposal to dispose of the idle land, including, but not limited to, extending the time period for development and construction (provided that it shall be no longer than one year), changing the use and/or planned conditions of the land, arranging for temporary use, recovering the right to use state-owned construction land with compensation and replacing the land. The administrative department of land under the people's government of municipality or county level shall, after obtaining approval from the people's government at the same level, arrange for the implementation of the proposal. With respect to idle land caused other than by acts of governments or relevant governmental departments or force majeure, if the construction work has not yet commenced for one year, charges for idle land which is equivalent to 20% of the land price may be imposed on the user of state-owned construction land. If the construction work has remained idle for two years, the right to use the state-owned construction land can be taken back by the administrative departments of land resources at the municipal or county level without any compensation. Furthermore, pursuant to the Measures on Disposal of Idle Land and the Urban Real Estate Administration Law, implemented on January 1, 1995 and amended on August 30, 2007, August 27, 2009 and August 26, 2019 by the Standing Committee of NPC, the charges for idle land or the taking back of the right to use state-owned construction land will not apply where the delay in commencement of development and construction is caused by acts of governments or relevant government departments or force majeure.

In January 2008, the Notice on Promoting the Saving and Intensification of Use of Land issued by the State Council urges the full and effective use of existing construction land and the preservation of farming land and emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium.

Planning

According to the City and Countryside Planning Law of the People's Republic of China (the "City and Countryside Planning Law") promulgated by Standing Committee of NPC on October 28, 2007 and implemented on January 1, 2008 and revised on April 24, 2015 and April 23, 2019, the Measures for Control and Administration of Assignment and Transfer of the Right to Use Urban State-owned Land promulgated by MOC on December 4, 1992 and implemented on January 1, 1993 and amended on January 26, 2011, after signing the assignment contract, a property developer must apply for a construction land planning permit from the city planning authority. A property developer must apply for a construction work planning permit from the city planning authority with relevant requisite documents and the city planning authority shall issue the construction work planning permit according to the relevant city planning requirements. However, the City and Countryside Planning Law further states that for construction projects which are subject to approval or verification by the competent department as required by State provisions, if the right to use of state-owned land is provided through allocation, the developer shall, before submitting the projects to the competent department for approval or verification, apply to the department in charge of urban and rural planning for issuing a position paper of site selection. Such position paper of site selection is not required for other construction projects.

Construction

After obtaining the construction work planning permit, a property developer must apply for a permit for commencement of construction work from the construction authority under the local people's government at the county level or above according to the Measures for the Administration of Permits for Commencement of Construction Work for Construction Projects promulgated by MOHURD on October 15, 1999 and revised on July 4, 2001, June 25, 2014 and September 28, 2018.

According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.

Completion

According to the Development Regulations, the Regulation on the Quality Management of Construction Projects promulgated and implemented by the State Council on January 30, 2000 and revised on October 7, 2017 and April 23, 2019, the Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure promulgated by MOHURD in April 2000 and amended on October 19, 2009, and the Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure promulgated by MOHURD on December 2, 2013, after the completion of construction of a project, a property developer must apply for the acceptance examination upon completion to the property development authority under the people's government at the county level or above and report details of the acceptance examination, upon which a Record of Acceptance Examination upon Project Completion will be issued.

Transfer of Property

Transfer of property

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Property promulgated by MOHURD on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer must enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: i) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; ii) development has been carried out according to the assignment contract and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by allocation, transfer of the real property will be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee must complete the formalities for assignment of the land use rights, unless the relevant statutes require no assignment formalities, and pay the land premium according to the relevant statutes.

Mortgages

Under the Urban Real Estate Law, the Civil Code and the Measures on the Administration of Mortgages of Property in Urban Areas promulgated by MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is created on a building legally obtained, a mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The land use rights of State-owned lands acquired through means of assignment, when being mortgaged, the buildings on the land must also be mortgaged at the same time. The land use rights of the town and village enterprises cannot be mortgaged separately. When buildings of the town and village enterprises are mortgaged, the land use rights occupied

by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee must sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage must register the mortgage with the property administration authority at the location where the property is situated. A property mortgage will become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a building ownership certificate has been obtained, the registration authority shall make an entry under the “third party rights” item on the original building ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity property put to pre-sale or under construction, the registration authority will record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved must re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property. In accordance with the Civil Code, buildings newly constructed on the mortgaged construction land may not belong to the mortgaged properties. Such newly-constructed buildings can be disposed of together with the disposal of the aforesaid right to use construction land so as to realize the mortgage rights, however, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly-constructed buildings.

On April 26, 2017, CBIRC issued the Notice of the China Banking Regulatory Commission on Issuing the Guidelines for the Collateral Management of Commercial Banks, upgrading risk-controlling measures and incorporating the real estate collateral management into its regulation systems.

Leases of buildings

Under the Urban Real Estate Law and the Administrative Measures for Commodity House Leasing promulgated by MOHURD on December 1, 2010 and effective on February 1, 2011, the parties to a lease of a building shall enter into a lease contract in writing. A system has been adopted to register the leases of buildings. When a lease contract is signed, amended or terminated, the parties must register the details with the property administration authority under the local government of the city or county in which the building is situated.

Pre-sale and sale

Pursuant to the Urban Real Estate Law and the Administrative Measures Governing the Pre-sale of Urban Real Estate (the “Administrative Measures”) enacted by MOC on November 15, 1994 and amended on August 15, 2001 and July 20, 2004, respectively, commodity houses which have not been completed may be sold when certain conditions and/or requirements are satisfied. Pre-sale of commodity houses is regulated by an approval system. Developers who intend to pre-sell their commodity houses shall apply to the relevant Real Estate Administration Department of the People’s Government at city or country level and obtain a pre-sale permit.

When commodity houses are pre-sold, the following requirements shall be satisfied according to the Urban Real Estate Law and the Administrative Measures:

- the land premium in respect of the land use rights must be paid in full and the land use right certificate must have been obtained;
- the construction works planning permit and the work commencement permit must have been obtained;
- funds contributed to the development of the project shall amount to at least 25% of the total amount of the project investment, and project progress and the date of completion of the project for use must have been ascertained; and
- the pre-sale approval must have been obtained.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale system of commodity houses. Pursuant to the notice, without the pre-sale approval, the commodity houses are not permitted to be pre-sold and the real estate developer are not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties. With respect to commodity housing projects that have obtained the pre-sale permit, real estate developers shall make information on all houses ready for sale and house prices known to the public within ten days at one time, clearly mark the prices, and sell the houses in strict accordance with the declared prices. All commodity housing pre-sale funds shall be deposited in the escrow accounts and be under the supervision and administration of regulatory institutions, and shall be used for ensuring the construction of commodity housing projects; pre-sale funds may be allocated based on construction progress, but sufficient funds must be kept for ensuring the delivery of construction projects upon completion.

On March 16, 2011, NDRC promulgated the Regulation on Price of Commodity Property, which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect prices and relative charges before sale, such as commission fee and property management fee. No charges not specified in the price tag or made public by the property developers are permitted.

In accordance with the Notice on Strengthening Management of Real Estate Economies and Further Standardizing Real Estate Market Order, promulgated and administered by MOHURD and NDRC on May 11, 2011, the government tightened regulations on the sale and pre-sale of commodity housing. Real estate development enterprises and real estate agents must strictly follow the relevant sale or pre-sale plan and the reported selling prices of their products. Local governments will punish the real estate developers or agents for any of the following situations: (i) selling without permits; (ii) intentionally holding properties; (iii) artificially raising prices; (iv) disseminating false or misleading information or advertisement; (v) avoiding policy on limited purchases; (vi) illegally rebating purchasers or guaranteeing rent after property sales; (vii) failing to publically disclose prices, asking for extra fees, defrauding purchasers on the price or any other illegal activity. For property development projects that fail to disclose pricing information, hide the truth or is strongly complained of by the public, local governments must verify and handle the situation in a timely manner. If the situation is verified, the local government must mandate the project to reorganize and fix the issues with a deadline and may temporarily revoke qualifications for online subscriptions during this period of reorganization. Local governments must also strengthen on-site monitoring, discover illegal and non-conforming practices in a timely manner and, through public disclosure, temporarily stalling pre-sale permits and other methods, strengthen sanctions and supervision. MLR, SAIC, MOF and other government authorities at various levels should be notified of sanctions information in a timely manner.

Property credit

PBOC issued the Notice on Further Strengthening the Management of Loans for Property Business (Yin Fa [2003] No. 121) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity properties as follows:

- The property loan by commercial banks to property enterprises may only be granted by the item of property development rather than cash flow loan item or other loan item. No type of loan can be granted for projects which do not obtain land use rights certificates, construction land planning permits, construction work planning permits and permits for commencement of construction work;
- Commercial banks must not grant loans to property developers to pay off the land premium; and

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment can be increased.

Pursuant to the Guideline for Commercial Banks on Risk Management of Real Estate Loans (Yin Jian Fa [2004] No. 57) issued by CBIRC on August 30, 2004, any property developer applying for property development loans shall have at least 35% of capital required for the development.

According to the Notice on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (Yin Fa [2005] No. 61) promulgated by PBOC on March 16, 2005, from March 17, 2005, in the cities and areas where the price of houses grows too quickly, the first installment of individual home loans increases from 20% to 30%. The commercial banks can independently determine the specific cities or areas under such adjustment according to special situations in different cities or areas.

On May 24, 2006, the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of MOHURD and other Departments on Adjusting the Housing Supply Structures and Stabilizing Property Prices (Guo Ban Fa [2006] No. 37). These regulations on property credit are as follows:

- Strictly impose credit conditions on property development. In order to suppress property development enterprises from storing up land and housing resources by use of bank loans, commercial banks must not provide loans to those property enterprises that fail to meet loan conditions, for example, having a project capital less than 35%. For property development enterprises that have a large amount of idle land and vacant commodity properties, the commercial banks must, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity property that has been idle for more than three years as collateral for loans; and
- Commencing from June 1, 2006, the proportion of initial payment of individual housing mortgage loans must not be lower than 30%. However, considering the demands for housing by the medium and low-income population, the purchase of self-used housing with a GFA no more than 90 sq.m. is still subject to the provision of the initial payment of housing at 20%.

According to the Opinions of MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE on Regulating the Access and Management of Foreign Capital in the Real Estate Market (Jian Zhu Fang [2006] No. 171), effective July 11, 2006 and revised on August 19, 2015, foreign-invested property enterprises which failed to obtain a land use rights certificate, or with less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE must not approve the exchange settlements of foreign loans for such enterprises.

In accordance with the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (Yin Fa [2007] No. 359) jointly issued by PBOC and CBIRC on September 27, 2007, when a borrower applies for individual home loans for his first self-used residential unit with a GFA of more than 90 sq.m., the first installment shall not be less than 30%; in respect to his loan application for additional purchase of residential unit(s), the first installment should not be less than 40%, the loan interest should not be lower than 1.1 times of the benchmark lending rate published by PBOC in the same period and at the same level and the amount of the first installment and interest of the loan should be increased largely based on the number of the purchased apartments. The detailed level of increase should be decided by commercial banks according to the loan risk management principals. The first installment of the commercial flat loans should not be less than 50% with a maximum loan period of 10 years, and the loan interest should be no less than 1.1 times of the benchmark lending rate published by PBOC at the same period and level. The detailed level of first installment, period of loan and interest level should be decided by commercial banks according to the loan risk management principals. To the loan application for commercial-resident apartment, the first installment should be no less than 45% and the loan period and interest should be decided according to the commercial flat loan management rules.

On December 5, 2007, PBOC and CBIRC jointly issued the Supplementary Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (Yin Fa [2007] No. 452), which clarifies that the number of times a purchaser has obtained property mortgage loans must be calculated on a family basis, including the borrowers and their spouse and minor children.

According to the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes issued by PBOC on October 22, 2008, the minimum amount of down payment has been adjusted to 20% since October 27, 2008.

On May 26, 2010, MOHURD, PBOC and CBIRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Housing Unit in Connection with Commercial Mortgage Loans, which provides, among others, that the number of housing units owned by an individual purchaser who is applying for mortgage loans shall be determined by taking into account of all housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that purchasers of second or subsequent housing units shall be subject to different credit policies when applying for mortgage loans.

On September 29, 2010, PBOC and CBIRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies, according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond.

On November 2, 2010, MOHURD, MOF, PBOC and CBIRC jointly issued the Circular on Regulating the Policies for Individual Loan of Public Housing Funds, which provides that (i) for the first purchase of an ordinary residential home with a unit floor area of 90 sq.m. or below, the minimum down payment shall be no less than 20% for individual home loans with public housing funds; (ii) if the unit floor area is more than 90 sq.m., the minimum down payment shall be no less than 30%; (iii) a second time public housing fund mortgage can only be provided to staff whose average living area is lower than the current local average personal living area, for whom the minimum down payment shall be no less than 50%, with the restricted loan used for the purchase of common self-used houses to improve housing conditions, and the mortgage rate shall not be lower than 1.1 times of the public housing fund loan rate for the first purchase for the same period; and (iv) providing a mortgage to a third-time buyer applying for individual home loans with public housing fund shall be ceased.

On June 8, 2012, MOHURD issued the Notice on Adjusting the Interest Rates for Deposition and Loan in the Public Housing Fund (Jian Jin [2012] No. 88), according to which the deposition on the public housing fund carried from the previous year shall gain the interest rate of 2.85% and the rate for the part carried from the current year decreases to 0.4%, and the interest rate for the loan from the public housing fund with the respective term of less than five years (including five years) or more than five years shall be decreased by 0.25% and 0.2%, reaching 4.2% and 4.7%, respectively. From June 8, 2012, cities which carry out pilot projects that utilize housing fund loans to support the affordable housing construction shall implement loan interest rates floating upward 10% of the interest rates for housing fund loans with a term of more than five years.

On April 7, 2017, the CBIRC issued the Guiding Opinions of the China Banking Regulatory Commission on Risk Prevention and Control of the Banking Sector, pursuant to which the regulation and control of real estate credit shall be conducted based on categories, the management and control of real estate risks shall be reinforced and the management of real estate collaterals shall be strengthened.

Insurance of a property project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

In light of the Construction Law enacted by the Standing Committee of NPC on November 1, 1997 and enforced on March 1, 1998, and as amended on April 22, 2011, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the Opinions on Strengthening the Insurance of Accidental Injury in the Construction Work by MOC on May 23, 2003, MOC further emphasized the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

Major Taxes Applicable to Property Developers

Income tax

According to the EIT Law, a uniform income tax rate of 25% applies to the foreign-invested enterprises and the domestic enterprises in the PRC.

Furthermore, the EIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. However, pursuant to the Implementation Rules of the People's Republic of China on the Enterprise Income Tax promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% will be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises unless any lower treaty rate is applicable. Under the EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax at a rate of 25% on their worldwide income. Dividends from PRC subsidiaries are excluded from such taxable worldwide income. Under the implementation rules of the new Enterprise Income Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. However, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

On March 6, 2009, SAT issued the Notice on the Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development effective on January 1, 2008, which specifically stipulate the rules regarding the income, cost deduction, verification of calculated tax cost and other matters with respect to the real estate development enterprise according to the EIT Law and its Implementation Rules.

Value-added tax

The Interim Regulation on Value-Added Tax, which was adopted by the State Council of the PRC on December 13, 1993, and revised on November 10, 2008, February 6, 2016 and November 19, 2017 respectively, provided detailed rules for the application of VAT.

The Ministry of Finance and the State Administration of Taxation promulgated the Pilot Proposals for Levying the Value-added Tax in Lieu of Business Tax on November 16, 2011, and issued Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner on March 23, 2016, as enforced on May 1, 2016, the pilot program of replacing business tax with VAT shall be implemented across the nation. All business tax taxpayers in the construction industry, the real estate industry, the financial industry and the living service industry shall be included in the scope of the pilot program and the payment of business tax shall be replaced by the payment of VAT. On June 18, 2016, the Ministry of Finance and State Administration of Taxation issued the Notice of the Ministry of Finance and the State Administration of Taxation on Further Clarifying the Policies regarding Reinsurance, Immovable Property Leasing and Non-Academic Education in the Comprehensive Promotion of the Pilot Program of Replacing Business Tax with Value-Added Tax, pursuant to which leasing of the properties where construction commences before May 1, 2016 has been granted transitional relief and is subject to VAT at the rate of 5%.

Land appreciation tax

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (the "Land Appreciation Tax Provisional Regulations") which was promulgated on December 13, 1993 and effected on January 1, 1994 and revised on January 8, 2011, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "Land Appreciation Tax Detailed Implementation Rules") which was promulgated and effective January 27, 1995, any appreciation gain from a transfer of property shall be subject to LAT. LAT shall be charged at four levels of progressive rates: 30% for the appreciation amount not more than 50% of the sum of deductible items; 40% for the appreciation amount more than 50% but not more than 100% of the sum of deductible items; 50% for the appreciation amount more than 100% but not more than 200% of the sum of deductible items; and 60% for the appreciation amount more than 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by MOF.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before 1 January 1994 issued by MOF and SAT on January 17, 1995, LAT will be exempted under any of the following circumstances:

- taxpayers construct ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general civilian used residential properties, luxury apartments, villas, resorts etc. are not under the category of ordinary standard residences) and the appreciation amount does not exceed 20% of the sum of deductible items;
- property is taken back and repossessed according to laws due to the construction requirements of the State;
- due to redeployment of work or improvement of living standard, individuals transfer self-used residential property, in which they have been living for five years or more, subject to tax authorities' approval;
- transfers of real properties under property transfer contracts signed before 1 January 1994, regardless of when the properties are transferred; and
- if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the LAT may be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the contract must be the date of signing the Sale and Purchase Agreement. Particular properties projects which are approved by the government for the development of the whole lot of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, the tax-free period may be appropriately prolonged subject to the approval of MOF and SAT.

On March 2, 2006, MOF and SAT issued the Notice on Several Points on Land Appreciation Tax to clarify the relevant issues regarding LAT as follows.

As to the tax collection and exemption in the sale of ordinary standard residential housing as built by taxpayers as well as in the transfer of ordinary residential houses by individual residents:

The notice sets out the standards for ordinary standard residential houses. Where any developers build ordinary residential houses as well as other commercial houses, the appreciation amount of land shall be verified, respectively. Before the day when this notice is publicized, no adjustment will be retroactively made for any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the location of the property, especially any ordinary standard residential houses which have been given the treatment of exemption from LAT upon examination according to the standards for ordinary standard residential houses as determined by the people's government of a province, autonomous region or municipality directly under the central government.

As to the advance collection and settlement of LAT:

- All regions must decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement must be handled in a timely manner, with any overpayment refunded or any underpayment being made up;
- As to any tax that fails to be collected in advance within the advance collection term, the overdue fines must be collected as of the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law as well as its detailed rules for implementation;
- As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up more than 85% of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement must be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning; and

On December 28, 2006, SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (Guo Shui Fa [2006] No. 187) which came into effect on February 1, 2007. Pursuant to the Notice, a property developer must settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT must be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT must be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incomplete development project; or (iii) the land use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (i) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (ii) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (iii) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (iv) other situations stipulated by the local provincial tax authorities.

The notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities will levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the

account book without authorization or refusing to provide taxation information; (iii) the accounts are not well prepared or the cost information, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the taxable income as submitted is unusually low without a justifiable reason. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT collection, on May 12, 2009, SAT released the Rules on the Administration of the Settlement of Land Appreciation Tax (Guo Shui Fa [2009] No. 91), which come into force in June 1, 2009.

On May 19, 2010, SAT issued the Circular on Settlement of Land Appreciation Tax to strengthen the settlement of the land appreciation tax (Guo Shui Han [2010] No. 220). The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of the land appreciation tax, and (ii) the deduction of fees incurred in connection with the property development.

On May 25, 2010, SAT issued the Notice on Strengthening the Collection Land Appreciation Tax (Guo Shui Fa [2010] No. 53), which requires that except for government-subsidized houses, the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region except for the affordable housing. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

Deed tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land site or a building in the PRC will be the obliged taxpayer for deed tax. The rate of deed tax ranges from 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may determine and report their effective tax rates, within the aforesaid range, to MOF and SAT for the record.

Urban land use tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas, which were revised by the State Council on December 31, 2006, as of January 1, 2007, land use tax must be collected from foreign-invested enterprises. The annual tax on every square meter of urban land must be between RMB0.6 and RMB30.0. On July 12, 2013, the Article 7 of Provisional Regulations of the PRC on Urban Land Use Tax was amended by State Council. As at July 12, 2013, taxpayers really have difficulties in paying land use tax and need to be granted regular tax reductions or exemptions, the matter concerned shall be subject to the approval of the local tax authorities at the county level or above.

Real estate tax

Under the Interim Regulations of the People's Republic of China on Real Estate Tax promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986 and amended in January 2011, building tax will be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

Stamp duty

Under the Interim Regulations of the People's Republic of China on Stamp Duty promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988 and amended in January 2011, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate will be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty will be levied on an item basis of RMB5 per item.

Municipal maintenance tax

Under the Interim Regulations on Municipal Maintenance Tax promulgated by the State Council in 1985 and amended in January 2011, taxpayers, whether an individual or otherwise, of consumption tax, value-added tax or business tax are required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

However, on October 18, 2010, the State Council released a circular entitled Notice Issued by the State Council to Unify the Collection of Municipal Maintenance Tax and Education Surcharges on Domestic and Foreign-Invested Enterprises and Individuals (Guo Fa [2010] No. 35) to resume the collection of surtaxes from foreign invested enterprises and foreign enterprises, effective from December 1, 2010. Similar to the rate applicable to the domestic enterprises, the applicable municipal maintenance tax rate for foreign invested enterprises and foreign enterprises is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Education surcharge

Under the Interim Provisions on Imposition of Education Surcharge promulgated by the State Council in April 1986 and amended in June 1990 and in August 2005 and January 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. On October 18, 2010, the State Council released a circular entitled Notice Issued by the State Council to Unify the Collection of Municipal Maintenance Tax and Education Surcharges on Domestic and Foreign-Invested Enterprises and Individuals to resume the collection of education surtaxes from foreign invested enterprises and foreign enterprises, effective from December 1, 2010. Same as the domestic enterprises, the unified applicable education surcharge rate for foreign invested enterprises and foreign enterprises is 3%. Under the Notice on Issues Concerning the Collection of Urban Maintenance and Construction Tax and Education Surcharges upon Foreign-Invested Enterprises (Cai Shui [2010] No. 103) issued by MOF and SAT on November 4, 2010, the education surcharges are imposed upon the value-added tax, consumption tax and business tax for which the foreign-invested enterprises have the tax obligation since December 1, 2010 (inclusive).

Measures on Stabilizing Housing Price

On August 12, 2003, the State Council issued the Circular of the State Council on Promoting the Continuous and Healthy Development of the Real Estate Markets (Guo Fa [2003] No. 18) which could be expected to have a long-term positive effects on the development of the PRC real estate market. This circular provides that (i) the policies for housing supply shall be improved; (ii) the building and management of the economical houses shall be strengthened; (iii) the supply of ordinary commercial residential houses shall be increased; (iv) the system for the cheap house renting shall be established and improved; (v) the construction of the top grade commercial houses shall be controlled; (vi) the collection

and centralization of the housing accumulation fund and the granting of the loans shall be increased significantly; (vii) the mechanism of loan guarantee for personal housing shall be improved; (viii) the supervision on real estate loans shall be strengthened.

On September 24, 2003, MLR promulgated the Notice of the Ministry of State Land and Resources on Strengthening the Land Supply Management and Promoting the Sustainable Sound Development of Real Estate Market (Guo Tu Zi Fa [2003] No. 356) to intensify the control of and further improve the policy on the land supply for real estate development. According to this notice, the land supply for high-end commercial housing shall be strictly controlled and the land supply for building villas shall be ceased.

The General Office of the State Council promulgated the Circular on Stabilizing Housing Price on March 26, 2005, requiring measures to be taken to restrain the housing price from overheating and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of MOHURD and other Departments on Stabilizing Property Prices (Guo Ban Fa [2005] No. 26) which provides that:

Intensifying the planning and control and improving the housing supply structure

Where the housing price is in excessive growth, the supply of ordinary commodity houses at medium or low prices and economical houses are insufficient; the housing construction should mainly involve projects of ordinary commodity houses with medium or low prices and economical houses. The construction of low-density, high-class houses must be strictly controlled. With respect to construction projects of medium-or-low-price ordinary commodity houses, before any supply of land, the municipal planning authority will, according to controlling detailed planning, set forth such conditions for planning and designing as height of buildings, plot ratio and green space. The property authority will, in collaboration of other relevant authorities, set forth such controlling requirements as sales price, type and area. Such conditions and requirements will be set up as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of construction work planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those that turn out to be non-compliant with the construction work planning permits will be revoked.

Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity property at medium or low price range and economical housing should be emphatically increased. Land supply for villa construction will be continuously suspended, and land supply for high-class housing property construction will be restricted.

Adjusting the policies of business tax in the link of house transfer and strictly regulating the collection and administration of tax

Commencing from June 1, 2005, business tax upon transferring a residential house by an individual within two years from the date of purchase will be levied on the full amount of the sale proceeds. For an individual having transferred an ordinary residence after two years from date of purchase, business tax will be exempted. For an individual having transferred a property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the balance between the income from selling the residence and the purchase price.

Practically rectifying and regulating the market order and seriously investigating into and punishing any irregular and rule-breaking sales

The buyer of a pre-sale commodity property is prohibited from conducting any transfer of such building if it is still under construction. A real name system for house purchase should be applied, and an immediate archival filing network system for pre-sale contracts of commodity properties should be carried out.

On July 13, 2006, the General Office of the State Council issued the Notice about Relevant Matters on Establishing State Land Supervision System. In accordance with this notice, MLR will establish State Land Supervision General Office and send its local counterparts State Land Supervision Bureau in order to strengthen supervision and management on land and practice the strictest possible land management system.

On August 31, 2006, the State Council issued the Notice about Relevant Matters on Strengthening Control on Land (Guo Fa (2006) No. 31) in order to hold back the problems of over-fast increase of aggregate amount of construction land, excessive expansion of low cost industrial land, illegal use of land and abusive occupation of cultivated land. Major measures in the notice include (i) adjusting land approval measures for urban construction in accordance with the principle of consistency between powers and responsibilities; (ii) only after guaranteeing the social security fee for the land expropriated farmers can the approval of land expropriation be granted; (iii) the total amount of money from the sale of state-owned land use right shall be fully included into local budget and collected into local government treasury, and the “line of income and expenditure” shall be administrated separately; (iv) raising the standard for land use right fee of newly added construction land. Land use right fee of newly added construction land shall depend on the area actually added. The charging standards for the urban land use tax and the occupation tax of cultivated land shall be increased; (v) the State shall formulate and promulgate a unified minimum standard for granting industrial land applicable across the country. The industrial land shall be granted by tender, auction or quotation and the price for assignment of the Land Use Rights shall never be lower than each and every local minimum standard for granting industrial land; and (vi) prohibiting conversion of agricultural land into construction land “in the name of leasing while actually expropriating” or other illegal ways.

On May 24, 2006, the General Office of the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of MOHURD and other Departments on Adjusting the Housing Supply Structures and Stabilizing Property Prices (Guo Ban Fa [2006] No. 37). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

Practically adjusting the housing supply structure

- The construction of medium and small-sized ordinary commodity houses at medium or low price should be especially developed to satisfy the self-living demands of local residents; and
- Commencing from June 1, 2006, for each and every commodity property newly examined and approved for starting construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 sq.m. must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to MOHURD for approval. The projects that have been examined and approved but without obtaining the permits for commencement of construction work must adjust the set style of housing according to the above-mentioned requirements if they do not meet such requirements.

Further promoting the adjusting role of tax, credit and land policies

- Commencing from June 1, 2006, business tax upon transferring a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;
- The conditions on the credit of the property development will be strictly enforced. In order to restrain property developers from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. To the developers with a large amount idle land and vacant commodity properties, commercial banks should restrict the grant or extension of revolving credit facilities in any form pursuant to the prudence principle. Commodity buildings which are vacant for more than three years should not be accepted as a guarantee by the commercial banks;
- Commencing from June 1, 2006, the first installment of individual home loans should be no less than 30%. When a borrower applies for individual home loans for his own use and the floor area of the unit is less than 90 sq.m., the first installment remains at 20%;
- At least 70% of the total annual land supply for residential property development must be used for developing low-to-medium-cost and small to medium-size units (inclusive of economically affordable housing) and low-cost rental properties. On the basis of the restriction on price and housing set style, the land supply shall adopt the method of public tender of land price and housing price to determine the property developer. Land supply for villas will be continuously suspended, and land supply for low-density and large-scale housing property constructions will be strictly restricted; and
- The disposition of the idle land was reinforced. When the construction has not yet started after one year since the duration of construction agreed in the contract has elapsed, charge for idle land should be collected at a higher level; when the construction has not yet started after two years have elapsed, the right to use land can be taken back without consideration. The land will be regarded as idle land if the development and construction of the land has started on time, but the developed area 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 has been continuously suspended for no less than one year without approval.

Further rectifying and regulating the order of property market

- The project with the construction work planning permit which has not started construction should be re-censored. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction work planning permit, the permit for commencement of construction work and the permit for pre-sale of commodity properties should not be issued. The housing of the designing of which has been changed, the projects of which have been altered or the construction of which has exceeded the provisions will be disposed of or confiscated according to law; and
- The property administration authority and the administration of industry and commerce should investigate any illegal trade conduct such as contract fraud. The illegal conduct of commodity properties pre-sale without the necessary conditions should be ordered to be stopped and punished. With respect to the property enterprises that store up housing source from sale, maliciously manipulate and raise housing prices, the competent authorities will reinforce the strength in rectification and prosecution, and for those in severe situations and serious nature, monetary punishment will be given according to laws and regulations, until the suspension of business licenses, and the responsible persons concerned will be investigated and prosecuted.

On July 6, 2006, MOHURD promulgated the Opinion on Implementing Ratio Requirements for the Structural Compositions of Newly-Constructed Residential Buildings (Jian Zhu Fang [2006] No. 165). The opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced construction projects in different cities including town and counties at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality; and
- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without sound reasons, the urban planning authorities shall not issue a construction work planning permit. If the property developer has not followed the requirements of the construction work planning permit, the relevant authority reviewing the planning documents shall not issue a certification, the construction authority shall not issue a permit for commencement of construction work, and the property authority shall not issue a permit for pre-sale of the commodity apartments. In the case of residential property projects that were granted approvals before June 1, 2006 but without a construction work permit by that date, the relevant local governments should ensure that the prescribed residential property size ratio requirement is complied with.

On September 27, 2007, PBOC and CBIRC further tightened mortgage lending by PRC commercial banks, by increasing the amount of down payment a property purchase must make before seeking mortgage financing. Please refer to the section headed “G. Property Credit” above.

On December 20, 2008, the General Office of the State Council issued the Several Opinions on Facilitating Healthy Development of Real Estate Market (Guo Ban Fa (2008) No. 131). These Opinions include:

- While first-time borrowers of mortgage loans for the purchase of common dwellings for their own use can enjoy preferential policies in terms of mortgage rates and down payment ratios, individuals who have already borrowed a mortgage loan for their first dwelling but have a per-capita housing area lower than the local average level, may enjoy the same preferential policies as those applicable to first-time borrowers of mortgage loans for the purchase of common dwellings for their own use when they apply for a mortgage loan for the purchase of their second common dwelling for the purpose of improving their living conditions. In other cases where individuals borrow mortgage loans for the purchase of their second or subsequent common dwellings, the mortgage rates and other terms shall be reasonably determined by the commercial banks based on the benchmark interest rate having regard to the risks involved;
- Preliminary exemption or reduction of business tax on dwelling transfers for one year. Transfers by individuals of common dwellings which have been purchased for two years or more (instead of the current requirement of five years or more) will be exempted from business tax; in the case of transfers by individuals of common dwellings which have been purchased for less than two years, business tax will be levied on the difference between the transfer price and the original purchase price, instead of on the full amount of the transfer price under the current requirement;
- In the case of transfers by individuals of uncommon dwellings which have been purchased for two years or more (instead of the current requirement of five years or more), business tax will be levied on the difference between the transfer price and the original purchase price; transfers by individuals of uncommon dwellings which have been purchased for less than two years will still be subject to a business tax on the full amount of the transfer price;

- Abolishment of the urban real estate tax. To further ensure the fair allocation of tax liabilities and improve the real estate taxation regime, the urban real estate tax is abolished in accordance with legal procedures and the Provisional Regulations of the People’s Republic of China on Real Estate Tax shall be applicable to domestic and foreign-invested enterprises as well as individuals; and
- The above policies will preliminarily be implemented until December 31, 2009. According to the decisions made by the State Council on December 9, 2009, except for policies (ii) and (iii), the other above policies will be continually implemented after December 31, 2009.

On March 30, 2015, MOF and SAT jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (Cai Shui [2015] No. 39). Pursuant to the notice, business tax will be levied upon the transfer of a residential house by an individual within two years from the date of purchase and the business tax to be levied will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential house after two years from the date of purchase, the business tax to be levied will be calculated based on the difference between the income from the sale of such property and its purchase price. An individual transferring an ordinary residential house after two years from the date of purchase, will be exempt from the business tax.

On January 7, 2010, the General Office of the State Council issued the Circular on Facilitating the Stable and Healthy Development of Property Market, which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the Notice on Resolutely Containing the Excessive Hike of Property Price in Some Cities (Guo Fa [2010] No. 10) (the “April 17 Notice”), which provides that for a first home purchaser (including a borrower, his or her spouse and children under 18) who purchases a residence with a unit floor area of more than 90 sq.m. for self-use, the minimum down payment shall be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment shall be 50% of the purchase price with minimum mortgage lending interest rate of 110% of the benchmark rate; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof shall be further substantially raised. The April 17 Notice, further requires that in cities where property price is overly high with excessive price hike and strained house supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or further buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one year.

On September 21, 2010, MLR and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (Guo Tu Zi Fa [2010] No. 151), which stipulates, among other things, that:

- More than 70% of land used for construction of urban housing must be designated for low-income housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing. In areas with high housing prices, supply of land designated for small to medium-sized price-capped housing must be increased. Before completion of the above supply plan, local authorities shall not supply land to construction of high-end and large-sized housing.

- Developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of the following misconduct: (1) criminal acts of fabrication of official documents for fraud of land use rights or illegal re-sale of land use rights; (2) illegal transfer of land use rights; (3) failure to commence construction as required for more than one year due to their own reasons; and (4) non-compliance with the land development requirements specified in land grant contracts.
- Developers are required to commence construction within one year from the date of delivery of land and complete the construction within three years of commencement.
- Development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1.

On December 19, 2010, MLR promulgated the Notice on the Strict Implementation of Control Policies on Land Use for Real Estate and Promoting the Healthy Development of the Land Market (Guo Tu Zi Fa [2010] No. 204), which stipulates, among other things, that:

- If the target of guaranteeing land supply for low-income housing for 2010 is not completed and the land supply for low-income housing, housing for resettlement of shanty towns and small to medium sized commercial housing fails to reach 70% of the total land supply for real estate, the city or county authorities shall not supply land for construction of high-end and large-sized housing prior to the end of 2010. In cases where the price surplus rate is more than 50% and the total price for all land use grants or the price for a single grant is a record high in a competitive bidding, auction and listing-for-sale, the local land resource departments shall report the situation to its superior land resource departments and MLR within two working days after the confirmation letter is executed (or the bid winning notice is sent).
- The superior land resource departments shall strengthen the examination of land use rights granted by its subordinate land resources departments in a competitive bidding, auction and list-for-sale. If the superior land resource departments identify any land use rights granted with illegal defects, including those granted with surplus area, packaged granting, gross-profit-based granting, plot ratio for residential housing being lower than 1, or the grantor being unqualified, the superior land resource departments shall order its subordinate land resource departments to revoke the land use grant. In the case of illegal granting, the grant shall be revoked and relevant remedies shall be pursued.
- The land use for low income housing shall not be changed. If the land designated for low income housing is changed for development of commercial housing, any income derived shall be illegal and shall be confiscated, and the land use right shall be withdrawn and re-granted through competitive bidding, auction and list-for-sale. A change of plot ratio shall be subject to approval and accordingly extra granting fee shall be paid.

On January 26, 2011, the General Office of the State Council promulgated the Circular on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (Guo Ban Fa [2011] No. 1), which stipulates, among other things, that

- For a household which uses a housing loan to buy the second home, the down payment shall not be less than 60%, and the loan interest rate shall not be lower than 1.1 times of the benchmark interest rate. All branches of PBOC may raise the down-payment standards and interest rates for the housing loans for the second home purchases according to the price control objectives and policy requirements of local government for newly built houses, and on the basis of unified credit policy of the State.

- All regions shall increase the effective supply of land, and earnestly implement the requirements that the land for the construction of affordable housing, transformation of slum housing into residential housing, and small and medium-sized ordinary commercial housing is not less than 70% of the total land supply.
- The examination of the land market access qualification and capital sources of enterprises must be enhanced. Entities and individuals who participate in land auctions must explain capital source and provide corresponding evidence. For the land supplied for real estate development purpose, if the relevant developer fails to obtain a construction permit and start the construction after two years, the land use right must be taken back promptly, and the developer shall be fined for leaving the land idle for more than one year. The acts of illegally transferring land use right must be investigated and punished in line with the law. Those who fail to invest more than 25% of the total capital in real estate development (the land prices are excluded) cannot, in any form, transfer land and land development projects which are specified by contracts.
- All municipalities directly under the central government, cities specially designated in the state plan, provincial capitals and cities where housing prices are too high or are rising too rapidly must, within a given period, work out and implement strict measures to restrict housing purchases. In principle, a household which has a registered permanent residence in a city and has owned one housing unit, and a household which has not a registered permanent residence in the city but can provide evidentiary documents for tax or social security fee payment in the city for a certain number of years, is restricted to buy one housing unit (including newly-built commercial housing unit and second-hand housing unit) only; a household which has a registered permanent residence in the city and has owned two or more housing units, and a household which has not a registered permanent residence in the city, has owned one or more housing unit and cannot provide evidentiary documents for tax or social security fee payment in the city for a certain number of years, shall temporarily stop housing purchase in the corresponding administration region.

Document of Title

In the PRC, there are two registers for property interests. Land registration is achieved by the issuance of a land use rights certificate by the relevant authority to the land user. This serves as evidence that the land user has obtained land use rights which can be transferred, mortgaged or leased according to relevant laws and regulations. The housing registration is the issue of a building ownership certificate or a real estate ownership certificate to the owner. This serves as evidence that the owner has obtained housing ownership rights in respect of the building erected on a piece of land. According to the State Land Administration Bureau Land Registration Regulations promulgated by the State Land Administration Bureau, the precedent of MLR, on December 28, 1995 and effective February 1, 1996, the Measures for Building Registrations by MOC on February 15, 2008, and effective on July 1, 2008, and the Provisional Regulations on Real Estate Registration promulgated by State Council on November 24, 2014 and effective March 1, 2015, all land use rights and housing ownership rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate will be issued evidencing the ownership of both land use rights and the housing erected thereon.

Legal Supervision Relating to Property Management Sector in the PRC

Qualifications of a property service enterprise

According to the Decision on Cancelling the Third Batch of Administrative Licensing Items Implemented by Local Governments as Designated by the Central Government enacted by the State Council on January 12, 2017 and the Decision on Canceling a Group of Administrative Licensing Items enacted by the State Council on September 22, 2017, qualification scheme system in monitoring the property service enterprises is cancelled.

Employment of a property service enterprise

According to the Regulation on Property Management enacted by the State Council on June 8, 2003 and revised on August 26, 2007 and February 6, 2016, the general meeting of owners can select and dismiss the property service enterprises if the consent of both the owners holding more than 50% of the private building area out of the total building area and more than 50% of the relevant property owners has been obtained. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a property service enterprise, it shall enter into a preparation stage property services contract in writing with the property service enterprise.

Foreign Exchange Controls

On January 29, 1996, the State Council promulgated the Regulations for the Control of Foreign Exchange (the “Control of Foreign Exchange Regulations”) which became effective April 1, 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to the SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations was subsequently amended on January 14, 1997. Such amendment affirms that the State will not restrict international current account payments and transfers. The Control of Foreign Exchange Regulations was further amended on August 1, 2008.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the “Settlement Regulations”) which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On April 13, 2006, PBOC promulgated the Announcement [2006] No. 5. The announcement provides that the system for opening, amending and closing current account-related foreign exchange accounts by enterprises shall be changed from one requiring advance examination and approval to one in which matters shall be handled directly by banks in line with foreign exchange control requirements and commercial practice and reported to the foreign exchange bureau for the record. The balance on current account-related foreign exchange accounts of enterprises shall be increased. On the same day, SAFE issued a Notice on Adjusting the Policies Concerning the Administration of Current Foreign Exchange Accounts (Hui Fa [2006] No. 19). The notice abolished the advance examination for opening of current account-related foreign exchange accounts and improved the balance on current account-related foreign exchange accounts.

On October 25, 1998, PBOC and SAFE jointly promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises will be regulated under the system for the settlement and sale of foreign exchange by commercial banks.

On July 21, 2005, PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer solely pegged to the US dollar. PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day. Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and domestic enterprises which, in accordance with relevant regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

Pursuant to the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Overseas Special Purpose Vehicles (Hui Fa [2014] No. 37) (the “Circular No. 37”), issued on July 4, 2014: (i) a PRC resident, including a PRC resident natural person or a PRC company, must register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle (“SPV”), for the purpose of investment and financing; (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a special purpose vehicle, or engages in overseas financing after contributing assets or equity interests into a special purpose vehicle, such PRC resident must register his or her interest in the special purpose vehicle and the change thereof with the local branch of SAFE; and (iii) for a SPV which has completed registration formalities, where there is any change in the basic information such as PRC resident individual shareholder, name, term of business, or occurrence of a significant change event such as increase or reduction of capital contribution, equity transfer or exchange by PRC resident individual, merger or division, foreign exchange registration change formalities shall be promptly completed with the local branch of the SAFE.

On September 1, 2006, SAFE and MOHURD jointly issued the Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market (Hui Fa [2006] No. 47), which was revised on May 4, 2015. The notice provides: (i) where a foreign-invested property enterprise fails to acquire a State-owned land use rights certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve its settlement of foreign currencies; (ii) where a foreign institution or individual acquires a domestic property enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) the domestic and foreign investors of a foreign-invested property enterprise must not reach an agreement including any clause which promises a fixed return or fixed return in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) the fund in the foreign exchange account exclusive for foreign investor opened by a foreign institution or individual in a domestic bank must not be used for property development or operation. The notice also provides for foreign exchange working process related to branches of overseas institutions established within the PRC, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity houses within the PRC.

On December 25, 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange (the “Measures for the Administration of Foreign Exchange”). The Measures for the Administration of Foreign Exchange use category administration to classify the individual foreign exchange operations as domestic and overseas by participants of transaction, and current accounts and capital accounts by nature of transaction. The Measures for the Administration of Foreign Exchange stipulate that administration of total annual amount shall apply to individual settlement of foreign exchange and domestic individual purchase of foreign exchange, and provide different procedures for individuals who settle foreign exchange over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

On January 5, 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (Hui Fa [2007] No. 1) (the “Detailed Rules”) effective February 1, 2007 and revised on May 29, 2016. The Detailed Rules provide, amongst others, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is US\$50,000; (ii) domestic individuals who engage in external direct investment shall satisfy the relevant rules of the state and for the required foreign exchange, he/she may purchase foreign exchange or remit the self-owned foreign exchange abroad upon the approval of the local foreign exchange department and shall complete the overseas investment foreign exchange registration; (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue right-interest, etc. through qualified domestic institutional investors such as banks and fund management companies; and (iv) in case domestic individuals engage in such foreign exchange operations as an employee stock ownership plan of an overseas listed company or subscription option program, they can only deal with such options after completing the registration with the foreign exchange bureau through their company or domestic agency institutions.

Environmental Protection

The regulations promulgated by the State Council on environmental protection of construction projects, together with the detail classification catalogue issued by the state environmental protection administration of the PRC, implement an administrative system for environmental protection of construction projects based on classification according to the extent of the impact on the environment. An environmental impact report must be produced for construction projects. According to relevant regulations and notice issued by the state environmental protection administration of the PRC, environmental impact assessment reports in connection with construction projects must be examined and approved at various government levels.

Pursuant to the Law of the PRC on Environment Protection, the Law of the PRC on Environmental Impact Assessment, Administrative Regulations on Environment Protection for Development Projects, the Interim Measures on Environmental Protection for Acceptance Examination Upon Completion of Buildings and the relevant regulations, with respect to construction projects, facilities for pollution prevention must be designed, constructed and put into operation at the same time as the project itself. Depending on the impact of the project on the environment, a report on environmental impact or a statement on environmental impact must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the property development, or a registration form on environmental impact must be filed by a developer with the relevant authorities prior to the commencement of construction of the property development. In addition, upon completion of the property development, the construction unites shall inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers to Hopson Development Holdings Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and The Hongkong and Shanghai Banking Corporation Limited, as trustee (the “Trustee”).

The following is a summary of the material provisions of the Indenture, the Notes and the 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 and the Subsidiary Guarantees. 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 following prior written request and satisfactory proof of holding during business hours on or after the Original Issue Date at the Corporate Trust Office of the Trustee at Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong.

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with any unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “– The Subsidiary Guarantees” and in “Risk Factors – Risks Relating to the Subsidiary Guarantees”;
- effectively subordinated to the secured obligations (if any) of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, which will not provide a guarantee for the Notes.

As of the date of the Indenture, all of the Company’s Subsidiaries, other than Hooplife One Limited, Hooplife Technology Group Limited, Hooplife Two Limited, Hooplife Kongsin Limited, Esteem Industrial (Hong Kong) Limited, Sun Yick Properties Limited, Hopson Technology Holdings Limited, Crest Lake Limited, Long Sight Group Limited, Lucky Riches Limited, Perseverance Delight Limited, Pioneer Sky Holdings Limited, ROC Set Holdings Limited, Jumbo Globe Limited, Wealthy Advance Limited, Wealthy Flourish Limited, Wealthy Prosper Holding Limited, Champion Flourish Group Limited, Huge Treasure Global Limited, Julong Developments Limited, Mighty Giant Global Limited, Ming Huang Limited, Happy Virtue Limited, Sino Courtesy Limited, Hopson Technological Commerce Group Limited, Delight Field Group Limited, Fine Elegant Limited, Ming Spring Limited, Rainbow Sincere Limited, Revere Trade Limited, Shenzhen Hooplife Technology Co., Ltd., Guangdong Esteem Property Services Limited, Beijing Zhujiang Century Property Management Limited, Beijing Hopson Huafu Hotel Operation and Management Co., Ltd., Beijing Zhupin Yizhuang Construction and Engineering Co., Ltd., Beijing Kangjing Jiayuan Real Estate Agency Co., Ltd., Beijing Xinda Zhicheng New Energy Investment Co., Ltd., Tianjin Jinlv Landscaping Co., Ltd., Guangzhou Hopson Xingjing Business Services Limited,

Guangzhou Hopson Qingyuan Water Supply Limited, Bright Steady Investments Limited, Day New Investments Limited, North Reach Investments Limited, Rich Advance Investments Limited, Sugar Rise Investments Limited, Hopson Property Limited, Solawide Properties Limited, Hopson E-Commerce Limited, Hopson Commercial Investment Management Holdings Limited, Lewan Investments Limited, High Boom Limited, Wilcon Investments Limited, Chia Lung Group Company Limited, Believe Best Investments Limited, Leyun Limited, Vantage Bloom Limited, Xieyi Limited, Aqua Treasure Limited, Golden Cascade Limited, Ji Run Property Investments Limited, Selected-Lifestyle Technology (HK) Co. Limited, Vital Dynamic Limited, Beauty Beyond Limited, Beyond Cosmo Investments Limited, Big Victory Developments Limited, Bliss Depot Holdings Limited, Glorious Day International Limited, Joyful Fit Limited, Lofty Great Limited, Lucky Steady Enterprises Limited, Main Team Group Limited, Rich Source Global Limited, Source Ascend Limited, Triumph Big Limited, Tung Lok Holdings Limited, Well Renown Limited, Hardrock State Limited, Harmony Treasure Investments Limited, Infinite Prosper Holdings Limited, Simjoy Limited, Advance Glorious Limited, Fugao Holdings Limited, Jing Chang Holdings Limited, Mingjue Holdings Limited, Nation Achieve Enterprises Limited, Onward Prestige Limited, Precious Bravery Limited, Soar Excel Limited, Sound Thunder Limited, Well Advent Investments Limited, East Lator Investments Limited, North Golden Investments Limited, Smart Afuly Investments Limited, South Advance Investments Limited and West Time Investments Limited will be “Restricted Subsidiaries.” In addition, each of the Restricted Subsidiaries, other than Restricted Subsidiaries that are organized under the laws of the PRC and Day Wise Holdings Limited and Ever Hero Investments Limited (collectively the “Initial Non-Guarantor Subsidiaries”), will be a Subsidiary Guarantor as of the date of the Indenture. Under the circumstances described below under the caption “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its other Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture and will not guarantee the Notes.

The Non-Guarantor Subsidiaries, which hold substantially all of the Company’s assets and operations, are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the Notes or the Guarantees. Any right that the Company or a Subsidiary Guarantor has to receive the assets of any Non-Guarantor Subsidiary upon the liquidation or reorganization of such Non-Guarantor Subsidiary (and the consequent right of holders of the Notes to receive proceeds from the sale of such assets) will be effectively subordinated to the claims of such Non-Guarantor Subsidiary’s creditors, including holders of its debt and its trade creditors.

As of December 31, 2020,

- the Company and its consolidated subsidiaries had total consolidated borrowings of approximately HK\$107,537.7 million (US\$13,869.7 million); and
- the Non-Guarantor Subsidiaries had total bank borrowings of HK\$107,537.7 million (US\$13,869.7 million).

In addition, as of December 31, 2020, the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately HK\$25,454.3 million (US\$3,283.0 million). See also “Capitalization and Indebtedness” for further details of the Company’s indebtedness.

The Notes will mature on December 28, 2023. Except as provided under “– Optional Redemption” and “– Redemption for Taxation Reasons”, the Notes will not be redeemable prior to maturity (unless they have been repurchased by the Company).

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “– Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued. The Notes will bear interest at 6.8% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on December 28 and June 28 of each year (each an “Interest Payment Date”), commencing on December 28, 2021.

Interest will be paid to Holders at the close of business on the fifteenth day immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. 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 Note register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

In any case in which the date of the payment of principal of, premium, if any, on or interest on the Notes shall not be a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. 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. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made 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 Agent, currently located at Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong, and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, 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 to the address of the Holders as such address appears in the Note register 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

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date consist of all of the Company’s Restricted Subsidiaries other than the Subsidiaries organized under the laws of the PRC and the Initial Non-Guarantor Subsidiaries. The initial Subsidiary Guarantors do not have significant operations or assets. All of the Restricted Subsidiaries that are not Subsidiary Guarantors, including the New Non-Guarantor Subsidiaries (as defined below) are collectively referred to herein as the “Non-Guarantor Subsidiaries.”

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. In addition, none of the future Restricted Subsidiaries at any time in the future that is not a Wholly Owned Restricted Subsidiary and is organized outside the PRC will provide a Subsidiary Guarantee. Although the Indenture contains limitations on the amount of additional Indebtedness that the Company and/or Restricted Subsidiaries may incur, the amount of such additional Indebtedness, including such additional Indebtedness of Non-Guarantor Subsidiaries, could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations (if any) 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; and
- ranks at least *pari passu* with the guarantees provided for all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Subsidiaries (other than Subsidiaries organized under the laws of the PRC and Subsidiaries of the Initial Non-Guarantor Subsidiaries), immediately upon becoming a Wholly Owned Restricted 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. Notwithstanding the foregoing sentence, the Company may elect to have any future Subsidiary (other than Subsidiaries organized under the laws of the PRC and Subsidiaries of the Initial Non-Guarantor Subsidiaries) not provide a Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee in accordance with the Indenture, the “New Non-Guarantor Subsidiaries”) at the time such entity becomes a Wholly Owned Restricted Subsidiary or ceases to be a Listed Subsidiary; *provided that*, after giving effect to the Consolidated Assets and Consolidated Revenue of such Restricted Subsidiary, (i) the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Listed Subsidiaries) that are not Subsidiary Guarantors do not account for more than 10% of the Total Assets and (ii) the Consolidated Revenue of all Restricted Subsidiaries organized outside the PRC (other than Listed Subsidiaries) that are not Subsidiary Guarantors do not account for more than 10% of the Total Revenue. Each Subsidiary of the Company that Guarantees the Notes after the Original Issue Date, upon execution of the applicable supplemental indenture to the Indenture, will be a “Subsidiary Guarantor.”

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees 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. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees will 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. If a 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 and, depending on the amount of such indebtedness, a Subsidiary Guarantor’s liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See “Risk Factors – Risks Relating to the Subsidiary Guarantees – The subsidiary guarantees may be challenged under applicable financial assistance, insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.”

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance or satisfaction and discharge as described under “– Defeasance” and “– Satisfaction and Discharge”;
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under the captions “– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”, “– Certain Covenants – Limitation on Asset Sales” and “– Certain Covenants – Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary or being a Listed Subsidiary, so long as (1) such Subsidiary Guarantor 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 or disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its 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 that such release is authorized and permitted by the Indenture.

FURTHER ISSUES

Subject to the covenants described below, 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 Company) 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) 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 “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant described below.

OPTIONAL REDEMPTION

Prior to November 28, 2023, the Company may at its option redeem all or any portion of the Notes 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 to (but not including), the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date). Notice of such

redemption must be mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date. Neither the Trustee nor the Paying Agent will be responsible for verifying or calculating the Applicable Premium.

At any time from and after November 28, 2023, the Company may redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus the accrued and unpaid interest on the Notes to be redeemed, if any, to (but not including) the redemption date. Notice of such redemption must be mailed to the Holders and the Trustee not less than 15 nor more than 45 days prior to the redemption date.

At any time prior to November 28, 2023, the Company may redeem up to 35% of the aggregate principal amount of the Notes (including any Additional Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 106.8% of the principal amount of the Notes, 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 (including any Additional Notes) originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Any redemption described under this “– Optional Redemption” section may, at the Company's discretion, be subject to one or more conditions precedent. In addition, if such redemption is subject to the satisfaction of one or more conditions precedent, the related notice shall describe each such condition, and if applicable, shall state that, in the Company's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was mailed), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee, and the Company shall deliver a copy of such notice or redemption to the Trustee and the Paying Agent at least 15 days prior to the date such redemption notice is published (unless a shorter period shall be acceptable to 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:

- if the Notes are listed on any securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or the requirements of the clearing system; or
- if the Notes are not listed on any securities exchange or are held through a clearing system, on a pro rata basis, or by such other method as the Trustee deems fair and appropriate in its sole and absolute discretion, 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. 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.

The Company will agree 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.

Certain of the events constituting a Change of Control Triggering Event will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company and its Subsidiaries may also (i) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event, (ii) provide that a Change of Control Triggering Event is a default or (iii) 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 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."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances.

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 manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us 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 has occurred or may occur, and shall be entitled to assume that no such event has occurred unless the Trustee has received written notice of the occurrence of such event. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for purchase under a Change of Control Offer and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee and the Paying Agent shall not be under any duty to determine, calculate or verify the amount payable under a Change of Control Offer and will not be liable or responsible to the Holders for any loss arising from any failure by it 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) and interest on, the Notes or under the 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 (collectively, "Taxes") 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 the applicable Subsidiary Guarantor, as the case may be, is organized or resident for tax purposes or through which payment by or on behalf of the Company, a Surviving Person or an applicable Subsidiary Guarantor is made or any political subdivision or taxing authority thereof or therein (each, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, 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:

- (a) for or on account of:
 - (i) any Taxes that would not have been imposed or withheld but for:
 - (A) the existence of any present or former connection between the Holder or beneficial owner of such Note or the Subsidiary Guarantees, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (B) 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, 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;
 - (C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, any Subsidiary Guarantor or a Surviving Person addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;
 - (D) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
 - (ii) any estate, inheritance, gift, sale, transfer, personal property or similar Tax;
 - (iii) any Tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future U.S. Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the

United States and any other jurisdiction pursuant to the implementation of FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any other agreement pursuant to the implementation of FATCA; or

- (iv) any combination of Taxes referred to in the preceding clauses (i), (ii) or (iii); or
- (b) to a Holder or beneficial owner of a Note that is a fiduciary, partnership for tax purposes under the laws of the Relevant Jurisdiction or person other than the sole beneficial owner of such Note, to the extent that a payment under such Note or Subsidiary Guarantee would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction of a beneficiary or settler 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 with respect to such payment had that beneficiary, settler, member or beneficial owner been the Holder of such Note.

As a result of these provisions, there are circumstances in which Taxes could be withheld or deducted but Additional Amounts would not be payable to some or all Holders.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note or any 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 (as defined under the caption “– Consolidation, Merger and Sale of Assets”), as a 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 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 (i) with respect to the Company or any Subsidiary Guarantor, on or after the Original Issue Date unless the following clause (ii) applies, or (ii) in the case of a Surviving Person or a future Subsidiary Guarantor that is organized or resident for tax purposes in a jurisdiction that is not a Relevant Jurisdiction as of the Original Issue Date, on or after the date such Surviving Person assumes the obligations of the Company under the Indenture and the Notes or the date such Subsidiary became a Subsidiary Guarantor, as the case may be, the Issuer, such Guarantor, such Surviving Person or such Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts with respect to any payment due or to become due under the Notes or the Indenture, and such requirement cannot be avoided by the taking of reasonable measures by the Company, such Surviving Person or such Subsidiary Guarantor, as the case may be (*provided* that changing the jurisdiction of the Company, such Surviving Person or such Subsidiary Guarantor, as the case may be, is not a reasonable measure); *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, such Surviving Person or such 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 publication and mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the date fixed for redemption:

- (1) an Officers' Certificate stating that such change or amendment 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 or such Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant of recognized standing that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall be entitled to accept and conclusively rely upon such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such Officers' Certificate or Opinion of Counsel and has no duty to investigate or verify such Officers' Certificate or Opinion of Counsel.

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

- (a) 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 any Preferred Stock, *provided* that (x) the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and (y) any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (i) no Default has occurred and is continuing and (ii) 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 of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following:
 - (1) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;
 - (2) any *Pari Passu* Subsidiary Guarantees by any Subsidiary Guarantor;
 - (3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(4) of this covenant; *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (b)(1) and (b)(2) above and clauses (b)(4), (b)(6), (b)(12), (b)(13) and (b)(16) below);
 - (4) Indebtedness of the Company or any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (x) 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 (b)(4),

(y) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor and (z) if the Indebtedness is owed to the Company or any Subsidiary Guarantor, such Indebtedness must be evidenced by an unsubordinated promissory note or a similar instrument under applicable law, except to the extent that such Indebtedness is required to be subordinated to any Indebtedness owing by the obligor on such Indebtedness to any bank or other similar financial institution, which is permitted under this “– Limitation on Indebtedness and Preferred Stock” covenant;

- (5) 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, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness Incurred under clause (a) or clause (b)(1), (b)(2), (b)(3), (b)(7), (b)(14), (b)(17), (b)(18), (b)(19), (b)(20), (b)(21), (b)(22) or (b)(23) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (b)(5) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the earlier of the final maturity date of the Notes and the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of the portion, if any, of such new Indebtedness that is scheduled to mature on or prior to the final maturity date of the Notes is at least equal to the Average Life of the portion of the Indebtedness to be refinanced or refunded that is scheduled to mature on or prior to the final maturity date of the Notes and (C) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause (b)(5) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;
- (6) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to (A) Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation; or (B) other derivative contracts entered into for non-speculative purposes in connection with the business of the Company or any of its Restricted Subsidiaries.
- (7) Indebtedness Incurred by the Company or any Restricted Subsidiary (x) representing Capitalized Lease Obligations; or (y) for the purpose of financing (i) all or any part of the purchase price of real or personal property (including the lease purchase price of land use rights) or equipment to be used in a Permitted Business in the ordinary course of business by the Company or a Restricted Subsidiary through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon such acquisition, become a Restricted Subsidiary or (ii) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in a Permitted Business by the Company or a Restricted Subsidiary in the ordinary course of business; *provided, however*, in

the cases of clauses (b)(7)(i) and (b)(7)(ii), that (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 property 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 permitted by this clause (b)(7) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness permitted to be Incurred under clauses (b)(14), (b)(19), (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (b)(7) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

- (8) 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);
- (9) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (10) Indebtedness of the Company or any Restricted Subsidiary 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;
- (11) Indebtedness of the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (12) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant or (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (6) or (7) above or clause (17) below;
- (13) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiaries;
- (14) Cross Border Secured Indebtedness by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of any such Cross Border Secured Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Cross Border Secured Indebtedness Incurred pursuant to this clause (b)(14) (together with any refinancings thereof and the aggregate principal amount outstanding of Indebtedness permitted to be Incurred under clause (b)(7) above and clauses (b)(19), (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings thereof, but excluding any Contractor Guarantee Incurred under such clause (b)(7) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

- (15) Indebtedness Incurred by the Company constituting Subordinated Shareholder Loans;
- (16) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
- (17) 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 (b)(17) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (18) Indebtedness of the Company or any Subsidiary Guarantor 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);
- (19) 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 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 (b)(19) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (b)(7) and (b)(14) above and clauses (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (b)(19) 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 30.0% of Total Assets;
- (20) 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 (b)(20) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (b)(7), (b)(14) and (b)(19) above and clauses (b)(21), (b)(22) and (b)(23) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (b)(20) 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 30% of Total Assets;
- (21) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Unrestricted 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 (b)(21) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (b)(7), (b)(14), (b)(19) and (b)(20) above and clauses (b)(22) and (b)(23) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (b)(21) 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 30.0% of Total Assets;

- (22) 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 (b)(22) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (b)(7), (b)(14), (b)(19), (b)(20), (b)(21) above and clause (b)(23) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (b)(22) 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 30.0% of Total Assets; and
- (23) 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 (b)(23) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (b)(7), (b)(14), (b)(19), (b)(20), (b)(21) and (b)(22) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (b)(23) 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 30.0% of Total Assets.
- (c) For purposes of determining any particular amount of Indebtedness under this “Limitation on Indebtedness and Preferred Stock” covenant, (i) Indebtedness outstanding under clause (b)(17) of this covenant on the Original Issue Date shall be treated as Incurred pursuant to clause (b)(17) of this covenant, (ii) Guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included. For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first sentence of clause (a) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness.
- (d) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.
- (e) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

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 (a) through (d) below being collectively referred to as “Restricted Payments”):

- (a) 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 solely in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (b) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) (i) of the Company held by any Persons other than the Company or any Restricted Subsidiary or (ii) of any Restricted Subsidiary held by any Affiliate of the Company (other than a Restricted Subsidiary);
- (c) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Wholly Owned Restricted Subsidiary); or
- (d) 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 sentence of clause (a) of the covenant under the caption “– Limitation on Indebtedness and Preferred Stock”; or
- (C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date (subject to the second succeeding paragraph), shall exceed the sum (without duplication) of:
 - (1) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual period during which the Measurement Date occurred and ending on the last day of the Company’s most recently ended semi-annual period 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) at the time of such Restricted Payment; plus
 - (2) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity capital or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting 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

- (3) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *provided, however*, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any Restricted Subsidiary from the sale of such Indebtedness; plus
- (4) 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), (b) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (c) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (d) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than reductions in Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person or Unrestricted Subsidiary 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
- (5) 100% of any dividends received by the Company or a Restricted Subsidiary after the Measurement Date from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Company for such period; plus
- (6) 100% of the aggregate amount of net cash proceeds received by the Company or a Restricted Subsidiary after the Measurement Date from the sale of any Capital Stock of any Unrestricted Subsidiary, to the extent that such net cash proceeds were not otherwise included in the Consolidated Net Income of the Company for such period; plus
- (7) 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 Subsidiary Guarantor 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 options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the

Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of the preceding paragraph; *provided, however*, that any item that has been excluded pursuant to clause (C)(2) 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 Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of the preceding paragraph; *provided, however*, that any item that has been excluded pursuant to clause (C)(2) 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, a majority of which is held directly, or indirectly through Restricted Subsidiaries, by the Company or at least 50% of which is held directly, or indirectly through Restricted Subsidiaries, by the Company and where such Restricted Subsidiary is “controlled” and consolidated by the Company in accordance with GAAP;
- (6) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent that such Capital Stock represents a portion of the exercise price of those stock options;
- (7) dividends 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 under paragraph (b)(19) of the “Limitation on Indebtedness and Preferred Stock” covenant;
- (8) the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 10.0% of the distributable profits of the Company for such fiscal year;
- (9) the redemption, repurchase or other acquisition of Capital Stock of any Restricted Subsidiary holding any real estate project; provided that not less than 70% of the aggregate gross planned floor area of the real estate projects held by such Restricted Subsidiary has been sold or pre-sold; or
- (10) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other notes or 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),

provided that, in the case of clause (2), (3) or (4) above, 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 permitted pursuant to clauses (1) and (8) of the preceding paragraph made after the Measurement Date shall be included in calculating whether the conditions of clause (C) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments, and all Restricted Payments permitted pursuant to the other clauses of the preceding paragraph shall not be included in such calculation.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (9) 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 under the caption "– Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (a) 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:
 - (1) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (2) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (3) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (4) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

- (b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:
 - (1) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture or under any *Pari Passu* Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (2) existing under or by reason of applicable law (including any statute, rule, regulation or government order);
 - (3) existing 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 than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (4) that otherwise would be prohibited by the provision described in clause (a)(4) of this covenant if they arise, or are agreed to in the ordinary course of business, and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (y) 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 (z) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “Limitation on Indebtedness and Preferred Stock” and “Limitation on Asset Sales” covenants;
- (6) with respect to any PRC Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clauses (a), (b)(7), (b)(14), (b)(16), (b)(17), (b)(18), (b)(19), (b)(20), (b)(21), (b)(22) or (b)(23) of the “Limitation on Indebtedness and Preferred Stock” covenant, if, as determined by the Board of Directors, such encumbrances or restrictions (x) are customary for such types of agreements and (y) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payments on the Notes and, with respect to (a), (b)(7), (b)(14), (b)(16), (b)(17), (b)(18), (b)(19), (b)(20), (b)(21), (b)(22) or (b)(23), 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;
- (7) existing in customary provisions in joint venture agreements permitted under the Indenture and entered into with the approval of the Board of Directors, 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) (x) the encumbrances or restrictions are customary for a joint venture and (y) the encumbrances or restrictions would not, at the time agreed to, be expected to materially adversely affect the ability of (i) the Company to make required payments on the Notes, or (ii) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee, respectively; or
- (8) 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;
- (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 issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "– Limitation on Restricted Payments" covenant if made on the date of such issuance or sale; *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "– Limitation on Asset Sales" covenant; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "– Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is a Non-Guarantor Subsidiary, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Subsidiary Guarantor (other than any Guarantee permitted under clause (b)(3) of the "– Limitation on Indebtedness and Preferred Stock" covenant and related Permitted Refinancing Indebtedness), unless (1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (2) 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 until the Notes have been paid in full.

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any 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 (B) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the 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 (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (b) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

- (1) the Affiliate Transaction is on 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 or any Restricted Subsidiary; 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 issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;
- (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 (a), (b) or (c) of the first paragraph of the covenant described above under the caption "– Limitation on Restricted Payments" if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company or any Incurrence by the Company or any Restricted Subsidiary of Subordinated Shareholder Loans;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited;
- (6) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto; and
- (7) loans or advances to employees in the ordinary course of business not to exceed US\$1.0 million in the aggregate at any one time outstanding.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among the Company and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary and between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided* that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clauses (a) or (b) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien on the Capital Stock of any Subsidiary Guarantor, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) such Lien (except for paragraph (1) of the definition of “Permitted Liens”).

The Company will not, and will not permit any Restricted Subsidiary 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 secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) such Lien.

Limitation on Sale-Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary 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:

- (a) the Company or any Restricted Subsidiary could have (1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the proviso in the first sentence of clause (a) of the covenant described above under “– Limitation on Indebtedness and Preferred Stock” and (2) 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;
- (b) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “– Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (a) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

- (b) 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
- (c) 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\$10.0 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 or any 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 or any Restricted 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 Replacement Assets.

On the 361st day after an Asset Sale or such earlier date, if any, as the Company determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in preceding paragraph (such date being referred as an "Excess Proceeds Trigger Date"), such aggregate amount of Net Cash Proceeds that has not been applied on or before the Excess Proceeds Trigger Date as permitted in the preceding paragraph ("Excess Proceeds") will be applied by the Company to make an Offer to Purchase to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes or any Subsidiary Guarantee containing provisions similar to those set forth in the Indenture with respect to offers to purchase with the proceeds of sales of assets, to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes and such other *pari passu* Indebtedness plus accrued and unpaid interest, if any, to (but not including) the date of purchase, and will be payable in cash.

The Company may defer the Offer to Purchase until there are aggregate unutilized Excess Proceeds equal to or in excess of US\$10.0 million (or the Dollar Equivalent thereof) resulting from one or more Asset Sales, at which time, within 10 days thereof, the entire unutilized amount of Excess Proceeds will be applied as provided in the preceding paragraph. If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered into such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other

pari passu Indebtedness will be purchased on a *pro rata* basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Offer to Purchase, the Excess Proceeds subject to such Asset Sale will no longer be deemed to be Excess Proceeds.

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 a Permitted Business; *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 Business 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 (a) in the approximate amounts and for the purposes specified under the caption “Use of Proceeds” in this Offering Memorandum (or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes) and (b) 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 (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) neither the Company nor any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company at the time of the designation; (d) 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 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”; (e) 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 as Unrestricted Subsidiaries in accordance with this paragraph; and (f) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “– Limitation on Restricted Payments.” The Company will notify the Trustee in the event of such designation by the Board of Directors.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) 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”; (c) 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”; (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (e) if such Restricted Subsidiary is not organized under the laws of the PRC, 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. All designations must be evidenced by a Board Resolution delivered to the Trustee certifying compliance with the preceding provisions.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to (a) 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 Business, (b) 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 (c) 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 (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (2) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable 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 or secured on a junior priority basis.

Suspension of Certain Covenants when Notes Are Rated Investment Grade

If, on any date following the date of the Indenture, the Notes have an Investment Grade Rating from two of the three Rating Agencies and no Default or Event of 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 an Investment Grade Rating from none of the Rating Agencies, the provisions of the Indenture summarized under the following captions will not apply to the Notes:

- (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) clause (d) of the first paragraph and clause (D) of the second paragraph of "-- Consolidation, Merger and Sales of Assets";
- (7) "-- Certain Covenants -- Limitation on Sale -- Leaseback Transactions";
- (8) "-- Certain Covenants -- Limitation on Asset Sales";
- (9) "-- Certain Covenants -- Limitation on the Company's Business Activities"; and

- (10) clause (2)(B) under the first paragraph of “– Certain Covenants – Limitation on Transactions with Shareholders and Affiliates.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any Restricted Subsidiary as an Unrestricted Subsidiary pursuant to the covenant summarized under the caption entitled “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries.”

Such covenants will be reinstated and apply according to their terms 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 the “Limitation on Restricted Payments” covenant will be made as if it 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

- (a) 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 stock exchange on which the Company’s Common Stock is 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 The Stock Exchange of Hong Kong Limited or any other recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
- (1) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants;
 - (2) as soon as they are available, but in any event within 45 calendar days after the end of the first semi-annual period of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants; and
 - (3) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (b) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee
- (1) within 120 days after the close of each fiscal year, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio; and
 - (2) 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. The Trustee shall not be responsible for the determination of the Fixed Charge Coverage Ratio or the verification thereof in the Officers' Certificate.

Any financial statements provided by the Company will be in English language or will be accompanied by an English translation.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

- (a) 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;
- (b) 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;
- (c) default in the performance or breach of the provisions of the covenants described under "– Consolidation, Merger and Sale of Assets," the failure by the Company to consummate the repurchase in the manner described under the caption "– Repurchase of Notes at the Option of the Holders," 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;"
- (d) 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 (a), (b) or (c) 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;
- (e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 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, (1) 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 (2) the failure to make a principal payment when due (after giving effect to any applicable grace period);
- (f) any final judgment or order for the payment of money in excess of US\$7.5 million (or the Dollar Equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against the Company or any Restricted Subsidiary and shall not be paid or discharged for a period of 60 consecutive days during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) an involuntary case or other proceeding is commenced against the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a 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, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or for any substantial part of the property and assets of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a 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, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

- (h) the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (1) 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, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property and assets of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or (3) effects any general assignment for the benefit of creditors; or
- (i) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any 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 (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to receiving indemnity and/or security to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) above occurs with respect to the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (x) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that is unclear, conflicting, equivocal or conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. Prior to taking any action under the Indenture, the Trustee will be entitled to security and indemnification satisfactory to it in its sole and absolute discretion against all losses and expenses caused by taking or not taking such action. A Holder 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 with respect to 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;
- (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 request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify 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 its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and the Trustee or the Agents may assume that no such Event of Default or Default has occurred and that the Company and the Subsidiary Guarantors is performing all of their respective obligations under the Indenture, the Subsidiary Guarantees and the Notes unless a Responsible Officer of the Trustee received written notice of the occurrence of such Event of Default or Default or facts establishing that the Company and/or the Subsidiary Guarantors are not performing of their respective obligations under the Indenture, the Subsidiary Guarantees and the Notes or an Event of Default or a Default has occurred. Neither the Trustee nor the Agents shall be required to verify any information in such notice.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (a) 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 Bermuda, the Cayman Islands, the British Virgin Islands or Hong Kong 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, as the case may be, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (c) 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;
- (d) 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 proviso in the first sentence of clause (a) of the covenant under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";
- (e) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such transaction and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with;
- (f) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (g) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless:

- (A) such 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, in each case by executing and delivering to the Trustee a supplemental indenture to the Indenture;
- (B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

- (C) 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;
- (D) 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 proviso in the first sentence of clause (a) of the covenant under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (E) the Company delivers to the Trustee (1) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (C) and (D)) and (2) an Opinion of Counsel, in each case stating that such transaction and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with; and
- (F) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “Limitation on Asset Sales” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “The Subsidiary Guarantees – Release of Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

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 provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company 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 or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend in the time frame 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 offer, the Company and any Restricted Subsidiary may exclude (a) in connection with an exchange offer, Holders or beneficial owners of the Notes that are not “qualified institutional buyers” as defined in Rule 144A under the Securities Act, and (b) in connection with any consent, waiver or amendment, 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 Restricted Subsidiary to (i) file a registration statement, prospectus or similar document or subject the Company or any Restricted Subsidiary to ongoing periodic reporting or similar requirements under any securities laws, (ii) qualify as a foreign corporation or other entity as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject the Company or any Restricted Subsidiary to taxation in any such jurisdiction if it is not otherwise so

subject, 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:

- (a) the Company (x) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, (y) delivers to the Trustee a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;
- (b) the Issuer shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others, in each case, as determined under any bankruptcy, insolvency or similar law affecting creditors' rights in any applicable jurisdiction; and
- (c) immediately after giving effect to such deposit on a pro forma basis, no Default or 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 (other than any agreement or instrument governing or evidencing Indebtedness being defeased, discharged or replaced substantially concurrently with the Notes), 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 (other than any agreement or instrument governing or evidencing Indebtedness being defeased, discharged or replaced substantially concurrently with the Notes).

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect (x) with respect to clauses (c), (d), (e)(1) and (g) under the first paragraph and clauses (C), (D), (E)(1) and (F) under the second paragraph under "Consolidation, Merger and Sale of Assets" and all the covenants described herein under "– Certain Covenants," other than as described under "– Certain Covenants – Government Approvals and Licenses; Compliance with Law," clause (c) under "Events of Default" with respect to such clauses (c), (d), (e)(1) and (g) under the first paragraph and clauses (C), (D), (E)(1) and (F) under the second paragraph under "Consolidation, Merger and Sale of Assets" and (y) with respect to the other events set forth in such clause, clause (d) under "Events of Default" with respect to such other covenants and clauses (e) and (f) 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 and/or U.S.

Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes 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 will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (a) either:
 - (1) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Registrar for cancellation or
 - (2) all Notes not theretofore delivered to the Registrar for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Registrar for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (b) the Company or any Subsidiary Guarantor has paid all other sums payable under the Indenture by the Company; and
- (c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any other deposit relating to other Indebtedness being defeased, discharged or replaced substantially concurrently with the Notes) and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound (other than any instrument governing or evidencing Indebtedness being defeased, discharged or replaced substantially concurrently with the Notes).

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the Notes or the Subsidiary Guarantees may be amended by the Company, the Subsidiary Guarantors and the Trustee, without the consent of any Holder, to:

- (a) cure any ambiguity, defect, omission or inconsistency in the Indenture or any Note;
- (b) provide for the assumption of the Company's or any Subsidiary Guarantor's obligations pursuant to or otherwise comply with the provision described under "Consolidation, Merger and Sale of Assets";
- (c) evidence and provide for the acceptance of appointment by a successor Trustee;
- (d) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (f) add collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such collateral;
- (g) 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;
- (h) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any other applicable securities depository;
- (i) conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes or the Subsidiary Guarantees; or
- (j) make any other change that provides additional rights or benefits to Holders or that does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments of the Indenture, the Notes or the Subsidiary Guarantees may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes and the Trustee may amend or waive future compliance by the Company and the Subsidiary Guarantors with any provision thereof; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (b) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (c) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (d) 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 or any Subsidiary Guarantee;

- (e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (f) waive a default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of a majority in aggregate principal amount of the Notes and a waiver of the Payment Default that resulted from such acceleration);
- (g) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (h) 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;
- (i) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;
- (j) 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;
- (k) *[Reserved]*;
- (l) consent to the assignment or transfer by the Company or any Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees, except as permitted pursuant to the provisions described under “Merger, Consolidation and Sale of Assets”;
- (m) change the redemption date or the redemption price of the Notes from that stated under the caption “Optional Redemption” or “Redemption for Taxation Reasons”;
- (n) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or
- (o) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, MEMBERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, member, officer, director, employee or controlling person of the Company or any of the 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 and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under applicable securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

The Hongkong and Shanghai Banking Corporation Limited is to be appointed as Trustee under the Indenture and as paying agent (the “Paying Agent”) and The Hongkong and Shanghai Banking Corporation Limited, is to be appointed as transfer agent (the “Transfer Agent”) and as registrar (the “Registrar” and together with the Paying Agent and the Transfer Agent, the “Agents”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture and the Notes, as the case may be, as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders unless the requisite number of Holders have instructed the Trustee in writing and offered to the Trustee indemnity and/or security satisfactory to it against any loss, cost, expense or liability.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company, the Subsidiary Guarantors and their Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

The Trustee shall have regard to the general interests of the Holders as a class rather than to individual Holders as regards their connection to any territory or taxing jurisdiction.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream. Any Additional Notes will be represented by additional Global Notes (the “Additional Global Notes” and, together with the Global Note, the “Global Notes”).

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “– Certificated Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository 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 Trustee, the Agents or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “– Additional Amounts.”

Under the terms of the Indenture, the Company, the Trustee and the Agents will treat the registered holder of the Global Notes (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- 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, each of Euroclear and Clearstream will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Certificated Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “– Events of Default” and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for certificated notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

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

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails (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) addressed to the Trustee at its Corporate Trust Office and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream or if by mail, when so sent or deposited.

Notices and other communications to the Trustee shall be effective upon actual receipt, which includes receipt by fax.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company and each of the Subsidiary Guarantors will irrevocably (i) submit to the nonexclusive 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, the Indenture or any transaction contemplated thereby and (ii) 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 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 “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after November 28, 2023, 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, whether now or in the future, (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) 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 (i) or (ii). 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 a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of (1) the principal amount of such Note plus (2) all required remaining scheduled interest payments due on

such Note through November 28, 2023 (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 and including any sale or issuance of the Capital Stock of any Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person other than the Company or any Restricted Subsidiary of any of its property or assets (including Capital Stock), in each case that is not governed by the covenant under the caption “– Consolidation, Merger and Sale of Assets”; *provided* that “Asset Sale” shall not include:

- (a) sales, transfers 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,
- (b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “Limitation on Restricted Payments” covenant,
- (c) 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,
- (d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries,
- (e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien,
- (f) a sale, transfer or other disposition to the Company or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary,
- (g) a transaction covered by the covenant under the caption “– Consolidation, Merger and Sale of Assets,”
- (h) any surrender or waiver of contract rights or settlement, release or surrender of contract or tort claims in the ordinary course of business, and
- (i) any disposition of Capital Stock, Indebtedness or other securities or assets of an Unrestricted 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 such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

“*Average Life*” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“*Bank Deposit Secured Indebtedness*” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts or deposits of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars, Hong Kong dollars or other 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 shareholders 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 or Hong Kong are authorized by law or governmental regulation to close.

“*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.

“*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.

“*Capitalized Lease Obligations*” means the discounted present value of the rental obligations under a Capitalized Lease.

“*Change of Control*” means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;
- (2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person (other than one or more Permitted Holders) consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the

Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

- (3) the Permitted Holders are the beneficial owners of less than 51% of the total voting power of the Voting Stock of the Company;
- (4) 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;
- (5) 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 members of the Board of Directors then in office who were members of the Board of Directors on the Original Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or
- (6) 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 Agreement*” means any raw materials futures contract, forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect against fluctuations in raw material 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 United States Treasury security having a maturity comparable to the remaining term of the Notes from the redemption date to November 28, 2023 (the “Remaining Term”), 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 a maturity most nearly equal to the Remaining Term.

“*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 Parent Guarantor) Reference Treasury Dealer Quotations for such redemption date.

“*Consolidated Assets*” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“*Consolidated EBITDA*” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains or 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), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP, *provided* that (i) 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 (ii) in the case of any Foreign-Funded Enterprise, 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 Foreign-Funded Enterprise to the Foreign-Funded Enterprise Partner, or to which the Foreign-Funded Enterprise Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such Foreign-Funded Enterprise.

“*Consolidated Fixed Charges*” means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) 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 Restricted Subsidiary.

“*Consolidated Interest Expense*” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or paid during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) 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, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (vii) any capitalized interest, *provided* 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.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or any Restricted Subsidiary;
- (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 any Restricted Subsidiary);
- (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.

“*Consolidated Net Worth*” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated financial statements (which may be internal consolidated financial statements) of the Company prepared in accordance with GAAP (which the Company shall use its reasonable best efforts to compile in a timely manner), 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.

“*Consolidated Revenue*” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated revenue of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“*Contractor Guarantees*” means Guarantees by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a 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.

“*Corporate Trust Office*” means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which shall initially be located at Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong; Facsimile: +852 3478 9198; Attention: Issuer Services.

“*Cross Border Secured Indebtedness*” means (i) Indebtedness the proceeds of which are disbursed in one jurisdiction but which Indebtedness or credit support therefor is guaranteed by a guarantor located in another jurisdiction, or secured by Liens over assets located in another jurisdiction, and (ii) any Guarantees or Indebtedness (including reimbursement obligations in respect of credit support) related to the Indebtedness referred to in clause (i).

“*Currency Agreement*” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against 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, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “Limitation on Asset Sales” and “Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of the Notes as are required to be repurchased pursuant to the “– Certain Covenants – Limitation on Asset Sales” and “Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“*Dollar Equivalent*” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“*Entrusted Loans*” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

“*Equity Offering*” means (i) any *bona fide* underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any *bona fide* 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); *provided* that any private placement of Common Stock of the Company shall result in such Common Stock being listed and eligible for dealings on The Stock Exchange of Hong Kong Limited or any other internationally recognized stock exchange.

“Euroclear” means Euroclear Bank SA/NV.

“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.

“Fitch” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual 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 “Two Semi-annual Period”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual 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 Two Semi-annual 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 Two Semi-annual 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 Two Semi-annual Period shall not include any interest income actually earned during such Two Semi-annual 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 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 two full semi-annual 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.

“*Foreign-Funded Enterprise*” means any future Subsidiary that is an enterprise that is wholly or partly invested by foreign investors under the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020 and the Regulation on the Implementation of the Foreign Investment Law of the People’s Republic of China, adopted on January 1, 2020, as such laws may be amended from time to time.

“*Foreign-Funded Enterprise Partner*” means with respect to a Foreign-Funded Enterprise, the other party or parties to the joint venture agreement relating to such Foreign-Funded Enterprise with the Company or any Restricted Subsidiary.

“*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 Agreement, Currency Agreement or Interest Rate Agreement.

“*Holder*” means the Person in whose name a Note is registered in the Note register.

“*Incur*” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (i) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (ii) the accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of 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 any Entrusted Loans, deferred payment obligations, capital commitments, 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; *provided* that such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected 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:

- (A) 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,
- (B) 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
- (C) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (b)(6) under the “Limitation on Indebtedness and Preferred Stock” covenant, and (ii) equal to the net amount payable if such Hedging Obligation terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

“*Independent Third Party*” means any Person that is not an Affiliate of the Company.

“*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 protect against fluctuations in interest rates.

“*Investment*” means:

- (i) any direct or indirect advance, loan or other extension of credit to another Person,

- (ii) 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),
- (iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or
- (iv) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and Guaranteed.

For the purposes of the provisions of the “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries” and “– Certain Covenants – Limitation on Restricted Payments” covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (ii) 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 S&P or any of its successors or assigns, a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns, or 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, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“*Investment Property*” means any property that is 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.

“*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 the Capital Stock of which is listed on a Qualified Exchange and any Subsidiary of a Listed Subsidiary.

“*Measurement Date*” means June 27, 2019.

“*Moody’s*” means Moody’s Investors Service, Inc. and its affiliates.

“*Net Cash Proceeds*” means:

- (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, 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 Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of
 - (1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

- (2) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (3) 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; and
 - (4) 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
- (b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, 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 Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“*Non-Guarantor Subsidiary*” means any Restricted Subsidiary that is not required by the terms of the Indenture to be a Subsidiary Guarantor.

“*Offer to Purchase*” means an offer to purchase the Notes by the Company from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision of the Indenture 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 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 Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. 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 Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Registrar 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. 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 materials used in connection with an Offer to Purchase are 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, one of the directors or executive officers of such Subsidiary Guarantor.

“*Officers' Certificate*” means a certificate signed by two Officers; *provided, however*, with respect to any Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“*Opinion of Counsel*” means a written opinion from legal counsel who is acceptable to the Trustee that meets the requirements of the Indenture and is in a form reasonably satisfactory to the Trustee.

“*Original Issue Date*” means the date on which the Notes are originally issued under the Indenture.

“*Pari Passu Subsidiary Guarantee*” means a Guarantee by any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (i) the Company and such Subsidiary Guarantor were permitted to incur such Indebtedness under the covenant under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” and (ii) such Guarantee ranks *pari passu* with the Subsidiary Guarantee of such Subsidiary Guarantor.

“*Payment Default*” means (i) any default in the payment of interest on any Note when the same becomes due and payable, (ii) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (iii) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “– Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “– Certain Covenants – Limitation on Asset Sales” or (iv) any Event of Default specified in clause (e) of the definition of Events of Default.

“*Permitted Business*” means any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date and any business which is the same as or related, ancillary or complementary thereto.

“*Permitted Holders*” means any or all of the following:

- (1) Mr. Chu Mang Yee;
- (2) the estate and any spouse or immediate family member of the Person specified in clause (1) or the legal representative of any of the foregoing;
- (3) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of the Persons specified in clauses (1) and (2); 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 more than 80% owned by Persons specified in clauses (1), (2) and (3).

“*Permitted Investment*” means:

- (1) any Investment in the Company or a Restricted Subsidiary 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 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 in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP and not in excess of US\$1.0 million (or the Dollar Equivalent thereof) outstanding at any time;
- (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 entered into in the ordinary course of business (and not for speculation) and designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Dispositions made in compliance with the covenant described under “– 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 “– 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 creditors, trade debtors or customers;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;
- (16) any Investment 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 (16) since the Measurement Date shall not exceed in aggregate an amount equal to 25.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause of an obligation of any such Person, or
 - (C) to the extent that an Investment made after the Measurement Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (16);

- (ii) such Person in which such Investment was made pursuant to this clause (16) is not a Person described in clauses (a) or (b) of the first paragraph of the covenant under the caption “– Limitation on Transactions with Shareholders and Affiliates” (other than by reason of a shareholder or partner of such Person being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary);
- (iii) no Default has occurred and is continuing or would occur as a result of such Investment;
- (iv) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in clause (a) of the covenant under the caption “– Limitation on Indebtedness and Preferred Stock.”

For the avoidance of doubt, the value of each Investment made pursuant to this clause (16) shall be valued at the time such Investment is made; and

- (17) Guarantees permitted under clause (b)(19) or (b)(21) of the covenant under “– Limitation on Indebtedness and Preferred Stock”.

“*Permitted Liens*” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) any interest or title of a lessor in the property subject to any operating lease;
- (7) 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;
- (8) Liens in favor of the Company or any Restricted Subsidiary;

- (9) Liens arising from attachment or the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (10) (i) 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 or (ii) Liens in favor of any bank having a right of set-off, revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in possession of such bank;
- (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 (b)(5) of the covenant under the caption entitled “Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Original Issue Date; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (b)(7) of the covenant under the caption entitled “– 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 or construction, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such cost 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 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 (13) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (14) Liens securing Indebtedness which is permitted to be Incurred under clause (b)(17) of the covenant described under the caption entitled “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (15) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (b)(13) of the covenant described under the caption entitled “– Limitation on Indebtedness and Preferred Stock”;
- (16) 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;
- (17) Liens securing Indebtedness under Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (18) 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;

- (19) 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;
- (20) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens incurred or deposits made to secure Entrusted Loans;
- (22) Liens securing Cross Border Secured Indebtedness permitted to be Incurred under clause (b)(14) of the covenant described under “– Limitation on Indebtedness and Preferred Stock”; *provided* that, the aggregate book value of any 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 (22) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (23) 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 (19) of the second paragraph of the “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (b)(16) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (25) Liens incurred on one or more bank accounts or deposits made to secure Bank Deposit Secured Indebtedness;
- (26) Liens securing Indebtedness permitted under clauses (b)(21) and (b)(22) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (27) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (b)(23) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”; and
- (28) Liens on the Capital Stock of any Unrestricted Subsidiary.

“*Permitted Subsidiary Indebtedness*” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole (but excluding the amount of any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (b)(1), (b)(2), (b)(4), (b)(6), (b)(10), (b)(12)(i), (b)(13) and (b)(16) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”), *provided* that, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock does not exceed an amount equal to 25.0% of the Total Assets.

“*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 and Taiwan.

“*PRC Restricted Subsidiary*” means a Restricted Subsidiary organized under the laws of the PRC.

“*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 any other class of Capital Stock of such Person.

“*Pre-Registration Mortgage Guarantees*” means any Guarantee by the Company or any Restricted Subsidiary 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 upon the perfection of security interest in such properties under applicable law in favor of the relevant lender.

“*Qualified Exchange*” means (1) 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), or (2) the Singapore Exchange Securities Trading Limited, the Nasdaq Stock Market, Shanghai Stock Exchange or Shenzhen Stock Exchange.

“*Rating Agencies*” means (i) S&P, (ii) Moody’s and (iii) Fitch, provided that if S&P, Moody’s or Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, Fitch, two of any of the three or all three of them, as the case may be.

“*Rating Category*” (i) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (iii) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (iv) the equivalent of any such category of S&P, Moody’s or 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 S&P; “1,” “2” and “3” for Moody’s; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“*Rating Date*” means (i) 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 (ii) 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 (i) 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 Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (ii) in connection with actions contemplated under the caption “– Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“*Reference Treasury Dealer*” means three internationally recognized investment banking firms selected by the Company that are primary U.S. Government securities dealers.

“*Reference Treasury Dealer Quotations*” means with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

“*Replacement Assets*” means properties and assets (other than current assets) that will be used in a Permitted Business.

“*Responsible Officer*” means, when used with respect to the Trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of the Indenture.

“*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.

“*Senior Indebtedness*” of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such 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 the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

“*Significant Subsidiary*” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the United States Securities Act of 1933, as amended, as such Regulation is in effect on the date of the Indenture.

“*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 or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“*Subordinated Shareholder Loan*” means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, (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, 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) does not provide any cash payment of interest.

“*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% 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 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 GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of “Designation of Restricted and Unrestricted Subsidiaries” covenant.

“*Subsidiary Guarantee*” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“*Subsidiary Guarantor*” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“*Temporary Cash Investment*” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the PRC and Hong Kong or any agency thereof or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the PRC and Hong Kong or any agency thereof, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America or any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 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 within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof or Hong Kong and rated at least “A” by S&P “A2” by Moody’s or “A” by Fitch;
- (6) any mutual fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions organized under the laws of the PRC or structured deposit products that are principal protected with any banks or financial institutions organized under the laws of the PRC.

“*Total Assets*” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable 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 (b)(7) of “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (b)(22) of the “– 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).

“*Total Revenue*” means, as of any date, the total Consolidated Revenue of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to any Person becoming a New Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the Consolidated Revenue of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the Consolidated Revenue 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 and payable within 90 days.

“*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 any 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 holder 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.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

6.0% SENIOR NOTES DUE 2021

Our US\$500 million aggregate principal amount of 6.0% senior notes due 2021 (the “**2021 Notes**”) are our senior obligations and rank at least pari passu in right of payment with any unsecured, unsubordinated indebtedness. As of the date of this offering memorandum, the 2021 Notes have been fully repaid.

Guarantee and Collateral

Our obligations under the 2021 Notes are guaranteed by our existing and future wholly-owned subsidiaries that are incorporated or organized outside the PRC, except the initial non-guarantor subsidiaries.

Interest

The 2021 Notes bear interest at 6.0% annually, payable semi-annually in arrears.

Covenants, Events of Default and Change of Control

The indenture governing the 2021 Notes contains covenants, events of default and change of control provisions substantially the same as those in the indenture governing the Notes offered in this offering.

Maturity and Redemption

The maturity date of the 2021 Notes is February 17, 2021. At any time prior to February 17, 2021, we may redeem up to 35% of the aggregate principal amount of the Notes (including any additional notes) with proceeds of certain equity offerings at a redemption price of 106.0% of the principal amount of the 2021 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Additionally, if we or a guarantor of the 2021 Notes becomes obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

6.0% SENIOR NOTES DUE JULY 2021

Our US\$61,450,000 aggregate principal amount of 6.0% senior notes due 2021 (the “**July 2021 Notes**”) are our senior obligations rank at least pari passu in right of payment with any unsecured, unsubordinated indebtedness. As of the date of this offering memorandum, we have a total of US\$61,450,000 principal amount of the July 2021 Notes outstanding.

Guarantee and Collateral

Our obligations under the July 2021 Notes are guaranteed by our existing and future wholly-owned subsidiaries that are incorporated or organized outside the PRC, except the initial non-guarantor subsidiaries.

Interest

The July 2021 Notes bear interest at 6.0% annually, payable semi-annually in arrears.

Covenants, Events of Default and Change of Control

The indenture governing the July 2021 Notes contains covenants, events of default and change of control provisions substantially the same as those in the indenture governing the Notes offered in this offering.

Maturity and Redemption

The maturity date of the July 2021 Notes is July 28, 2021. At any time prior to July 28, 2021, we may redeem the July 2021 Notes, in whole or in part, at a redemption price equal to 100% of principal amount plus accrued and unpaid interest.

Additionally, if we or a guarantor of the July 2021 Notes becomes obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the July 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

5.8% SENIOR NOTES DUE 2022

Our US\$500 million aggregate principal amount of 5.8% senior notes due 2022 (the “January 2022 Notes”) are our senior obligations and rank at least pari passu in right of payment with any unsecured, unsubordinated indebtedness. As of the date of this offering memorandum, we have a total of US\$500 million principal amount of the 2022 Notes outstanding.

Guarantee and Collateral

Our obligations under the January 2022 Notes are guaranteed by our existing and future wholly-owned subsidiaries that are incorporated or organized outside the PRC, except the initial non-guarantor subsidiaries.

Interest

The 2022 Notes bear interest at 7.5% annually, payable on July 13, 2021 and January 12, 2022.

Covenants, Events of Default and Change of Control

The indenture governing the January 2022 Notes contains covenants, events of default and change of control provisions substantially the same as those in the indenture governing the Notes offered in this offering.

Maturity and Redemption

The maturity date of the 2022 Notes is June 27, 2022. At any time prior to January 12, 2022, we may redeem all or any portion of the Notes 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 to (but not including), the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date). In addition, at any time from and after December 12, 2021, we may redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus the accrued and unpaid interest on the Notes to be redeemed, if any, to (but not including) the redemption date.

Additionally, if we or a guarantor of the January 2022 Notes becomes obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the January 2022 Notes, in whole but not in part, 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.

7.5% SENIOR NOTES DUE 2022

Our US\$500 million aggregate principal amount of 7.5% senior notes due 2022 (the “**2022 Notes**”) are our senior obligations and rank at least pari passu in right of payment with any unsecured, unsubordinated indebtedness. As of the date of this offering memorandum, we have a total of US\$500 million principal amount of the 2022 Notes outstanding.

Guarantee and Collateral

Our obligations under the 2022 Notes are guaranteed by our existing and future wholly-owned subsidiaries that are incorporated or organized outside the PRC, except the initial non-guarantor subsidiaries.

Interest

The 2022 Notes bear interest at 7.5% annually, payable semi-annually in arrears.

Covenants, Events of Default and Change of Control

The indenture governing the 2022 Notes contains covenants, events of default and change of control provisions substantially the same as those in the indenture governing the Notes offered in this offering.

Maturity and Redemption

The maturity date of the 2022 Notes is June 27, 2022. At any time on or after June 27, 2021, we may redeem the 2022 Notes, in whole or in part, at a redemption price equal to 103.75% of principal amount plus accrued and unpaid interest.

Additionally, if we or a guarantor of the 2022 Notes becomes obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2022 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

7.0% SENIOR NOTES DUE 2024

Our US\$300 million aggregate principal amount of 7.0% senior notes due 2024 (the “**2024 Notes**”) are our senior obligations and rank at least pari passu in right of payment with any unsecured, unsubordinated indebtedness. As of the date of this offering memorandum, we have a total of US\$300 million principal amount of the 2024 Notes outstanding.

Guarantee and Collateral

Our obligations under the 2024 Notes are guaranteed by our existing and future wholly-owned subsidiaries that are incorporated or organized outside the PRC, except the initial non-guarantor subsidiaries.

Interest

The 2024 Notes bear interest at 7.0% annually, payable semi-annually in arrears.

Covenants, Events of Default and Change of Control

The indenture governing the 2024 Notes contains covenants, events of default and change of control provisions substantially the same as those in the indenture governing the Notes offered in this offering.

Maturity and Redemption

The maturity date of the 2024 Notes is May 18, 2024. At any time prior to May 18, 2023, we may redeem up to 35% of the aggregate principal amount of the Notes (including any additional notes) with proceeds of certain equity offerings at a redemption price of 107.0% of the principal amount of the 2024 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Additionally, if we or a guarantor of the 2024 Notes becomes obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2024 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

ASSET-BACK SECURITIES

In March 2016, we issued asset-backed securities with an aggregate nominal value of RMB2,107,000,000 (equivalent to approximately US\$302.7 million) (the “Securities”). The Securities were partially repaid and the carrying amount of the remaining Securities as at 31st December 2018 amounted to HK\$1,686,913,000 and was fully repaid in 2019.

COMMERCIAL MORTGAGE-BACKED SECURITIES

In June 2018, the Group issued 6.50% commercial mortgage-backed securities. The securities will mature in 2039 and are repayable at their nominal value of RMB5,600,000,000 according to pre-determined schedule from 2019 to 2039. The Group has the right to redeem all of the securities at predetermined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 31st December 2020, the carrying value of the securities (including arrangement fees) amounted to HK\$6,203,131,000, and the securities are secured by an investment property of approximately HK\$11,943,349,000 (2019: HK\$11,214,807,000) and the rental income receivables deriving from the investment property.

In June 2019, the Group issued 5.70% commercial mortgage-backed securities. The securities will mature in 2037 and are repayable at their nominal value of RMB2,000,000,000 according to pre-determined schedule from 2019 to 2037. The Group has the right to redeem all of the securities at predetermined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 31st December 2020, the carrying value of the securities (including arrangement fees) amounted to HK\$2,299,041,000, and the securities are secured by an investment property of approximately HK\$3,166,438,000 (2019: HK\$2,900,266,000) and the rental income/receivables deriving from the investment property.

In September 2020, the Group issued 3.85% commercial mortgage-backed securities. The securities will mature in 2041 and are repayable at their nominal value of RMB700,000,000 according to pre-determined schedule from 2020 to 2041. The Group has the right to redeem all of the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 31st December 2020, the carrying value of the securities (including arrangement fees) amounted to HK\$736,419,000, and the securities are secured by an investment property of approximately HK\$996,863,000 (2019: Nil) and the rental income/receivables deriving from the investment property.

TERM LOAN AGREEMENTS

As of December 31, 2020, we had banking facilities of approximately HK\$147.2 billion (US\$19.0 billion) for short-term and long-term bank loans, of which HK\$56.6 billion (US\$7.3 billion) was unutilized.

Certain of our PRC subsidiaries have entered into term loan agreements with various PRC financial institutions, including The Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Merchants Bank, China Everbright Bank, Guangdong Development Bank, Guangzhou

Rural Commercial Bank, Beijing Rural Commercial Bank and China Foreign Economy & Trade Trust Co., Ltd., to finance the development of projects and working capital requirements. These loans have terms ranging from six months to ten years. As of December 31, 2020, the aggregate outstanding amount under these loans totaled HK\$90,109 million (US\$11,621.9 million), of which HK\$13,426 million (US\$1,731.6 million) was due within one year or on demand, and HK\$76,683 million (US\$9,890.2 million) was due in greater than one year.

Interest

The principal amounts outstanding under the term loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate, which in turn is generally linked to the PBOC-published rates. Floating interest rates are generally subject to review by the banks monthly, quarterly, annually, every 15 months, or simultaneously with the adjustment of the PBOC-published rate. Interest payments are generally payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. For the year ended December 31, 2020, the weighted average interest rate on the aggregate outstanding amount of our term loans was 6.8% per annum.

Covenants

Under these term loans, many of our PRC subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lenders or obtaining the lenders' prior consent:

- issue any bonds;
- create encumbrances on all or substantiality all of their property or assets;
- grant guarantees to any third parties or pledge or mortgage their material assets that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- reduce their registered capital;
- acquire or invest in businesses not within the scope of businesses specified in their business licenses; or
- enter into any arrangement that makes their loans subordinated to other indebtedness.

Under several term loans, certain of our PRC subsidiaries have agreed not to distribute dividends to their shareholders or repay shareholder loans without written consent of the lenders or before having fully repaid the term loans. Certain of our PRC subsidiaries have agreed with their lenders not to distribute dividends to their shareholders or repay shareholder loans (i) if their after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or (ii) if their profit before tax in the relevant accounting period has not been used to pay off the principal, interests or other related expenses due in that accounting period or is insufficient to cover the principal, interests or other related expenses due in next period.

Financial Covenants

Under some of our term loans, certain of our PRC subsidiaries have agreed to comply with financial covenants, including in connection with the ratios of the outstanding loan amount over the appraised net market value of the mortgaged property, the total amount of guarantees provided by a borrower to its net assets, total liabilities to total assets, sum of actual plus contingent liabilities to net assets, total liabilities to total equity, contingent liabilities to total equity, current assets to current liabilities and long-term equity investment to net assets.

Events of Default

The term loans contain certain customary events of default, including cross-default, insolvency and breaches of the terms of the loan agreements. The lenders are entitled to terminate their respective agreements or demand immediate repayment of loans upon the occurrence of an event of default.

GUARANTEE AND SECURITY

We and certain of our PRC subsidiaries have entered into guarantee agreements with lenders in connection with certain loan agreements pursuant to which we and our subsidiaries have agreed to guarantee all liabilities of the subsidiary borrowers under these loans. Under some of these guarantee agreements, we also agreed not to guarantee the debt obligation of a third party or establish any mortgage or pledge over our assets to secure our debt obligations or the debt obligations of a third party, which could adversely affect our ability to perform our obligations under such guarantee agreements, without first obtaining the lenders' prior consent. We believe that the Notes offered hereby would not adversely affect our ability to perform our obligations under such guarantee agreements.

Certain of our PRC subsidiaries have entered into security agreements with lenders in connection with certain loan agreements and trust financial arrangements, pursuant to which these subsidiaries have agreed to provide a security interest over their assets or their equity interests in other companies to secure the liabilities of other subsidiary borrowers under these loans and trust financial arrangements. The assets pledged by our subsidiaries include properties, construction-in-progress, land use rights, bank deposits, security funds, rent received or receivable, proceeds of sales, and rights and interests under certain project documents or insurance policies.

CUSTOMER GUARANTEES

In line with industry practice, we provide guarantees to mortgage banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of December 31, 2020, the aggregate outstanding amount guaranteed was HK\$16,869.7 million (US\$2,175.7 million).

TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations. This description is based on current laws, regulations and interpretations. These laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of the Notes. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

BERMUDA TAX

Under present Bermuda law, no Bermuda withholding tax on interest payments, dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, we have obtained from the Minister of Finance of Bermuda, an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until March 28, 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda owned or leased or let to us or to persons ordinarily resident in Bermuda.

Stamp Duty

As an exempted company, we are exempt from all stamp duties except on transactions involving “Bermuda property.” This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. Neither we nor holders of the Notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the Notes (including the transfer thereof).

BRITISH VIRGIN ISLANDS

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Issuer pursuant to the Notes.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any shares, debt obligations or other securities of the Issuer, save for interest payable to or for the benefit of an individual resident in the European Union.

HONG KONG

The following summary of certain Hong Kong tax consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, decisions and practice now in effect, all of which are subject to prospective change and possibly retroactive change. The summary 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 the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes or payments made by a Subsidiary Guarantor pursuant to its guarantee 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 corporation carrying on a trade, profession or business in Hong Kong;
- 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; or
- a financial institution (as defined in the Inland Revenue Ordinance) and such interest arises through or from the carrying on by the financial institution of its business in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong, as is expected to be the case).

PRC

Taxation of Interest and Capital Gains

We may be classified as a “resident enterprise” for PRC tax purposes, as described in “Risk Factors – Risks Relating to Conducting Business in the PRC – Under the EIT Law, we may be classified as a “resident enterprise” of China. Such Classification could result in unfavorable tax consequences to us and our non-PRC noteholders”. If we are deemed a “resident enterprise”, interest payable to the holders of the Notes and any gains realized by the holders of the Notes from the transfer of the Notes may be treated as income derived from sources within China. Non-resident enterprise holders of the Notes may be subject to PRC tax at a rate of 10% on their interest income or capital gains (which in the case of interest would be withheld at source), so long as they do not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income or gain is not effectively connected with such establishment or place of business in China. Non-resident individual holders may be subject to PRC tax at a rate of 20% on their interest income or capital gains (which in the case of interest would be withheld at source). Any PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether in practice non-resident noteholders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries. Currently, we are of the view that we are not required to withhold such tax. However, there can be no assurance that our view will not be challenged in the future. If we are not deemed a “resident enterprise” for PRC tax purposes, non-resident enterprise and non-resident individual holders of the Notes will not be subject to PRC tax on interest received or gains from the transfer of the Notes. It is unclear whether the PRC tax authorities would treat us as a PRC “resident enterprise” and the application of interest income or capital gains tax to holders of Notes is uncertain.

Value-added Tax

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Circular 36), which was promulgated on March 23, 2016 and became effective on May 1, 2016, business tax has been replaced by VAT from May 1, 2016 and the income derived from the provision of financial services which attracted business tax is now subject to VAT. According to Circular 36, the entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in 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 may be regarded as financial services subject to VAT. There is uncertainty whether the holders of the Notes would be regarded as providing the financial services within PRC and consequently, the holders of the Notes may be subject to 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. Consequently, the combined rate of VAT and local levies would be around 6.72%. Given that the Issuer pays interest income to Note holders who are located outside of the PRC, the Issuer may be regarded as the obligatory withholder in accordance with applicable law and shall withhold VAT and local levies from the payment of interest income to Note holders who are located outside of the PRC.

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 VAT or the local levies.

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. There is uncertainty as to the application of Circular 36.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated June 21, 2021 (the “Purchase Agreement”), the Initial Purchasers have severally agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, the following aggregate principal amount of the Notes.

Initial Purchasers	Principal Amount of Notes
BOCOM International Securities Limited	US\$20,000,000
China International Capital Corporation Hong Kong Securities Limited	US\$20,000,000
The Hongkong and Shanghai Banking Corporation Limited	US\$20,000,000
Orient Securities (Hong Kong) Limited	US\$20,000,000
Morgan Stanley & Co. International plc	US\$20,000,000
HeungKong Securities Limited	US\$10,000,000
DBS Bank Ltd.	US\$10,000,000
CMBC Securities Company Limited	US\$10,000,000
Vision Capital International Holdings Limited	US\$10,000,000
China CITIC Bank International Limited	US\$10,000,000
Haitong International Securities Company Limited	US\$10,000,000
CCB International Capital Limited	US\$10,000,000
Citigroup Global Markets Limited	US\$10,000,000
CMB International Capital Limited	US\$10,000,000
The Bank of East Asia, Limited	US\$10,000,000
Total	US\$200,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is several and not joint and is subject to the approval of certain legal matters by their counsel and certain other conditions. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes. The purchase agreement provides that the Company will pay the Initial Purchasers a customary commission. In addition, we have agreed with the Initial Purchasers that we will pay a commission to private banks in connection with the purchase of the Notes by their private bank clients. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers.

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

In the Purchase Agreement, we and the Subsidiary Guarantors have agreed that none of the Company or any of the Subsidiary Guarantors will, directly or indirectly offer, sell, contract to sell, issue or otherwise dispose of any offshore unsecured debt securities issued or guaranteed by the Company or any of the Subsidiary Guarantors for a period of 45 days after the date of this offering memorandum without the prior written consent of the Initial Purchasers.

The Notes are a new issue of securities with no established trading market. Application will be made for the approval in-principle for the listing of the Notes on the SGX-ST. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers or any person acting on their behalf may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. In connection with this offering of the Notes, the Initial Purchasers or any person acting on their respective behalf 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 accounts of the Initial Purchasers, and not for or on behalf of us.

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 respective 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. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any of our other securities 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 Purchasers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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 fifth 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 two 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+5, 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.

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by us 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.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of 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 such Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

PRIIPs Regulation/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 EEA.

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

1. a retail client as defined in point (11) of Article 4(1) of MiFID II; or

2. a customer within the meaning of 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 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.

UK PRIIPs Regulation/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 UK.

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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

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 to any retail investor in the UK. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States and may only be offered or sold outside the United States in compliance with Regulation S under the U.S. Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act.

United Kingdom

The Initial Purchasers have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of such Act does not apply to Initial Purchasers and the Initial Purchasers have complied and will comply with all applicable provisions of such Act with respect to anything done by them in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes will not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the SFO and any rules made thereunder; or (ii) in other circumstances which do not result in any such document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. 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 being issued, 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” as defined in the SFO 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 reoffering 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

Each Initial Purchaser has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in 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:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

PRC

This offering memorandum does not constitute a public offer of the Notes, whether by sale or by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document.

Bermuda

No Notes will be offered or sold to the public in Bermuda.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

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.

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

1. You understand and acknowledge that:
 - the Notes (including the Subsidiary Guarantees) have not been registered under the Securities Act or any other applicable securities laws;
 - the Notes (including the Subsidiary Guarantees) are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Notes (including the Subsidiary Guarantees) are being offered and sold only outside of the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Notes (including the Subsidiary Guarantees) may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
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, other than a distributor, and that you are purchasing Notes (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes (including the Subsidiary Guarantees), other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes (including the Subsidiary Guarantees) including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes (including the Subsidiary Guarantees) for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes (including the Subsidiary Guarantees) in violation of the Securities Act.
5. You also acknowledge that each Note will contain a legend substantially to the following effect:

THIS NOTE AND THE SUBSIDIARY GUARANTEES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE 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 NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

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

RATINGS

The Notes are expected to be assigned a rating of B+ by Fitch Ratings. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Notes. The rating does not constitute a recommendation to purchase, hold or sell the Notes in as much as such rating does not comment as to market price or suitability for a particular investor. Such a rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a corporate family rating of B2 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B with a stable outlook by Standard and Poor's Rating Services and a long-term corporate credit rating of B+ with a stable outlook by Fitch Ratings. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agency in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Latham & Watkins as to matters of U.S. federal and New York law, by Zhong Lun Law Firm as to matters of PRC law, by MinterEllison LLP as to matters of Hong Kong law, by Conyers Dill & Pearman as to matters of Bermuda law and British Virgin Islands law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of U.S. federal and New York law and by King & Wood Mallesons, as to matters of PRC law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers, Certified Public Accountants.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in Bermuda, the BVI and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entry into the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated May 7, 2021.

LITIGATION

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.

For so long as any of the Notes is outstanding, copies of the independent auditor's reports and/or our published financial statements, if any, including the independent auditor's reports set out in the section entitled "Index to Financial Information" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the registered offices of Company.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream with International Securities Identification Number of XS2353028298 and Common Code of 235302829. Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream, and only such Notes may trade on the SGX-ST.

LISTING OF THE NOTES

Application will be made for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors or any other subsidiary or associated company of the Company, the Notes or the Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

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

INDEX TO FINANCIAL INFORMATION

The audited consolidated financial statements of the Company as at and for the year ended December 31, 2020⁽¹⁾

Independent Auditor's Report	F-2
Consolidated Balance Sheet	F-13
Consolidated Income Statement	F-15
Consolidated Statement of Comprehensive Income	F-16
Consolidated Statement of Cash Flows	F-17
Consolidated Statement of Changes in Equity	F-19
Notes to the Consolidated Financial Information	F-21

The audited consolidated financial statements of the Company as at and for the year ended December 31, 2019⁽¹⁾

Independent Auditor's Report	F-151
Consolidated Balance Sheet	F-160
Consolidated Income Statement	F-162
Consolidated Statement of Comprehensive Income	F-163
Consolidated Cash Flow Statement	F-164
Consolidated Statement of Changes in Equity	F-166
Notes to the Consolidated Financial Statements	F-168

Note:

- (1) Our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 set forth herein have been reproduced from our annual reports for the years ended December 31, 2019 and 2020. The audited consolidated financial statements have not been prepared for the inclusion in this offering memorandum.



羅兵咸永道

To the Shareholders of
Hopson Development Holdings Limited
(incorporated in Bermuda with limited liability)

致合生創展集團有限公司全體股東
(於百慕達註冊成立之有限公司)

Opinion

意見

What we have audited

我們已審計的內容

The consolidated financial statements of Hopson Development Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 204 to 341, which comprise:

合生創展集團有限公司(以下簡稱「貴公司」)及其子公司(以下統稱「貴集團」)列載於第204至341頁之綜合財務報表，包括：

- the consolidated balance sheet as at 31st December 2020;
 - the consolidated income statement for the year then ended;
 - the consolidated statement of comprehensive income for the year then ended;
 - the consolidated cash flow statement for the year then ended;
 - the consolidated statement of changes in equity for the year then ended; and
 - the notes to the consolidated financial statements, which include a summary of significant accounting policies.
- 於二零二零年十二月三十一日之綜合資產負債表；
 - 截至該日止年度之綜合收益表；
 - 截至該日止年度之綜合全面收入報表；
 - 截至該日止年度之綜合現金流量表；
 - 截至該日止年度之綜合權益變動表；及
 - 綜合財務報表附註，包括主要會計政策概要。

Our opinion

我們的意見

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

我們認為，該等綜合財務報表已根據香港會計師公會頒佈的「香港財務報告準則」真實而中肯地反映了貴集團於二零二零年十二月三十一日的綜合財務狀況及其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。

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31st December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Recoverability of prepayments for acquisition of land
- Recoverability of properties under development for sale and completed properties for sale

意見的基礎

我們已根據香港會計師公會頒佈的「香港審計準則」進行審計。我們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」部分中作進一步闡述。

我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

獨立性

根據香港會計師公會頒佈的「專業會計師道德守則」(以下簡稱「守則」)，我們獨立於貴集團，並已履行守則中的其他專業道德責任。

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對截至二零二零年十二月三十一日止年度綜合財務報表的審計最為重要的事項。這些事項是在我們審計整體綜合財務報表及出具意見時處理的。我們不會對這些事項提供單獨的意見。

我們在審計中識別的關鍵審計事項概述如下：

- 投資物業的估值
- 收購土地預付款項的可收回性
- 可供出售之發展中物業及可供出售之已落成物業的可收回性

Key Audit Matter
關鍵審計事項How our audit addressed the Key Audit Matter
我們的審計如何處理關鍵審計事項Valuation of investment properties
投資物業的估值

Refer to Notes 4.1(a) and 8 to the consolidated financial statements

茲提述綜合財務報表附註4.1(a)及8

Management has estimated that the fair value of the Group's investment properties to be HK\$61,397 million at 31st December 2020, with a revaluation gain for the year ended 31st December 2020 of HK\$764 million recorded in the consolidated income statement. External valuations were obtained for all the investment properties to support management's estimates. Fair values of completed investment properties are derived using the income capitalisation method. The valuations are dependent on certain key assumptions that require significant judgement, including prevailing market rents and capitalisation rates.

管理層已估計 貴集團於二零二零年十二月三十一日的投資物業公平值為61,397百萬港元，而於綜合收益表確認之截至二零二零年十二月三十一日止年度之重估收益則為764百萬港元。所有投資物業經已獲取外部估值，藉以支持管理層之估計。已落成投資物業的公平值乃以收入資本化法得出。估值乃取決於若干需要重大判斷的重要假設，包括現行市場租金及資本化比率。

Our procedures in relation to management's valuation of investment properties included:

就管理層進行投資物業的估值而言，我們的程序包括：

- Obtaining an understanding of the management's internal control and assessment process for determining the valuation of investment properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;
- 了解管理層就釐定投資物業估值的內部控制和評估流程，並通過考慮估計不確定性的程度和涉及釐定將應用的假設時所涉及的判斷，評估重大錯誤陳述的固有風險；
- Evaluating the external independent valuers' competence, capabilities and objectivity;
- 評估獨立外部估值師的才幹、能力及客觀程度；
- Reviewing valuation reports, and involving our internal valuation experts in assessing the valuations and key assumptions of certain selected investment properties, and meeting with the independent valuers to discuss valuation methodologies;
- 審視估值報告(涉及評估若干選定投資物業估值及關鍵假設的內部估值專家)並與獨立估值師會面，以討論估值方法；

Key Audit Matter
關鍵審計事項How our audit addressed the Key Audit Matter
我們的審計如何處理關鍵審計事項Valuation of investment properties (Continued)
投資物業的估值(續)

We focused on auditing the value of investment properties and the related disclosures because the valuation of investment properties is subject to high degree of estimation uncertainty, as the inherent risk in relation to the valuation is considered significant due to significant judgement involved in selecting the data used in the valuation of investment properties, and we considered it a key audit matter.

我們關注投資物業價值以及相關披露的審計是由於投資物業估值具有高度估計不確定性。由於作出投資物業估值所挑選之數據存在重大判斷，使得我們認為估值相關的固有風險較高，故我們將其視為關鍵審計事項。

- Assessing the valuation methodologies used and the appropriateness of the key underlying assumptions, including prevailing market rents and capitalisation rates, based on our knowledge of the property industry and making comparison with available market information for comparable properties;
- 基於我們對物業行業的認識，並比較市場上可供使用的可比較物業資料，以評估所用估值方法及重要相關假設是否恰當，包括現行市場租金及資本化比率；及
- Checking, on a sample basis, the data provided by the Group to the independent external valuers, including agreeing the rental information to the underlying lease contracts and/or market rental information of comparable properties as applicable; and
- 按抽樣方式基準，檢查 貴集團提供予獨立外部估值師的數據，包括協定相關租賃合約的租金資料及／或可資比較物業市場租金資料(按適用者)；及
- Assessing the adequacy of the disclosures relating to the valuation of investment properties in the context of HKFRS disclosure requirements.
- 根據香港財務報告準則的披露要求，評估與投資物業估值有關的披露是否充分。

Based on the procedures performed, we considered that the risk assessment of valuation of investment properties remained appropriate and the methods, significant assumptions and data used by management and the external independent valuers in the valuation of investment properties were supportable by the evidence obtained.

基於已執行的程序，我們認為，投資物業估值的風險評估合適，管理層及外部獨立估值師在為投資物業估值時所用的方法、重要假設及數據由所獲得的憑證所支持。

Key Audit Matter
關鍵審計事項How our audit addressed the Key Audit Matter
我們的審計如何處理關鍵審計事項Recoverability of prepayments for acquisition of land
收購土地預付款項的可收回性

Refer to Notes 4.1(b), 17, 43(e) and 43(f) to the consolidated financial statements
茲提述綜合財務報表附註4.1(b)、17、43(e)及43(f)

The Group had prepayments for acquisition of land of HK\$30,232 million as at 31st December 2020, representing advances made for the acquisitions of land use rights, for which the formal land use right certificates have not yet been obtained.

貴集團於二零二零年十二月三十一日有收購土地預付款項為30,232百萬港元，用於收購土地使用權的墊款，而相關正式土地使用權證尚未取得。

Our procedures in relation to management's assessment of the recoverability of prepayments for the acquisition of land included:

就管理層評估收購土地預付款項的可收回性而言，我們的程序包括：

- Obtaining an understanding of the management's internal control and assessment process of the recoverability of prepayments for acquisition of land and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;
- 通過考慮估計的不確定程度和釐定將應用的假設時所涉及的判斷，了解管理層的內部控制和評估收購土地預付款項是否可收回的流程，並評估重大失實陳述的固有風險；
- Discussing with management on the latest status and development plans of the underlying property projects, such as expected dates in obtaining the formal land use right certificates and expected completion dates of the projects;
- 與管理層討論相關物業項目的最新狀態及發展計劃，如取得正式土地使用權證的預期日期及預期項目竣工日期；
- Reading the Group's correspondence with the relevant government authorities and Hanjiang;
- 閱讀 貴集團與相關政府機關及韓江的通訊；
- Obtaining the opinions received by management from independent legal counsels and discussing with independent legal counsels on the legality of the land transfer contracts and the undertakings provided by Mr. Chu, and whether any idle land penalties would be imposed by the relevant government authorities; and
- 獲取管理層從獨立法律顧問收取的意見，及與獨立法律顧問討論土地轉讓合約的合法性，以及朱先生作出的承諾及相關政府機關有否施加任何閒置土地罰款；及
- Evaluating management's assessment by comparing, on a sample basis, the estimated market value of the land with the recent market transaction prices of land parcels with comparable locations.
- 藉按抽樣方式比較土地估計市場價值與可比位置的地塊的近期市場交易價格，以評核管理層的評估。

Key Audit Matter
關鍵審計事項How our audit addressed the Key Audit Matter
我們的審計如何處理關鍵審計事項Recoverability of prepayments for acquisition of land (Continued)
收購土地預付款項的可收回性(續)

Management assessed the likelihood of obtaining the related land use rights by reference to the latest discussions with the relevant government authorities and Hanjiang Construction Installation Project Limited (now known as Guangdong Hanjiang Engineering Construction Limited) ("Hanjiang"). Management took into consideration opinions from independent legal counsels on the legality of the land transfer contracts and the undertakings provided by Mr. Chu Mang Yee ("Mr. Chu"), and whether any idle land penalties would be imposed by the relevant government authorities.

管理層評估了取得相關土地使用權的可能性，其乃參照近期與相關政府機關及廣東韓江建築安裝工程有限公司(現稱為廣東韓江工程總承包有限公司)(「韓江」)的討論而定。管理層考慮了獨立法律顧問對土地轉讓合約及朱孟依先生(「朱先生」)提供的承諾的合法性的意見，以及相關政府機關有否施加任何閒置土地罰款。

Management also assessed the recoverability of prepayments for acquisition of land, taking into account the estimated market value of the land. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

管理層亦於評估收購土地預付款項的可收回性時，將土地預計市值併入考慮。倘發生事件或情況變動顯示賬面值不一定可收回時，則會作出撥備。

We focused on auditing the recoverability of prepayments for acquisition of land because the recoverability of the prepayment is subject to high degree of estimation uncertainty, as the inherent risk in relation to the recoverability of prepayments is considered significant due to significant judgement involved in assessing the status and development plans of the property projects based on the discussion with the relevant government authorities and Hanjiang, the legal opinions of the underlying property projects and the selection of estimated market value of land at comparable locations for comparison, and we considered it a key audit matter.

我們重點審計收購土地及相關預付款項的可收回性，因為預付款項的可收回性受到高度估計不確定性的影響，由於與預付款項的可收回性有關的固有風險因評估房地產項目的現狀和發展計劃過程中涉及的重大判斷而被視為重大，評估根據我們與相關政府部門和韓江的討論、有關房地產項目的法律意見以及在可資比較位置選擇土地估計及估計其市值進行，我們將其視為關鍵審計事項。

Based on the procedures performed, we considered that risk assessment of recoverability of prepayments for acquisition of land remained appropriate and the methods, significant assumptions and data applied in the assessment were supportable by the evidence obtained.

基於已執行的程序，我們認為，關於收購土地預付款項是否可收回的風險評估仍然合適，估值時所用的方法、重要假設及數據由所獲得的憑證所支持。

Key Audit Matter
關鍵審計事項How our audit addressed the Key Audit Matter
我們的審計如何處理關鍵審計事項Recoverability of properties under development for sale and completed properties for sale
可供出售之發展中物業及可供出售之已落成物業的可收回性

Refer to Notes 4.1(c) and 9 to the consolidated financial statements

茲提述綜合財務報表附註4.1(c)及9

The Group had properties under development for sale and completed properties for sale of HK\$69,160 million and HK\$45,041 million, respectively, as at 31st December 2020. Management assessed the recoverability of the properties under development for sale and completed properties for sale, taking into account the estimated costs to completion and estimated net sales value under prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

貴集團於二零二零年十二月三十一日有可供出售之發展中物業及可供出售之已落成物業分別為69,160百萬港元及45,041百萬港元。管理層於評估可供出售之發展中物業及可供出售之已落成物業的可收回性時，將現行市況下的估計竣工成本及估計銷售淨額列入考慮。倘發生事件或情況變動顯示賬面值可能無法收回時，則會作出撥備。

We focused on auditing the recoverability of properties under development for sale and completed properties for sale because the recoverability assessment is subject to high degree of estimation uncertainty, as the inherent risk in relation to these assessment is considered significant due to significant judgement involved in selecting the data used in the assessment, and we considered it a key audit matter.

我們重點審計可供出售之開發中物業和可供出售之已落成物業的可回收性，因為可回收性評估受到高度估計不確定性的影響，由於與這些評估有關的固有風險因選擇評估所用的數據時涉及的重大判斷而被視為重大，我們將其視為關鍵審計事項。

Our procedures in relation to management's assessment of the recoverability of properties under development for sale and completed properties for sale included:

就管理層評估可供出售之開發中物業和可供出售之已落成物業的可收回性而言，我們的程序包括：

- Obtaining an understanding of the management's internal control and assessment process of the assessment of the recoverability of properties under development for sale and completed properties for sale and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;
- 了解管理層對評估可供出售之發展中物業及可供出售之已落成物業的可收回性的內部控制和評估流程，並通過考慮估計不確定性的程度和釐定將應用的假設時所涉及的判斷，評估重大錯誤陳述的固有風險；
- In relation to properties under development for sale, testing the key controls around the property construction cycle with particular focus on, but not limited, to control over cost budgeting for estimated costs to completion; and
- 就可供出售之在建物業而言，測試物業工程週期的主要監控，尤其專注於(但不限於)就估計竣工成本的成本預算監控；及

Key Audit Matter
關鍵審計事項How our audit addressed the Key Audit Matter
我們的審計如何處理關鍵審計事項Recoverability of properties under development for sale and completed properties for sale (Continued)
可供出售之發展中物業及可供出售之已落成物業的可收回性(續)

- Evaluating management's assessment by comparing, on a sample basis, the estimated selling price and the estimated cost to completion used in the assessment with the recent market price of properties with comparable locations and conditions and latest approved budgets on total construction costs by checking to supporting documentation such as quantity surveyor reports and signed contracts.
- 藉按抽樣方式比較評估估計的售價及估計竣工成本與所用相若地點及狀況物業的近期市價及藉檢查工料測量報告和已簽訂合約等證明文件所得有關總建築成本的最新經批准預算，以評核管理層的評估。

Based on the procedure performed, we considered that the risk assessment of recoverability of properties under development for sale and completed for sale remained appropriate and the methods, significant assumptions and data used by management were supported by the evidence obtained.

基於已執行的程序，我們認為，關於可供出售之開發中物業和可供出售之已落成物業是否可收回的風險評估仍然合適，管理層所用的方法、重要假設及數據由所獲得的憑證所支持。

Other Information

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

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

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

Responsibilities of Directors and The Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

其他信息

貴公司董事須對其他信息負責。其他信息包括年報內的所有信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事及審核委員會就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的「香港財務報告準則」及香港「公司條例」之披露規定擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估 貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將 貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會須負責監督 貴集團的財務報告過程。

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們僅向閣下(作為整體)按照百慕達一九八一年「公司法」第90條報告，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負責或承擔任何責任。合理保證是高水平的保證，但不能保證按照「香港審計準則」進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據「香港審計準則」進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於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這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 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。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，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。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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 Wan Sau Mei.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24th March 2021

核數師就審計綜合財務報表承擔的責任(續)

- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表中是否中肯反映相關交易和事項。

zw 就 貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責 貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與審核委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，用以消除對獨立性產生威脅的相關行動或採取的防範措施。

從與治理層溝通的事項中，我們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。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人為溫秀微。

羅兵咸永道會計師事務所
執業會計師

香港，二零二一年三月二十四日

Consolidated Balance Sheet 綜合資產負債表

As at 31st December 2020 於二零二零年十二月三十一日

			2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
		Note 附註		
ASSETS	資產			
Non-current assets	非流動資產			
Prepayments for acquisition of land	收購土地預付款項	17	126,397	118,758
Prepayments for construction work	建設工程預付款項	17	—	244,107
Loan receivables	應收貸款	16	321,591	170,801
Properties and equipment	物業及設備	7	4,245,066	4,976,880
Investment properties	投資物業	8	61,396,797	56,961,529
Intangible assets	無形資產	10	389,577	34,534
Investments in associates	於聯營公司之投資	11	114,847	364,855
Investments in joint ventures	於合營公司之投資	12	11,479,966	5,059,567
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	14	6,143,202	3,337,773
Finance lease receivables	融資租賃應收款項	13	248,298	344,656
Right-of-use assets	使用權資產	6	1,627,933	1,634,045
Prepayments, deposits and other non-current assets	預付款項、按金及其他非流動資產	17	1,170,643	—
Deferred tax assets	遞延稅項資產	27	1,342,998	1,309,259
			88,607,315	74,556,764
Current assets	流動資產			
Prepayments for acquisition of land	收購土地預付款項	17	30,105,213	10,767,194
Properties under development for sale	可供出售之發展中物業	9	69,159,635	57,047,059
Completed properties for sale	可供出售之已落成物業		45,041,301	31,260,655
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	15	22,020,697	788,403
Accounts receivable	應收賬款	18	2,622,871	1,058,081
Loan receivables	應收貸款	16	2,657,587	2,520,879
Prepayments, deposits and other current assets	預付款項、按金及其他流動資產	17	9,023,528	8,060,451
Due from joint ventures	應收合營公司款項	43	91,843	48,845
Due from associates	應收聯營公司款項	43	5,941	58,964
Due from related companies	應收關連公司款項	43	246,111	8,318
Contract acquisition costs	合約收購成本	19	1,639,200	982,860
Pledged/charged bank deposits	已抵押／押記銀行存款	20	1,741,508	1,466,913
Cash and cash equivalents	現金及現金等價物	20	27,908,584	12,635,125
			212,264,019	126,703,747
Assets classified as held for sale	分類為持作銷售之資產	21	—	2,843,132
			212,264,019	129,546,879
Total assets	總資產		300,871,334	204,103,643

Consolidated Balance Sheet (Continued) 綜合資產負債表 (續)

As at 31st December 2020 於二零二零年十二月三十一日

			2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
		Note 附註		
EQUITY	權益			
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔股本及儲備			
Share capital	股本	29	219,137	222,556
Reserves	儲備	31	87,792,832	72,358,121
			88,011,969	72,580,677
Non-controlling interests	非控制性權益	30	9,856,187	2,434,725
Total equity	權益總額		97,868,156	75,015,402
LIABILITIES	負債			
Non-current liabilities	非流動負債			
Land cost payable	應付土地成本		96,280	91,043
Borrowings	借貸	25	89,681,292	50,700,558
Lease liabilities	租賃負債	22	649,999	676,246
Due to non-controlling interests	應付非控制性權益之款項	43	6,833,733	2,126,867
Deferred tax liabilities	遞延稅項負債	27	10,757,987	9,957,093
			108,019,291	63,551,807
Current liabilities	流動負債			
Accounts payable, accruals and other payables	應付賬款、應計款項及其他應付款項	23	32,511,472	22,970,848
Land cost payable	應付土地成本		—	359,201
Borrowings	借貸	25	17,856,427	12,689,322
Margin loans	保證金貸款	26	9,163,844	—
Contract liabilities	合約負債	24	25,940,333	19,505,008
Lease liabilities	租賃負債	22	64,541	8,419
Due to an associate	應付一間聯營公司之款項	43	6,348	5,964
Due to related companies	應付關連公司之款項	43	212,001	366,248
Due to joint ventures	應付合營公司之款項	43	1,416,623	3,011,241
Current tax liabilities	本期稅項負債	28	7,812,298	6,620,183
			94,983,887	65,536,434
Total liabilities	負債總額		203,003,178	129,088,241
Total equity and liabilities	權益及負債總額		300,871,334	204,103,643
Net assets	資產淨值		97,868,156	75,015,042

Chu Kut Yung
朱桔榕
Chairman
主席

Xie Baoxin
謝寶鑫
Director
董事

The accompanying notes are an integral part of the consolidated financial statements.

隨附之附註乃綜合財務報表的組成部分。

Consolidated Income Statement 綜合收益表

For the year ended 31st December 2020 截至二零二零年十二月三十一日止年度

			2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
		Note 附註		
Revenues	收益	5	34,371,276	18,600,580
Cost of sales	銷售成本		(12,539,531)	(9,237,436)
Gross profit	毛利		21,831,745	9,363,144
Fair value gain on investment properties	投資物業公平值收益	8	763,689	8,175,781
Other gains, net	其他收益·淨額	32	1,486,474	285,329
Selling and marketing expenses	銷售及市場推廣費用		(963,174)	(736,887)
General and administrative expenses	一般及行政費用		(2,988,358)	(1,831,815)
Finance income	財務收入	36	240,342	394,311
Finance costs	財務成本	36	(1,768,581)	(1,002,439)
Share of profit/(loss) of associates	分佔聯營公司溢利/(虧損)	11	903	(4,562)
Share of profit of joint ventures	分佔合營公司溢利	12	37,320	119,113
Profit before taxation	除稅前溢利		18,640,360	14,761,975
Taxation	稅項	37	(4,952,283)	(5,111,585)
Profit for the year	年度溢利		13,688,077	9,650,390
Attributable to:	應佔：			
Equity holders of the Company	本公司股權持有人		13,633,830	9,486,000
Non-controlling interests	非控制性權益		54,247	164,390
			13,688,077	9,650,390
Earnings per share for profit attributable to equity holders of the Company during the year (in HK\$ per share)	按年內本公司股權持有人應佔溢利計算之每股盈利(每股港元)			
— basic and diluted	— 基本及攤薄	38	6.15	4.26

The accompanying notes are an integral part of the consolidated financial statements. 隨附之附註乃綜合財務報表的組成部分。

Consolidated Statement of Comprehensive Income 綜合全面收入報表

For the year ended 31st December 2020 截至二零二零年十二月三十一日止年度

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
	Note 附註		
Profit for the year	年度溢利	13,688,077	9,650,390
Other comprehensive income:	其他全面收入：		
<i>Items that may be reclassified subsequently to profit or loss:</i>	<i>其後可重新分類至損益之項目：</i>		
Assets revaluation reserve realised upon disposal of completed properties held for sale	出售持作出售已落成物業時變現之資產重估儲備	(118,340)	(87,079)
Deferred tax	遞延稅項	54,823	40,341
Currency translation differences	貨幣匯兌差額	4,023,028	(1,535,553)
<i>Item that will not be reclassified subsequently to profit or loss:</i>	<i>其後不會重新分類至損益之項目：</i>		
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產之公平值收益／(虧損)	14	588,374
Deferred tax	遞延稅項	(143,782)	139,392
Currency translation differences	貨幣匯兌差額	382,998	—
Other comprehensive income/(loss) for the year, net of tax	年度其他全面收入／(虧損)，扣除稅項後	4,787,101	(1,982,439)
Total comprehensive income for the year	年度全面收入總額	18,475,178	7,667,951
Attributable to:	應佔：		
Equity holders of the Company	本公司股權持有人	18,037,933	7,553,435
Non-controlling interests	非控制性權益	437,245	114,516
		18,475,178	7,667,951

The accompanying notes are an integral part of the consolidated financial statements. 隨附之附註乃綜合財務報表的組成部分。

Consolidated Cash Flow Statement 綜合現金流量表

For the year ended 31st December 2020 截至二零二零年十二月三十一日止年度

			2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
		Note 附註		
Cash flows from operating activities	經營活動之現金流量			
Cash (used in)/generated from operations	經營(所用)/產生之現金	40(a)	(27,761,391)	4,617,269
Interest received	已收利息		235,460	389,540
Hong Kong profits tax paid	已付香港利得稅		(91,851)	(4,228)
Mainland China corporate income tax paid	已付中國大陸企業所得稅		(1,977,135)	(1,222,690)
Mainland China land appreciation tax paid	已付中國大陸土地增值稅		(958,335)	(686,305)
Net cash (used in)/generated from operating activities	經營活動(所用)/產生之現金淨額		(30,553,252)	3,093,586
Cash flows from investing activities	投資活動之現金流量			
Dividend income from financial assets measured at fair value	按公平值計量之財務資產股息收入		—	155,841
Additions of properties and equipment	新增物業及設備		(449,457)	(723,799)
Additions of investment properties	新增投資物業		(436,250)	(1,106,193)
Additions of intangible assets	新增無形資產		(132,956)	—
Additions of loan receivables	新增應收貸款		(697,463)	(36,333)
Additions of financial assets at fair value through profit or loss	新增按公平值透過損益列賬之財務資產		—	(1,548,931)
Additions of financial assets at fair value through other comprehensive income	新增按公平值透過其他全面收入列賬之財務資產		(1,968,845)	(774,245)
Proceeds from disposal of financial assets at fair value through profit or loss	處置按公平值透過損益列賬之財務資產之所得款項		—	1,639,425
Deposits for acquisition of equity interest	收購股本權益之按金		(1,170,643)	—
Deposits received for disposal of equity interest	預收處置股本權益之按金		2,482,946	—
Capital injection in joint ventures	注資予合營公司		(5,893,934)	(738,935)
Proceeds from the disposals of investments in a joint venture/an associate	出售於一間合營公司/一間聯營公司之投資之所得款項		—	62,596
Proceeds from the disposals of assets classified as held for sale	出售分類為持作銷售資產之所得款項		2,802,196	—
Proceeds from disposal of subsidiaries, net of cash disposed	出售子公司所得款項，扣除處置現金		642,377	2,910
Dividend income from joint ventures	合營公司股息收入		15,319	—
Increase in pledged/charged bank deposits	已抵押/押記銀行存款增加		(174,617)	(1,005,279)
Net cash used in investing activities	投資活動所用之現金淨額		(4,981,327)	(4,072,943)

Consolidated Cash Flow Statement (Continued) 綜合現金流量表(續)

For the year ended 31st December 2020 截至二零二零年十二月三十一日止年度

		Note	2020	2019
		附註	二零二零年	二零一九年
			HK\$'000	HK\$'000
			千港元	千港元
Cash flows from financing activities	融資活動之現金流量	40(b)		
Interest paid	已付利息		(5,894,994)	(3,781,041)
Additions of bank and financial institution borrowings	新增銀行及財務機構借貸		64,221,651	17,820,617
Additions of commercial mortgage backed securities	新增商業抵押擔保證券		736,657	2,507,173
Additions of senior notes	新增優先票據		4,428,900	3,829,694
Increase in margin loans	保證金貸款增加		8,878,288	—
Repayment of bank and financial institution borrowings	償還銀行及財務機構借貸		(29,018,439)	(10,734,596)
Repayment of commercial-mortgage backed securities	償還商業抵押擔保證券		(28,721)	(42,393)
Repayment of asset-backed securities	償還資產支持證券		—	(1,670,448)
Redemption and repayment of corporate bonds	贖回及償還公司債券		—	(2,257,362)
Capital contribution by non-controlling interests	非控制性權益出資		7,100,703	453,112
Acquisition of additional interest in subsidiaries	收購子公司之額外權益		(40,785)	(211,628)
Advances from non-controlling interests (Repayment to)/advances from related companies	非控制性權益之墊款 (償還予) 關連公司/關連公司墊款		4,085,921	870,211
Repayment to an associate (Repayment to)/advances from a joint venture	償還予一間聯營公司 (償還予)/一間合營公司墊款		(402,131)	111,181
Repayment to an associate (Repayment to)/advances from a joint venture	償還予一間聯營公司 (償還予)/一間合營公司墊款		(5,756)	—
Dividend paid to Company's equity holders	已付本公司股權持有人股息		(1,766,329)	192,966
Dividend paid to non-controlling interests of subsidiaries	已付子公司非控制性權益之股息		(2,003,004)	(667,668)
Payments of principal of lease payments	支付租約付款本金		(75,701)	—
Repurchase of ordinary shares	購回普通股		(67,973)	(40,034)
			(603,637)	—
Net cash generated from financing activities	融資活動產生之現金淨額		49,544,650	6,379,784
Net increase in cash and cash equivalents	現金及現金等價物之增加淨額		14,010,071	5,400,427
Cash and cash equivalents at 1st January	於一月一日之現金及現金等價物		12,635,125	7,456,708
Exchange difference on cash and cash equivalents	現金及現金等價物之匯兌差額		1,263,388	(222,010)
Cash and cash equivalents at 31st December	於十二月三十一日之現金及現金等價物		27,908,584	12,635,125

The accompanying notes are an integral part of the consolidated financial statements. 隨附之附註乃綜合財務報表的組成部分。

Consolidated Statement of Changes in Equity 綜合權益變動表

For the year ended 31st December 2020 截至二零二零年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔			
		Share capital	Reserves	Non-controlling interests	Total
		股本	儲備	非控制性權益	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Balance at 1st January 2020	於二零二零年一月一日之結餘	222,556	72,358,121	2,434,725	75,015,402
Profit for the year	年度溢利	—	13,633,830	54,247	13,688,077
Other comprehensive income/(loss):	其他全面收入/(虧損):				
Fair value gain on financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產之公平值收益	—	588,374	—	588,374
Assets revaluation reserve realised upon disposal of completed properties held for sale	出售持作出售已落成物業時變現之資產重估儲備	—	(118,340)	—	(118,340)
Deferred tax	遞延稅項	—	(88,959)	—	(88,959)
Currency translation differences	貨幣匯兌差額	—	4,023,028	382,998	4,406,026
Other comprehensive income for the year, net of tax	年度其他全面收入，扣除稅項	—	4,404,103	382,998	4,787,101
Total comprehensive income for the year	年度全面收入總額	—	18,037,933	437,245	18,475,178
Transactions with owners:	與持有者交易:				
Repurchases of own shares	購回本身股份	(3,419)	(600,218)	—	(603,637)
Dividends paid	已付股息	—	(2,003,004)	—	(2,003,004)
Dividends paid to non-controlling interests of subsidiaries	已付子公司非控制性權益之股息	—	—	(75,701)	(75,701)
Capital contributions by non-controlling interests of subsidiaries	子公司之非控制性權益出資	—	—	7,100,703	7,100,703
Acquisition of additional interest in subsidiaries	收購子公司之額外權益	—	—	(40,785)	(40,785)
		(3,419)	(2,603,222)	6,984,217	4,377,576
Balance at 31st December 2020	於二零二零年十二月三十一日之結餘	219,137	87,792,832	9,856,187	97,868,156

Consolidated Statement of Changes in Equity (Continued) 綜合權益變動表(續)

For the year ended 31st December 2020 截至二零二零年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔			Non- controlling interests 非控制性 權益	Total 總計
		Share capital 股本 HK\$'000 千港元	Reserves 儲備 HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Balance at 1st January 2019	於二零一九年一月一日 之結餘	222,556	65,472,354	2,078,725	67,773,635	
Profit for the year	年度溢利	—	9,486,000	164,390	9,650,390	
Other comprehensive (loss)/income:	其他全面(虧損)/ 收入:					
Fair value loss on financial assets at fair value through other comprehensive income	按公平值透過其他全 面收入列賬之財務 資產之公平值虧損	—	(539,540)	—	(539,540)	
Assets revaluation reserve realised upon disposal of completed properties held for sale	出售持作出售已落成 物業時變現之資產 重估儲備	—	(87,079)	—	(87,079)	
Deferred tax	遞延稅項	—	179,733	—	179,733	
Currency translation differences	貨幣匯兌差額	—	(1,485,679)	(49,874)	(1,535,553)	
Other comprehensive loss for the year, net of tax	年度其他全面虧損， 扣除稅項	—	(1,932,565)	(49,874)	(1,982,439)	
Total comprehensive income for the year	年度全面收入總額	—	7,553,435	114,516	7,667,951	
Transactions with owners:	與持有者交易:					
Dividends paid	已付股息	—	(667,668)	—	(667,668)	
Capital contributions by non- controlling interests of subsidiaries	子公司之非控制性 權益出資	—	—	453,112	453,112	
Acquisition of additional interest in a subsidiary	收購一間子公司之 額外權益	—	—	(211,628)	(211,628)	
		—	(667,668)	241,484	(426,184)	
Balance at 31st December 2019	於二零一九年十二月 三十一日之結餘	222,556	72,358,121	2,434,725	75,015,402	

The accompanying notes are an integral part of these consolidated financial statements. 隨附之附註乃綜合財務報表的組成部分。

1 General Information

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are mainly engaged in the development of residential properties, commercial properties investment, property management and infrastructure business in Mainland China, and investments business.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements have been approved for issue by the Board of Directors on 24th March 2021.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the two years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are measured at fair value.

The outbreak of Coronavirus Disease (“COVID-19”) has brought unprecedented challenges and uncertainties to the economy. COVID-19 may affect the operations of the Group, including delay of construction and delivery of property units, marketing and selling activities and fluctuations in the global equity markets. The Group has been closely monitoring the situation of the COVID-19 and reacting actively to its impact and the consequential operating uncertainties to the Group. The effect of COVID-19 has been gradually recovering during the year. As at the date on which this set of financial statements was authorised for issue, the Group was not aware of any further material adverse effects on the Group’s financial position and operating results caused by COVID-19.

1 一般資料

合生創展集團有限公司(「本公司」)及其子公司(統稱「本集團」)主要於中國大陸從事住宅物業發展，商業地產投資、物業管理及基建業務，以及投資業務。

本公司為於百慕達註冊成立的有限責任公司，其註冊辦事處地址為Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本公司於香港聯合交易所有限公司(「聯交所」)上市。

本綜合財務報表已於二零二一年三月二十四日經董事會批准刊發。

2 主要會計政策概要

編製本綜合財務報表採用之主要會計政策載列如下。除另有說明外，該等政策已於兩個呈報年度內獲貫徹應用。

2.1 編製基準

本公司之綜合財務報表乃根據香港財務報告準則(「香港財務報告準則」)及香港公司條例第622章披露規定所編製。綜合財務報表乃採用歷史成本慣例，並經按公平值計量的重估投資物業、按公平值透過其他全面收入列賬之財務資產及按公平值透過損益列賬之財務資產而予以修訂。

二零一九新型冠狀病毒病(「新冠肺炎」)的爆發給經濟帶來了前所未有的挑戰和不確定性。新冠肺炎可能會影響本集團的運營，包括建設和交付物業單位的延遲，市場營銷和銷售活動以及全球股票市場的波動。本集團一直密切監察新冠肺炎的狀況，並對其影響及由此產生的經營不確定性作出積極反應。年內，新冠肺炎的影響已逐漸恢復。於本財務報表授權發布日期，本集團尚未發現因新冠肺炎對本集團的財務狀況和經營成果造成任何進一步的重大不利影響。

2 Summary of Significant Accounting Policies
(Continued)

2.1 Basis of preparation (Continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Amendments to standards adopted by the Group

The Group has adopted the following amendments to standards which are mandatory for accounting periods beginning on 1st January 2020:

HKAS 1 and HKAS 8 (Amendments)
香港會計準則第1號及
香港會計準則第8號(修訂本)

Definition of Material
對重要性的定義

HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)
香港會計準則第39號、香港財務報告準則第7號及
香港財務報告準則第9號(修訂本)

Hedge accounting
對沖會計

HKFRS 3 (Amendments)
香港財務報告準則第3號(修訂本)

Definition of a Business
業務的定義

Conceptual Framework for Financial Report 2018
二零一八年財務報告之概念框架

Revised Conceptual Framework for Financial Reporting
經修訂財務報告概念框架

In addition, the Group has early adopted the following amendment to the accounting standards for accounting period commencing 1st January 2020:

HKFRS 16 (Amendment) COVID-19-Related Rent Concessions
香港財務報告準則第16號(修訂本) COVID-19- 相關租金優惠

The adoption of these amendments to standards does not have any significant effect on the results and financial position of the Group.

2 主要會計政策概要(續)

2.1 編製基準(續)

按香港財務報告準則編製財務報表時需採用若干重要之會計估計，亦要求管理層於採用本集團會計政策之過程中作出判斷。涉及較多判斷或複雜性之方面，或對本綜合財務報表而言屬重要之假設及估計，已在附註4內披露。

(a) 本集團採納的準則之修訂

本集團已採納以下於二零二零年一月一日開始之會計期間為強制性的準則之修訂：

此外，本集團已就於二零二零年一月一日開始之會計期間提早採納以下會計準則之修訂：

採納該等準則之修訂並無對本集團的業績及財務狀況並無任何重大影響。

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

- (b) New standard and amendments to standards that are not yet effective and have not been early adopted by the Group

The following new standard and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1st January 2021 but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after 於以下日期或之後 開始之會計期間生效
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 香港財務報告準則第9號、 香港會計準則第39號、 香港財務報告準則第7號、 香港財務報告準則第4號及 香港財務報告準則第16號(修訂本)	Interest rate benchmark reform — phrase 2 利率基準改革 — 第二階段	1st January 2021 二零二一年一月一日
Amendments to HKFRS 3 香港財務報告準則第3號(修訂本)	Reference to the Conceptual Framework 提述概念框架	1st January 2022 二零二二年一月一日
Amendments to HKAS 16 香港會計準則第16號(修訂本)	Proceeds before Intended Use 擬定用途前之所得款項	1st January 2022 二零二二年一月一日
Amendments to HKAS 37 香港會計準則第37號(修訂本)	Cost of Fulfilling a Contract 履行合約之成本	1st January 2022 二零二二年一月一日
HKFRS Amendments 香港財務報告準則修訂本	Annual improvement to HKFRSs 2018–2020 Cycle 香港財務報告準則二零一八年至二零二零年 週期的年度改進	1st January 2022 二零二二年一月一日
Accounting Guideline 5 (Revised) 會計指引第5號(修訂)	Merger accounting for common control combinations 共同控制合併的合併會計法	1st January 2022 二零二二年一月一日
HKFRS 3, HKAS 16 and HKAS 37 (Amendments) 香港財務報告準則第3號、 香港會計準則第16號及 香港會計準則第37號(修訂本)	Narrow-scope amendments 小範圍修訂	1st January 2022 二零二二年一月一日
HKFRS 17 香港財務報告準則第17號	Insurance Contracts 保險合約	1st January 2023 二零二三年一月一日
HKAS 1 (Amendments) 香港會計準則第1號(修訂本)	Classification of Liabilities as Current or Non-Current 負債分類為流動或非流動	1st January 2023 二零二三年一月一日
HK Interpretation 5 (2020) 香港詮釋第5號(二零二零年)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause 財務報表之呈列 — 借貸人對包含按 要求償還條文之有期貸款之分類	1st January 2023 二零二三年一月一日
HKFRS 10 and HKAS 28 (Amendments) 香港財務報告準則第10號及 香港會計準則第28號(修訂本)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 投資者及其聯營公司或合營公司之間的 資產出售或注入	To be determined 待定

The Group has already commenced an assessment of the impact of these new standard and amendments to standards and does not expect that they would have any significant impact on its results and financial position.

2 主要會計政策概要(續)

2.1 編製基準(續)

- (b) 本集團並未提早採納及尚未生效之新訂準則及準則之修訂

以下已頒佈新訂準則及準則之修訂於本集團二零二一年一月一日或之後開始之會計期間為強制性，惟本集團並未提早採納：

本集團已評估該等新訂準則及準則之修訂的影響，且預期並不會對其業績及財務狀況造成任何重大影響。

2 Summary of Significant Accounting Policies (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December 2020.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 主要會計政策概要(續)

2.2 綜合帳目

綜合財務報表包括本公司及其所有子公司截至二零二零年十二月三十一日止的財務報表。

(a) 子公司

子公司乃本集團擁有控制權的所有實體(包括結構化實體)。倘本集團享有或有權擁有參與實體所得之可變回報，且有能力透過其對實體之權力影響該等回報，則本集團控制該實體。子公司自控制權轉移至本集團當日起綜合入賬。子公司自控制權終止當日起停止綜合入賬。

本集團利用購買法將業務合併入賬。收購子公司所轉讓的代價根據本集團所給予的資產、所產生的負債及所發行的股本權益的公平值計算。所轉讓的代價包括或有代價安排所產生的任何資產或負債的公平值。購買相關成本在產生時支銷。在業務合併中所購買可識別的資產以及所承擔的負債及或有負債，首先以彼等於購買日期的公平值計量。就個別收購基準，本集團可按公平值或按非控制性權益應佔被購買方淨資產的比例，確認被收購方的非控制性權益。

轉讓的代價、被購買方任何非控制性權益的款項，以及被收購方任何之前權益在購買日期的公平值，超過所購買可識別淨資產公平值，列為商譽。就廉價購買而言，若該數額低於所購入子公司淨資產的公平值，該差額直接在全面收入表中確認。收購相關成本於產生時予以支銷。

集團內公司之間的交易、交易的結餘及未實現收益予以對消。除非交易提供所轉讓資產減值之憑證，否則未變現損失亦予以對消。必要時，子公司申報的款項已獲調整，以與本集團的會計政策一致。

2 Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 主要會計政策概要(續)

2.2 綜合帳目(續)

(b) 與非控制性權益之交易

倘與非控制性權益之交易並未造成失去控制權的情況，則入賬為權益交易 — 即與擁有人以其作為擁有人的身份進行的交易。任何已付代價之公平值與相關應佔收購子公司淨資產之賬面值的差額入賬為權益。出售非控制性權益之損益亦入賬為權益。

當本集團不再持有控制權或重大影響力，在實體之任何保留權益重新計量至公平值，賬面值之變動於損益中確認。公平值為就保留作為聯營、合營公司或金融資產權益之後續入賬而言之初始賬面值。此外，之前於其他全面收入中確認之任何數額猶如本集團已直接處置相關資產及負債。這可能意味著之前在其他全面收入中確認之數額重新分類至損益。

(c) 聯營公司

聯營公司是指凡本集團對其有重大影響力而無控制權的所有實體，通常附帶有20%至50%投票權的股權。於聯營公司之投資以權益會計法入賬，初始以成本確認。

如於聯營公司的擁有人權益被削減但仍保留重大影響力，僅按比例將之前在其他全面收入中確認的數額重新分類至損益(如適用)。

本集團應佔收購後聯營公司的溢利或虧損於綜合收益表內確認，而應佔收購後其他全面收入的變動則於其他全面收入內確認。投資賬面值會根據累計之收購後變動而作出調整。如本集團應佔一間聯營公司之虧損等於或超過其在該聯營公司之權益，包括任何其他無抵押應收款項，本集團不會確認進一步虧損，除非本集團已代聯營公司承擔責任或作出付款。

2 Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(c) Associates (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint arrangements

The Group applies HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements. Joint ventures are accounted for using the equity method. The assets that the Group controls and liabilities that the Group incurs in relation to the joint operations are recognised in the consolidated balance sheets on an accrual basis and classified according to the nature of the item. The expenses that the Group incurs and its share of revenue that it earns from the joint operations are included in the consolidated income statement.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 主要會計政策概要(續)

2.2 綜合帳目(續)

(c) 聯營公司(續)

本集團與其聯營公司之間交易的未變現收益按本集團在聯營公司權益的數額對銷。除非交易提供所轉讓資產減值之憑證，否則未變現虧損亦予以對銷。聯營公司的會計政策已按需要作出改變，以確保與本集團採用的政策一致。

(d) 合營安排

本集團對所有合營安排應用香港財務報告準則第11號。根據香港財務報告準則第11號，在合營安排之投資可分類為共同經營或合營公司，視乎每個投資者之合約權益和義務而定。本集團已評估其合營安排之性質。合營公司按權益法入賬。本集團就共同經營所控制之資產及所產生之負債已於綜合資產負債表中以應計基準確認及因應項目之性質分類。本集團自共同經營所產生之費用及賺取之應佔收入已計入綜合收益表。

根據權益法，合營公司之權益初步以成本確認，其後經調整以確認本集團應佔之收購後溢利或虧損以及其他全面收入變動。當本集團應佔某一合營公司之虧損等於或超過在該等合營公司之權益(包括任何實質上構成本集團在該等合營公司淨投資的長期權益)，則本集團不會確認進一步虧損，除非本集團已產生義務或已代合營公司付款。

本集團與其合營公司之間交易的未變現收益按本集團在該等合營公司的權益予以對銷。未變現虧損也予以對銷，除非交易提供證據證明所轉讓的資產出現減值。合營公司之會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

2 Summary of Significant Accounting Policies (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Executive Directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the chief operating decision-makers who make strategic and operational decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars, which is the presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 主要會計政策概要(續)

2.3 分部報告

經營分部乃按向主要營運決策人提供之內部報告一致之方式呈報。負責分配資源及評估經營分部表現之執行董事，已獲確定為作出策略及經營決策之主要營運決策人。

2.4 外幣換算

(a) 功能和呈列貨幣

本集團每個實體財務報表內各項目乃根據相關實體營運所在主要經濟環境之貨幣(「功能貨幣」)計量。本公司之功能貨幣為人民幣(「人民幣」)。綜合財務報表以港元呈列綜合財務報表以港元呈列，港元為本公司的呈列貨幣。

(b) 交易及結餘

外幣交易採用交易日的匯率換算為功能貨幣。結算此等交易產生的匯兌損益以及將外幣計值的貨幣資產和負債以年終匯率換算產生的匯兌損益在綜合收益表確認。

(c) 集團公司

所有功能貨幣與呈列貨幣不同之集團實體(概無擁有惡性通貨膨脹經濟體系之貨幣)之業績及財務狀況均按以下方法換算為呈列貨幣：

- (i) 各資產負債表呈列之資產及負債均以該資產負債表結算日之收市匯率換算；
- (ii) 各收益表之收入及開支均按平均匯率換算(除非該平均值並非於交易日通行匯率累計影響之合理近似值，在此情況下收入及開支乃按交易日之匯率換算)；及
- (iii) 所有匯兌差額將確認為權益內之獨立項目。

收購境外實體時產生之商譽及公平值調整乃作為該境外實體之資產及負債處理，並以期終匯率換算。

2 Summary of Significant Accounting Policies (Continued)

2.4 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Properties and equipment

Properties and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the period in which they are incurred.

2 主要會計政策概要(續)

2.4 外幣換算(續)

(d) 出售海外業務及部分出售

於出售海外業務(即出售本集團於海外業務之全部權益、或出售涉及失去包括海外業務的子公司的控制權、出售涉及失去對包括海外業務的合營公司的共同控制權、或出售涉及失去對包括海外業務的聯營公司的重大影響力)·於本公司權益持有人應佔之業務之權益累計之全部匯兌差額被重新分類為損益。

倘部分出售並未導致本集團失去對包括海外業務的子公司的控制權·則按比例分佔累計匯兌差額的部分被重新分配至非控制性權益及不會確認為損益。就所有其他部分出售(即本集團於聯營公司或合營公司之擁有權權益減少而並未令本集團失去重大影響力或共同控制權)而言·按比例分佔累計匯兌差額的部分被重新分類為損益。

2.5 物業及設備

物業及設備(在建工程除外)按歷史成本減累計折舊和減值虧損列賬。歷史成本包括收購該項目直接應佔的開支。

其後成本只有在與該項目有關的未來經濟利益有可能流入本集團·而該項目的成本能可靠計量時·才包括在資產的賬面值或確認為獨立資產(視乎適用情況)。所有其他維修及保養在產生的期間內於綜合收益表支銷。

2 Summary of Significant Accounting Policies (Continued)

2.5 Properties and equipment (Continued)

Depreciation of properties and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Hotel properties (superstructure)	28 to 30 years
Buildings	Shorter of useful life of 50 years or lease term
Furniture and office equipment	5 years
Vehicles	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Construction-in-progress is investments in buildings on which construction work has not been completed and which, upon completion, management intends to hold for providing goods or services in the ordinary course of business. These properties are carried at cost which includes construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs, less any impairment losses. On completion, the properties are transferred to the appropriate categories of properties and equipment at cost less accumulated impairment losses. No depreciation is provided for construction-in-progress until they are completed and put into commercial use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

2 主要會計政策概要(續)

2.5 物業及設備(續)

物業及設備的折舊採用以下的估計可使用年期將成本按直線法分攤至剩餘價值計算：

酒店物業(結構)	28至30年
樓宇	50年可使用年期或 租期的較短者
傢俬及辦公室設備	5年
交通工具	3至10年

資產的剩餘價值及可使用年期在每個結算日進行檢討，及在適當時調整。若資產的賬面值高於其估計可收回金額，其賬面值即時撇減至可收回金額(附註2.10)。

在建工程指於建設工程尚未完工，而於完工後，管理層擬因在日常業務過程中提供貨品或服務而持有之樓宇之投資。該等物業按成本列賬，當中包括就建設該等物業直接應計的建設開支、借貸成本及其他直接成本減去任何減值虧損。物業於完工後轉撥至適當的物業及設備分項，按成本減累計減值虧損列賬。在建工程直至完工及投入作商業用途前不作折舊。

出售之收益及虧損乃按所得款項與賬面值之差額釐定，並列入綜合收益表中。

2 Summary of Significant Accounting Policies (Continued)

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs.

After initial recognition, investment property is carried at fair value. The valuation processes and techniques of the fair values of investment properties are described in Note 8.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement.

2 主要會計政策概要(續)

2.6 投資物業

為獲得長期租金收益或資本增值或兩者兼備而持有，且並非由本集團佔用的物業分類為投資物業。投資物業亦包括屬於在建或發展作未來用途之投資物業。

投資物業初始按其成本計量，包括相關交易成本及借貸成本。

於初始確認後，投資物業按公平值列賬。投資物業的公平值估值流程及方法詳載於附註8。

投資物業的公平值反映(其中包括)來自現有租賃的租金收入及在現時市場情況下未來租賃的租金收入假設。公平值亦反映在類似基準下物業預期的任何現金流出。此等現金流出部分確認為負債，包括列為投資物業的土地有關的融資租賃負債；而其他(包括或然租金款項)則不在財務報表列賬。

其後支出只有在與該項目有關的未來經濟利益有可能流入本集團，而該項目的成本能可靠衡量時，才計入在資產的賬面值中。所有其他維修及保養成本在產生的財政期間內於收益表支銷。

投資物業公平值變動於綜合收益表中確認。

2 Summary of Significant Accounting Policies (Continued)

2.6 Investment properties (Continued)

If an investment property becomes owner-occupied, it is reclassified as plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of properties and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and taken directly to equity as a valuation of properties and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

Where a property for sale undergoes a change in use, evidenced by commencement of an operating lease to another party, the property is transferred to investment property.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2.7 Properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties under development for sale and completed properties for sale consist of land costs, construction expenditures, borrowing costs capitalised and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2 主要會計政策概要(續)

2.6 投資物業(續)

倘投資物業成為業主自用，則重新分類為廠房及設備，而就會計而言，其於重新分類當日之公平值成為其成本。

倘物業及設備項目因其用途改變而成為投資物業，根據香港會計準則第16號，該項目於轉讓當日之賬面值與公平值間之差額將於其他全面收入內確認，並作為物業及設備估值直接計入權益。然而，倘公平值收益導致過往之減值虧損出現轉回，有關收益將於綜合收益表內確認。

若某項出售物業更改用途(以給予另一方經營租賃開始為證明)，則該物業會撥入投資物業。

若某項投資物業更改用途(以開始發展以作出售用途為證明)，則該物業會撥入存貨。有關物業於更改用途日期之公平值將被視為其存貨日後會計之成本。

2.7 可供出售之發展中物業及可供出售之已落成物業

可供出售之發展中物業及可供出售之已落成物業乃按成本值及可變現淨值兩者中的較低者列入流動資產內。

可供出售之發展中物業及可供出售之已落成物業之成本包括土地成本、建造開支、已資本化之借貸成本及其他直接成本。變現淨值乃於日常業務過程中管理層參照當時市況釐定的估計售價，減去預期至完工時產生的其他成本以及銷售及市場推廣費用計算。

2 Summary of Significant Accounting Policies (Continued)

2.8 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

2 主要會計政策概要(續)

2.8 持作出售的非流動資產

倘非流動資產的賬面金額將主要透過出售交易而非持續使用收回，而出售的可能性被視為相當高時，非流動資產會分類為持作出售。非流動資產按其賬面金額與公平值減出售成本的較低者列賬，惟按公平值列賬的資產(例如遞延稅項資產、僱員福利產生的資產、金融資產及投資物業)及保險合約下的合約權利獲特別豁免此規定。

本集團就初始或其後撇減資產(或出售組別)至公平值減銷售成本確認減值虧損。當資產(或出售組別)公平值減銷售成本其後上升時，本集團會就此確認收益，惟金額不會超出過往確認的任何累計減值虧損。於非流動資產(或出售組別)出售當日前未經確認的收益或虧損於終止確認之日確認。

列入持作出售的非流動資產(包括屬於出售組別一部分的非流動資產)不作折舊或攤銷。列入持作出售的出售組別負債應佔的利息及其他開支繼續確認。

列入持作出售的非流動資產及列入持作出售的出售組別的資產與資產負債表內的其他資產分開呈列。列入持作出售的出售組別的負債與綜合資產負債表內的其他負債分開呈列。

2 Summary of Significant Accounting Policies (Continued)

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Patents, trademarks and licences

Separately acquired patents, trademarks and licences are shown at historical cost. Patents, trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

2 主要會計政策概要(續)

2.9 無形資產

(a) 商譽

商譽於收購子公司時產生，代表轉讓代價、於被購買方的任何非控股權益金額及於收購日期於被購買方的先前股權公平值超出本公司於已收購可識別資產淨值中之公平值。

就減值測試而言，於業務合併中收購的商譽被分配至預期受惠於合併之協同效應之各現金產生單位（「現金產生單位」）或一組現金產生單位。獲分配商譽之各單位或一組單位代表就內部管理目的而言，商譽被監察之實體之最低層面。

商譽減值審閱每年或倘出現事件或變動顯著出現潛在減值的情況下更頻密地進行。商譽的賬面值與可收回金額（即使用價值與公平值減銷售成本之較高者）比較。任何減值即時確認為開支，其後不會被撥回。

(b) 專利、商標及牌照

獨立購入的專利、商標及牌照按歷史成本列賬。於業務合併所收購的專利、商標及牌照於收購日期按公平值確認。其使用年期有限，且其後按成本減累計攤銷及減值虧損入賬。

2 Summary of Significant Accounting Policies
(Continued)

2.9 Intangible assets (Continued)

(c) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

2 主要會計政策概要(續)

2.9 無形資產(續)

(c) 軟件

與維持軟件項目有關的成本於產生時確認為開支。由本集團控制的可辨識及獨特軟件產品設計及測試直接應佔的開發成本於符合下列標準時確認為無形資產：

- 完成該軟件以使其能使用，在技術上可行
- 管理層有意完成該軟件並使用或將其出售
- 有能力使用或出售該軟件
- 能顯示該軟件如何產生可能出現的未來經濟利益
- 有足夠的技術、財務及其他資源完成開發並可使用或出售該軟件，及
- 該軟件在開發期內應佔開支能可靠地計量。

作為軟件組成部分資本化的直接應佔成本包括僱員成本及相關間接成本的適當部分。

資本化開發成本從資產可供使用時起列為無形資產並予以攤銷。

2 Summary of Significant Accounting Policies (Continued)

2.9 Intangible assets (Continued)

(d) Research and development

Research expenditure and development expenditure that do not meet the criteria in 2.9(c) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(e) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Patents, trademarks and licences	3 to 5 years
IT development and software	3 to 5 years

2.10 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life or not available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 主要會計政策概要(續)

2.9 無形資產(續)

(d) 研究及開發

不符合上文2.9(c)項標準的研究支出及開發支出於產生時確認為開支。先前確認為開支的開發成本不會於其後期間確認為資產。

(e) 攤銷方法及期間

本集團使用直線法按下列期間對具有有限可使用年期的無形資產予以攤銷。

專利、商標及牌照	3至5年
資訊科技開發及軟件	3至5年

2.10 資產減值

商譽和擁有無限可用年期或不可供使用的之無形資產毋須攤銷，惟須每年進行減值測試，倘出現事件或情況轉變顯示其可能減值，則進行減值測試的頻率更頻繁。就其他資產而言，當出現事件或情況轉變顯示賬面值不可收回時，會對該資產進行減值測試。減值虧損按資產賬面值超出其可收回金額之金額確認。可收回金額為資產之公平值減出售成本與使用價值之較高者。於評估減值時，資產將按可單獨識別現金流入(該現金流入在很大程度上獨立於其他資產或資產組別產生的現金流入)之最低水平(現金產生單位)集中歸類。出現減值之非財務資產(商譽除外)將於各報告期末就減值是否有機會撥回進行檢討。

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), 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 profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 主要會計政策概要(續)

2.11 財務資產

(a) 分類

本集團將其財務資產分類為以下計量類別：

- 其後按公平值透過其他全面收入(「其他全面收入」)或損益列賬的財務資產；及
- 按攤銷成本計量的財務資產。

分類視乎實體管理財務資產及現金流量合約條款之業務模式而定。

就按公平值計量之資產而言，收益及虧損將計入損益或其他全面收入。就並非持作買賣之股本工具投資而言，其將取決於本集團在初始確認時是否不可撤銷地選擇將股權投資按公平值透過其他全面收入列賬(「按公平值透過其他全面收入列賬」)。

當且僅當管理該等資產的業務模式發生變化時，本集團才會對債務投資進行重新分類。

(b) 確認及終止確認

常規購買及出售之財務資產均於交易日(即本集團承諾購入或出售該等資產當日)確認。當從財務資產收取現金流量之權利已到期或已轉讓，而本集團已將擁有權之絕大部分風險和回報實際轉移時，財務資產即終止確認。

(c) 計量

在初始確認時，本集團按公平值加上(若非按公平值透過損益列賬(「按公平值透過損益列賬」)之財務資產)直接歸屬於購買財務資產之交易成本對財務資產進行計量。按公平值透過損益列賬之財務資產之交易成本乃於損益中支銷。

內含衍生工具之財務資產於釐定其現金流量是否純粹為支付本金及利息時會整體予以考慮。

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate, net method. Foreign exchange gains and losses are presented in other gains/(losses), net and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

2 主要會計政策概要(續)

2.11 財務資產(續)

(c) 計量(續)

債務工具

債務工具的后續計量視乎本集團管理資產之業務模式以及資產之現金流量特徵而定。集團將其債務工具分為以下三種計量類別：

- **攤銷成本：**為收取合約現金流量而持有，且其現金流量純粹為支付本金及利息的資產按攤銷成本計量。有關財務資產的利息收入採用實際利率法計入財務收入。終止確認時產生的任何收益或虧損直接於損益確認，並與匯兌損益一同呈列於其他收益／(虧損)，淨額。減值虧損於綜合收益表作為單獨項目呈列。
- **按公平值透過其他全面收入列賬：**為收取合約現金流量及出售財務資產而持有，且資產的現金流量純粹為支付本金及利息的資產按公平值透過其他全面收入列賬。賬面值變動計入其他全面收入，惟確認於損益的減值損益、利息收入及匯兌損益除外。在財務資產終止確認時，先前於其他全面收入確認的累計損益由權益重新分類至損益，並於其他收益／(虧損)，淨額中確認。來自有關財務資產的利息收入採用實際利率法計入財務收入。匯兌損益於其他收益／(虧損)，淨額呈列，減值開支則於綜合收益表作為單獨項目呈列。
- **按公平值透過損益列賬：**不符合按攤銷成本及按公平值透過其他全面收入列賬的標準的資產按公平值透過損益列賬。於後續計量時按公平值透過損益列賬的債務投資的損益在其產生期間於損益確認，淨值於其他收益／(虧損)，淨額項下呈列。

2 Summary of Significant Accounting Policies
(Continued)

2.11 Financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement when the Group's right to receive payments is established.

Presentation of investment income from financial assets at fair value through profit or loss before 1st January 2020

Changes in the fair value of financial assets at fair value through profit or loss, a gain or loss on disposal of a financial asset at fair value through profit or loss measured at the difference between the carrying amount and the consideration received on derecognition of a financial asset and dividend and interest income from a financial asset through profit or loss, are recognised in the consolidated income statement as other gains, net as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Presentation of investment income from financial assets at fair value through profit or loss after 1st January 2020

Changes in the fair value of financial assets at fair value through profit or loss, a gain or loss on disposal of a financial asset at fair value through profit or loss measured at the difference between the carrying amount and the consideration received on derecognition of a financial asset and dividend and interest income from a financial asset through profit or loss are recognised in the consolidated income statement as revenue as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 主要會計政策概要(續)

2.11 財務資產(續)

(c) 計量(續)

股本工具

本集團其後按公平值計量所有股本投資。倘本集團管理層選擇於其他全面收入呈列股本投資之公平值收益及虧損，則於終止確認投資後不會將公平值收益及虧損重新分類至損益。來自有關投資之股息會於本集團之收款權利獲確立時繼續於綜合收益表內確認。

呈報於二零二零年一月一日前按公平值透過損益列賬之財務資產的投資收入

按公平值透過損益列賬之財務資產的公平值變動，出售按公平值透過損益列賬之財務資產的損益以賬面值與終止確認金融資產時收到的代價之間的差額計量。按公平值透過損益列賬之財務資產的股息和利息收入在綜合收益表中確認為其他收益淨額(如適用)。按公平值透過其他全面收入列賬之財務資產的權益投資的減值虧損(及減值虧損轉回)不會與公平值的其他變動分開呈報。

呈報於二零二零年一月一日後按公平值透過損益列賬之財務資產的投資收入

按公平值透過損益列賬之財務資產的公平值變動，出售按公平值透過損益列賬之財務資產的損益以賬面值與終止確認金融資產時收到的代價之間的差額計量。按公平值透過損益列賬之財務資產的股息和利息收入在綜合收益表中確認為收入(如適用)。按公平值透過其他全面收入列賬之財務資產的權益投資的減值虧損(及減值虧損轉回)不會與公平值的其他變動分開呈報。

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its loan receivables, cash and bank deposits, finance lease receivables, other receivables and deposits, advances to joint ventures, amounts due from joint ventures, amounts due from associates, amounts due from related companies, and financial guarantees. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2.12 Accounts receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less ECL. See note 3.1(b) for further details.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

2 主要會計政策概要(續)

2.11 財務資產(續)

(d) 減值

本集團以前瞻性的基準評估與應收貸款、現金及銀行存款、融資租賃應收款項、其他應收款項及按金、合營企業墊款、應收合營企業款項、應收聯營公司款項、應收關連公司款項及財務擔保有關的預期信貸虧損，並根據信貸風險是否出現重大增幅選用減值方法。

就應收賬款而言，集團應用香港財務報告準則第9號允許之簡易法，當中要求自初始確認應收款項起確認預期全期虧損。有關更多詳情，請參閱附註3.1(b)。

2.12 應收賬款

貿易應收賬款乃日常業務過程中就已售商品或已履行服務應收客戶的款項，一般於30天內到期結付，因此全部分類為流動。

貿易應收賬款初始確認為無條件的代價金額，除非該筆款項含有重大融資部分，於此情況下則按公平值確認。本集團持有貿易應收賬款以收取合約現金流，故於其後採用實際利率法按攤銷成本扣除預期信貸虧損計量。有關進一步詳情，請參閱附註3.1(b)。

2.13 現金及現金等價物

現金及現金等價物包括手頭現金、銀行通知存款及其他原到期時間不超過三個月(含三個月)的短期高流動性投資。

2.14 股本

普通股份類為股本。發行新股或購股權直接應佔之新增成本乃於股本內列作所得款項(扣除稅項)之扣減。

倘任何集團成員公司購買本公司之股本，則所支付之代價(包括任何直接應佔之新增成本減去所得稅)乃從本公司股權持有人應佔股本中扣除，直至該等股份被註銷。

2 Summary of Significant Accounting Policies (Continued)

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the aforesaid functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years are included in other gains, net and are not capitalised in subsequent years.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

2 主要會計政策概要(續)

2.15 借貸

借貸初始按公平值(扣除已產生之交易成本)確認。交易成本為收購、發行或出售財務資產或財務負債直接應佔之新增成本，包括向代理、顧問、經紀及交易商支付之費用及佣金、監管代理機構及證券交易所徵收之款項及過戶登記稅項及稅款。借貸其後按已攤銷成本列賬；所得款項(扣除交易成本)與贖回價值間之任何差額於借貸期使用實際利率法於綜合收益表內確認。

2.16 借貸成本

可直接歸屬且需經較長時間的收購、建造或生產活動方能達至預定可使用或出售狀態的合資格資產的一般及特定借貸成本，計入該等資產的成本，直至達至其預定可使用或出售狀況為止。

尚未使用於合資格資產的特定借貸作短期投資賺取的投資收入，於合資格資本化的借貸成本中扣除。

所有其他借貸成本於其產生期間於損益確認。

借貸成本包括利息費用、融資租賃的融資費用和被視為對利息費用的調整的外幣借款匯兌差額。作為利息費用的調整項目的匯兌損益和損失包括主體以功能貨幣借入資金本應發生的借貸成本與外幣借貸實際發生的借貸成本之間的利率差額。該等金額根據貸款開始日的遠期貨幣匯率估計。

如果合資格資產的建造期跨越一個以上會計期間，符合資本化條件的匯兌差額在每一年度期間確定，且該金額以上述功能貨幣借貸的虛擬利息金額與外幣借貸實際發生的利息之間的差額為限。以前年度不符合資本化條件的匯兌差額已包含於其他收益，淨額內，且在後續年度不得予以資本化。

終止確認財務負債賬面值或將其轉移至另一方與已支付代價(包括任何非現金資產轉讓或負債承擔)之間的差額於損益中確認。

2 Summary of Significant Accounting Policies (Continued)

2.17 Current and deferred income tax

The tax expense for the year comprises current tax and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 主要會計政策概要(續)

2.17 即期及遞延所得稅

年內稅項費用包括即期稅項及遞延稅項。稅項均於綜合收益表確認，惟如有關稅項與於其他全面收入確認或直接於權益內確認之項目相關之情況則除外。在此情況下，稅項亦分別於其他全面收入確認或直接於權益中確認。

即期所得稅開支乃按結算日本公司及其子公司、聯營公司及合營公司經營業務及產生應課稅收入所在國家已頒佈或實質已頒佈之稅法計算。管理層定期評估適用稅法須受到相關詮釋規限情況下之納稅申報狀況，並在適當情況下按預期將支付稅務機關的款項基準計提撥備。

遞延所得稅乃利用負債法就資產與負債之稅基與彼等在綜合財務報表之賬面值兩者之暫時差額作全數撥備。然而，若遞延所得稅來自在交易(不包括業務合併)中對資產或負債的初始確認，而在交易時不影響會計損益或應課稅損益，則不作記賬。遞延所得稅採用在結算日前已頒佈或實質頒佈，並在有關之遞延所得稅資產變現或遞延所得稅負債結算時預期將會適用之稅率及法例而釐定。

遞延所得稅資產乃就有可能將未來應課稅溢利與可動用之暫時差額抵銷而確認。

遞延所得稅會就有關在子公司、聯營公司及合營公司之投資所產生之暫時差額而撥備，但假若本集團可控制暫時差額之撥回，並有可能在可預見未來不會撥回則除外。

當存在法律上可執行權利以將本期稅項資產抵銷本期稅項負債，以及當遞延收入稅項資產及負債乃關於同一稅務機關對應課稅實體或不同應課稅實體(而其有意按淨額基準償付餘款)所徵收之所得稅時，遞延所得稅資產可抵銷負債。

2 Summary of Significant Accounting Policies (Continued)

2.18 Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonus and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 主要會計政策概要(續)

2.18 僱員福利

(i) 退休金責任

固定供款計劃為退休金計劃，據此，本集團向一獨立實體作定額供款，如果基金無足夠資產以向所有僱員繳付有關僱員現時及過往期間服務之福利，本集團並無法律或推定責任作進一步供款。本集團每月向有關政府機關組織的各個定額供款福利計劃作出供款。一旦繳付供款，本集團再無其他供款責任。有關供款在到期時確認為僱員福利開支。計劃中的資產由政府機構持有並管理，並獨立於本集團的資產。

(ii) 溢利分享及花紅計劃

本集團以調整後的股東應佔溢利為基礎按公式分別計算確認一項負債及一項費用，用於花紅和溢利分享。當有合約責任或過往慣例引致推定責任時，本集團會確認撥備。

2.19 撥備

在出現以下情況時作出撥備：本集團因已發生的事件而產生現有的法律或推定責任；可能需要有資源流出以償付責任；金額已經可靠估計。未來經營虧損概不作撥備。

如有多項類似責任，其需要在償付中流出資源的可能性是根據責任的類別作整體考慮。即使在同一責任類別所包含的任何一個項目相關的資源流出的可能性極低，仍須確認撥備。

2 Summary of Significant Accounting Policies (Continued)

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services rendered in the ordinary course of the Group's activities and income arising from the investment activities (after 1st January 2020). Revenue is recognised as follows:

(a) 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 be transferred over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Incremental costs incurred to obtain a contract with a customer are capitalised as contract acquisition costs if the Group expects to recover these costs. Costs of obtaining a contract are amortised when properties sales revenue is recognised.

(b) Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(c) Property management fees

Property management fees are recognised when the services are rendered.

2 主要會計政策概要(續)

2.20 收益確認

收益包括於本集團一般業務中出售物業及提供服務已收或應收之代價之公平值以及來自投資物業的收入(二零二零年一月一日之後)。收益確認如下：

(a) 物業銷售

收益於資產控制權轉移予客戶時確認。視乎合約條款及適用於合約的法律，資產的控制權可能於一段時間或某一時間點轉移。倘物業在本集團的履約過程中沒有其他用途，且本集團有可強制執行的權利就累計至今已完成的履約部分收取款項，本集團將根據計量進度之投入法，按整個合約期間已完成履約義務的進度確認收益。否則，收益會在當客戶獲得已完成物業的控制權時在某一時點確認。

完成履約義務的進度的計量乃基於本集團為完成履約義務而付出的努力或投入，並參考截至報告期末產生的合約成本佔各項合約估計總成本的比例。

對於在某一時點轉移物業控制權的物業開發銷售合約而言，收益於客戶實際持有已落成物業或擁有已落成物業的法定擁有權、且本集團已獲得現時的付款請求權並很可能收回代價時確認。

在確定交易價格時，若融資成份重大，本集團將根據融資成份的影響來調整承諾代價金額。

倘本集團預期收回獲取客戶合約所產生的增量成本，則將該等成本資本化為合約收購成本。獲取合約的成本於確認物業銷售收益時攤銷。

(b) 租金收入

租金收入按有關租賃期限以直線法確認。

(c) 物業管理費

物業管理費於提供服務時確認。

2 Summary of Significant Accounting Policies (Continued)

2.20 Revenue recognition (Continued)

(d) Hotel operations

Revenue from hotel operations is recognised upon provision of services.

(e) Infrastructure income

Infrastructure income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(f) Investments income

Following the presentation of a new reportable investments segment, in 2020, the investment income is included in the revenue since 1st January 2020. (see Note 5 for details)

Financial assets at fair value through profit or loss — Changes in the fair value of financial assets at FVTPL is recognised in the period in which it arises. A gain or loss on disposal of a financial asset at fair value through profit or loss is measured at the difference between the carrying amount and the consideration received on derecognition of a financial asset is recognised in the period in which it arises. Dividend and interest income of a financial asset at fair value through profit or loss is recognised in the period when the right to receive payment is established.

Financial assets at fair value through other comprehensive income — Dividend and interest income of a financial asset at fair value through other comprehensive income is recognised in the period when the right to receive payment is established.

2.21 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the group under residual value guarantees;

2 主要會計政策概要(續)

2.20 收益確認(續)

(d) 酒店營運

酒店營運收益於提供服務時確認。

(e) 基建收入

基建收入在提供服務的會計期間內確認，並參考根據以提供的實際服務佔提供的總服務的比例評估的特定交易的完成。

(f) 投資收入

於二零二零年呈列新可呈報投資分部後，自二零二零年一月一日起的投資收入計入收益。(詳情見附註5)

按公平值透過損益列賬之財務資產 — 按公平值透過損益列賬之財務資產公平值變動於產生期間確認。按公平值透過損益列賬之財務資產的收益或虧損按賬面值與終止確認金融資產時所收代價的差額計量，並於產生期間確認。按公平值透過損益列賬之財務資產的股息及利息收入於收取付款的權利確立之期間確認。

按公平值透過其他全面收入列賬之財務資產 — 按公平值透過其他全面收入列賬之財務資產的股息及利息收入於收取付款的權利確立之期間確認。

2.21 租賃

租賃確認為使用權資產，並在租賃資產可供本集團使用之日確認相應負債。

租賃產生的資產及負債初步按現值基準計量。租賃負債包括以下租賃付款的現值淨額：

- (a) 固定付款(包括實質固定付款)減任何應收租賃獎勵；
- (b) 基於指數或利率的可變租賃付款，於開始日期使用指數或利率初步計量；
- (c) 剩餘價值擔保下的本集團預期應付款項；

2 Summary of Significant Accounting Policies (Continued)

2.21 Leases (Continued)

- (d) the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- (a) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- (b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Hopson Development Holdings Limited, which does not have recent third party financing; and
- (c) makes adjustments specific to the lease, e.g. term, country, currency and security.

2 主要會計政策概要(續)

2.21 租賃(續)

- (d) 採購權的行使價格(倘本集團合理地確定行使該權利), 及
- (e) 支付終止租賃的罰款(倘租賃條款反映本集團行使該權利)。

根據合理確定延續選擇權支付的租賃付款亦計入負債計量之內。

租賃付款採用租賃所隱含的利率予以貼現。倘無法輕易釐定該利率, 而通常為本集團租賃, 則使用承租人的增量借款利率, 即個別承租人在類似條款、抵押和條件的類似經濟環境中借入獲得與使用權資產具類似價值資產所需資金所必須支付的利率。

為釐定增量借款利率, 本集團:

- (a) 在可能情況下, 使用個別承租人最近獲得的第三方融資為出發點作出調整, 以反映自獲得第三方融資以來融資條件的變動;
- (b) 使用累加法, 首先就合生創展集團有限公司所持有租賃的信貸風險(最近並無第三方融資)調整無風險利率, 及
- (c) 進行特定於租約的調整, 例如期限、國家、貨幣及抵押。

2 Summary of Significant Accounting Policies (Continued)

2.21 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- (a) the amount of the initial measurement of lease liability;
- (b) any lease payments made at or before the commencement date less any lease incentives received;
- (c) any initial direct costs; and
- (d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in the consolidated income statement on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.22 Financial guarantee

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to its joint ventures and subsidiaries as insurance contracts.

2 主要會計政策概要(續)

2.21 租賃(續)

租賃付款於本金及財務成本之間作出分配。財務成本在租賃期間於損益扣除，藉以令各期間的負債餘額達致常數定期利率。

使用權資產按成本計量，包括以下各項：

- (a) 租賃負債的初步計量金額；
- (b) 於開始日期或之前所作的任何租賃付款，減去已收的任何租賃獎勵；
- (c) 任何初始直接成本，及
- (d) 修復成本。

使用權資產一般於資產可使用年期或租賃期(以較短者為準)按直線法計算折舊。倘本集團合理確定行使購買選擇權，則使用權資產於相關資產的可使用年期內予以折舊。

與設備及交通工具短期租賃相關的付款及所有低價值資產的租賃以直線法於損益中確認為開支。短期租賃指租賃期限為12個月或以下的租賃。

本集團作為出租人的經營租賃的租賃收入按直線法於租賃期內在綜合收益表內確認。獲取經營租賃產生的初始直接成本計入相關資產的賬面值，並於租賃期內以確認租賃收入的相同基準確認為開支。個別租賃資產按其性質計入資產負債表。採納新租賃準則後，本集團無需對作為出租人所持有資產的會計處理作任何調整。

2.22 財務擔保

本集團將有關給予若干物業買家之按揭信貸及給予其合營公司及子公司之擔保之財務擔保合約視為保險合約。

2 Summary of Significant Accounting Policies (Continued)

2.22 Financial guarantee (Continued)

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under HKFRS 9 'Financial Instruments' ('HKFRS 9'); and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 'Revenue from Contracts with Customers'.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 主要會計政策概要(續)

2.22 財務擔保(續)

財務擔保合約於出具擔保時確認為財務負債。有關負債初步按公平值計量，其後則按：

- 根據香港財務報告準則第9號「金融工具」(「香港財務報告準則第9號」)項下之預期信貸虧損模型釐定的金額；及
- 首次確認的金額減根據香港財務報告準則第15號「客戶合約收益」的原則確認的累計收入(如適用)兩者中的較高者計量。

財務擔保的公平值釐定為債務工具項下的須作出的合約付款與在並無擔保下將須作出的付款之間的現金流量之差額之現值，或就承擔責任而可能須付予第三方的估計金額。由於就聯營公司的貸款或其他應付款項提供的擔保乃無償提供，公平值入賬為供款並確認為投資成本的一部分。

2.23 股息分派

向本公司股東分派的股息在股息獲本公司股東批准的期間內於本集團及本公司的財務報表內列為負債。

2 Summary of Significant Accounting Policies (Continued)

2.24 Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate. Grants relating to the purchase of properties and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets. Amounts received for which the earning process has not been completed are accounted for as deferred revenue.

2.25 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in fair value through other comprehensive income if it relates to an investment measured at fair value through other comprehensive income. However, the investment may need to be tested for impairment as a consequence.

2.26 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

2 主要會計政策概要(續)

2.24 政府補助

政府補助於可合理地確定將會收取而本集團符合所有相關條件時確認入賬。

有關收入之補助均會於符合擬彌償成本所需之期間遞延並在綜合收益表確認入賬。有關購入物業及設備之補助計入非流動負債為遞延收入，在相關資產之預計年內以直線基準計入綜合收益表內。賺取收益過程尚未完成的已收款項入賬列作遞延收入。

2.25 股息收入

股息乃從按公平值透過損益列賬之財務資產或按公平值透過其他全面收入列賬之財務資產中收取。當收取付款的權利獲確立時，股息於損益中確認為其他收入。即時自收購前溢利撥付，亦按此方法確認，除非股息明確為投資部分成本的收回。在此情況下，倘股息與按公平值透過其他全面收入計量的投資有關，則透過其他全面收入按公平值確認，惟或須對投資進行減值測試。

2.26 利息收入

利息收入將實際利率應用於金融資產賬面總值計算，惟其後成為信貸減值的金融資產除外。就已發生信貸減值的金融資產而言，其乃以金融資產賬面淨額(經扣除虧損撥備)應用實際利率計算得出。

倘利息收入乃自持作現金管理用途的金融資產賺取，則呈列為財務收入。

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Foreign exchange risks as defined by HKFRS 7 'Financial Instruments: Disclosure' arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency of the Group entities; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Majority of the Group's subsidiaries operate in Mainland China, with most of the transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against US dollar and Hong Kong dollar. It has not hedged its foreign exchange rate risk.

The Group's subsidiaries for the investment business operate in Hong Kong or the British Virgin Islands, with most of the transactions denominated in Hong Kong dollar and US dollar. The Group is not exposed to material foreign exchange risk in respect of Hong Kong dollar against US dollar as these currencies are pegged.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

At 31st December 2020, if RMB had weakened/strengthened by one percentage-point against US dollar with all other variables held constant (assuming no capitalisation of exchange difference), post-tax profit for the year would have been HK\$68,006,000 lower/higher (2019: HK\$30,690,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits and borrowings.

At 31st December 2020, if RMB had weakened/strengthened by one percentage-point against Hong Kong dollar with all other variables held constant (assuming no capitalisation of exchange difference), post-tax profit for the year would have been HK\$21,774,000 lower/higher (2019: HK\$21,751,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of HK dollar denominated bank deposits and borrowings.

3 財務風險管理

3.1 財務風險因素

本集團之業務令其承受多種財務風險：外匯風險、信貸風險、流動資金風險及現金流及公平值利率風險。本集團的整體風險管理政策專注於金融市場的不可預測性，並力求減低對本集團財務表現的潛在不利影響。本集團定期監察其承受風險情況，並認為至目前為止無須為任何此等財務風險進行對沖。

(a) 外匯風險

香港財務報告準則第7號「金融工具：披露」所界定之外匯風險乃因以本集團實體功能貨幣以外之貨幣計值之貨幣資產及負債而產生；但並無計及因將財務賬目換算為本集團之呈列貨幣所產生之匯兌差額。

本集團大部分子公司均於中國大陸經營，而大部分交易均以人民幣計值。本集團須承受之外匯風險由人民幣兌美元及港元匯率引致。本集團並無就外幣匯率風險作出對沖。

本集團投資業務的子公司在香港或英屬維爾京群島經營，大部分交易以港元和美元計價。由於該等貨幣與本集團掛鈎，故本集團並無面對港元兌美元的重大外匯風險。

此外，將人民幣換算為外幣須受中國大陸政府所頒佈之外匯管制規則及規例監管。

於二零二零年十二月三十一日，倘人民幣兌美元下跌／上升1個百分點，而所有其他變數保持不變（假設概無資本化匯兌差額），則年度除稅後溢利將減少／增加68,006,000港元（二零一九年：減少／增加30,690,000港元），主要是由於換算以美元計值之銀行存款及借貸而產生外匯收益／虧損所致。

於二零二零年十二月三十一日，倘人民幣兌港元下跌／上升1個百分點，而所有其他變數保持不變（假設概無資本化匯兌差額），則年度除稅後溢利將減少／增加21,774,000港元（二零一九年：減少／增加21,751,000港元），主要是由於換算以港元計值之銀行存款及借貸而產生外匯虧損／收益所致。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and bank deposits, loan receivables, finance lease receivables, other receivables and deposits, amount due from joint ventures, associates and related companies, advances to joint ventures and financial guarantees as well as credit exposures to customers, including outstanding accounts receivables. The Group has credit policies in place and exposures to these credit risks are monitored on an ongoing basis.

(i) Risk management

The Group manages its deposits with banks and financial institutions by monitoring credit ratings. At 31st December 2020, deposits with banks amounted to HK\$29,649 million (2019: HK\$14,101 million) were placed with a number of international/national/provincial/municipal financial institutions with sound credit ratings. The Group were of the view that the expected loss related to the bank deposits were immaterial.

In respect of credit exposures to customers, the Group normally receives deposits or progress payments from sales of residential properties prior to completion of the sales transactions, and bills customers in advance for property management service. The Group has provided guarantees to secure the purchasers' obligations for repayments before the issuance of the ownership certification. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group has the right to retain the property and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors of the Company consider that the Group's credit risk is minimal. See "Impairment of assets" below section for details about the loss allowance for accounts receivable.

The Group monitors the exposure to credit risk in respect of loan receivables through ongoing management's critical assessment on the recoverable amounts based on underlying assets, historical repayment pattern, the actual and expected changes in business performance and general market default rates of the debtors. See "Impairment of assets" below section for details about the loss allowance for loan receivables.

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險

信貸風險來自現金及銀行存款、應收貸款、融資租賃應收款項、其他應收款項及按金、應收合營公司、聯營公司及關連公司款項、合營公司墊款及財務擔保以及客戶的信貸風險，包括未清償應收賬款。本集團已制定信貸政策並持續監控該等信貸風險。

(i) 風險管理

本集團透過監控信貸評級管理其銀行及財務機構之存款。於二零二零年十二月三十一日，銀行存款29,649百萬港元(二零一九年：14,101百萬港元)乃存置於具良好信貸評級之多家國際/全國性/省級/市級財務機構。本集團認為，與銀行存款有關的預期虧損並不重大。

就客戶之信貸風險而言，本集團通常於完成有關交易前就出售住宅物業銷售而收取按金或進度款項，並於提供物業管理服務前向客戶開立賬單。在發出房產證前，本集團已提供擔保以確保買家承擔還款之責任。倘買家於擔保期限內違反按揭還款責任，則持有按揭之銀行可能會要求本集團償還貸款之未償還款項及其任何應計利息。在該等情況下，本集團有權保留物業並出售物業以收回任何本集團支付予銀行之款項。就此而言，本公司董事認為，本集團之信貸風險已降至最低。有關應收賬款虧損撥備的詳情，請參閱下文「資產減值」一節。

本集團通過管理層根據相關資產、過往支付模式、業務表現的實際及預期變化以及債務人的一般市場違約率而對可收回金額持續進行嚴格評估，以此監控應收貸款的信用風險。有關應收貸款虧損撥備的詳情，請參閱下文「資產減值」一節。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

The Group monitors the exposure to credit risk in respect of amounts due from joint ventures through jointly controlling their financial and operating policy decisions and reviewing their financial positions on a regular basis.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset (other than equity securities included in financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss) in the balance sheet after deducting any impairment allowance, and guarantees provided to third parties.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(ii) Impairment of assets

The following assets are subject to the expected credit loss model:

- Accounts receivables;
- Loan receivables, other receivables and deposits;
- Advances to joint ventures;
- Cash and bank deposits;
- Amount due from joint ventures, associates and related companies;
- Finance lease receivables; and
- Financial guarantee

The identified impairment losses for cash and bank deposits, amounts due from joint ventures, associates and related companies, other receivables and deposits, finance lease receivables and financial guarantee were immaterial.

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險(續)

(i) 風險管理(續)

本集團通過共同控制其財務和經營政策的決定，並定期審查其財務狀況，監控應收合營公司款項的信用風險。

信貸風險的最大風險來自扣除任何減值撥備後，資產負債表中各項財務資產(除按公平值透過其他全面收入列賬之財務資產中的股本證券及按公平值透過損益列賬之財務資產)的賬面值，以及向第三方提供的擔保。

無論是個別客戶、特定行業及/或地區，本集團均無重大集中的信貸風險。

(ii) 資產減值

以下資產須應用預期信貸虧損模型：

- 應收賬款；
- 應收貸款、其他應收款項及按金；
- 合營企業墊款；
- 現金及銀行存款；
- 應收合營公司、聯營公司及關連公司款項；
- 融資租賃應收款項；及
- 財務擔保

已識別的現金及銀行存款、應收合營公司、聯營公司及關連公司款項、其他應收款項及按金、融資租賃應收款項及財務擔保之減值虧損並不重大。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of assets (Continued)

During the year ended 31 December 2020, the Group has made loss allowance of HK\$491,541,000 (2019: Nil), and recorded a reversal of loss allowance of HK\$1,193,000 (2019: Loss allowance of HK\$7,960,000) for accounts receivable, and written off uncollectible accounts receivables of HK\$26,770,000 (2019: Nil).

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating (determined by benchmarking with definition of external credit ratings);
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer/borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer/borrower;
- significant increases in credit risk on other financial instruments of the same customer/borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of customer/borrowers in the Group and changes in the operating results of the customer/borrower.

Macroeconomic information (Such as gross domestic product and unemployment rate of Mainland China) is incorporated as part of the internal rating model.

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險(續)

(ii) 資產減值(續)

截至二零二零年十二月三十一日止年度，本集團的資產減值損失準備為491,541,000港元(二零一九年：無)，並沖回了應收賬款的損失準備金1,193,000港元(二零一九年：損失準備金7,960,000港元)，撇銷無法收回應收賬款26,770,000港元(二零一九年：無)。

本集團於各報告期間持續評估初始確認資產後出現違約的可能性及信貸風險是否大幅增加。為評估信貸風險是否大幅增加，本公司將報告日資產的違約風險與初始確認日期的違約風險相比較。其計及可供利用的合理有依據的前瞻性資料。特別包括下列指標：

- 內部信用評級(參考外部信用評級的定義釐定)；
- 外部信用評級(若可利用)；
- 實際發生的或者預期的營業狀況、財務狀況或經濟環境中的重大不利變化預期導致客戶/借款人履行責任的能力產生重大變化；
- 客戶/借款人的經營業績實際發生或者預期發生重大變化；
- 相同客戶/借款人的其他金融工具的信貸風險顯著增加；
- 支撐責任的抵押品價值或第三方擔保或信用增級的質素的重大變化；
- 客戶/借款人預期表現及行為發生重大變化，包括本集團客戶/借款人的付款情況和借款人經營業績的變化。

內部評級模型包含宏觀經濟信息(例如中國大陸的國內生產總值及失業率)。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of assets (Continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments and when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Loans receivables and advances to joint ventures

The Group uses three categories for loan receivables and advances to joint venture which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險(續)

(ii) 資產減值(續)

不論上述分析如何，倘債務人逾期超過30日未按合約付款時，則假定信貸風險大幅增加。當交易對手方於到期後60日內無法按合約付款，則財務資產出現違約。

本集團於債務人未能按合約付款還以及當合理預期無法收回款項(例如債務人未能與本集團簽訂還款計劃)時，將貸款或應收款項進行分類以便撇銷。倘貸款或應收款項已撇銷，則本集團繼續採取強制行動試圖收回到期應收款項。倘得以收回款項，則於損益中確認。

應收貸款及合營企業墊款

本集團就應收貸款及合營企業墊款採用三個類別，反映其信貸風險及釐定各類別虧損撥備的方式。該等內部信貸風險評級與外部信用評級公司(例如標準普爾、穆迪及惠譽)一致。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of assets (Continued)

Loans receivables and advances to joint ventures (Continued)

A summary of the assumptions underpinning the Group's expected credit loss model for loan receivables and advances to joint ventures is as follows:

Category 類別	Company definition of category 本公司對各類別之定義	Basis for recognition of expected credit loss provision 預期信貸虧損撥備之確認基準
Performing 履約	Loans and advances whose credit risk is in line with original expectations 信貸及墊款的風險符合最初預期的貸款	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1). 十二個月預期虧損。倘資產之預期存續期少於十二個月，則預期虧損按其預期存續期計量(第1階段)。
Underperforming 關注	Loans and advances for which a significant increase has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail) 與最初預期相比出現大幅增長的貸款及墊款的；倘利息及／或本金還款逾期30日，則假定信貸風險顯著增加(有關更多詳情，請參閱上文)	Lifetime expected losses (stage 2). 全期預期虧損(第2階段)。
Non-performing (credit impaired) 不良(信貸減值)	Interest and/or principal repayments are 60 days past due or it becomes probable a customer will enter bankruptcy 利息及／或本金還款逾期60日或客戶很可能會破產	Lifetime expected losses (stage 3). 全期預期虧損(第3階段)。
Write-off 撇銷	Interest and/or principal repayments are past due for a prolonged period and there is no reasonable expectation of recovery 利息及／或本金還款長期逾期且合理預期不能收回	Asset is written off. 撇銷資產。

No significant changes to estimation techniques or assumptions were made during the year.

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險(續)

(ii) 資產減值(續)

應收貸款及合營企業墊款(續)

本集團關於應收貸款及合營公司墊款之預期信貸虧損模型所依據之假設概要如下：

於年內，估計方法或假設概無出現重大變動。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of assets (Continued)

Loans receivables and advances to joint ventures (Continued)

The gross carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

		Internal credit rating 內部信貸評級	Expected credit loss rate 預期信貸損失率	2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Performing	履約	C – Baa3 (2019: C – Baa3)	0.2%–21.4% (2019: 0%)	1,679,111	1,008,355
Underperforming	關注	不適用 (2019: Caa3)	不適用 (2019: 0%)	–	1,683,325
Non-performing	不良	Caa3 (2019: 不適用)	11.9%–57.8% (2019: 不適用)	1,791,608	–
Total gross loan receivables	應收貸款總額			3,470,719	2,691,680
Less: Loan loss allowance	減：貸款虧損撥備			(491,541)	–
Loan receivables net of expected credit losses	應收貸款，扣除預期信貸虧損			2,979,178	2,691,680

There were no loans with a contractual amount written off during the year are still subject to enforcement activity.

As at 31st December 2020 and 2019, the advances to joint ventures of HK\$5,497,749,000 (2019: HK\$106,991,000) are in the “Performing” category with investment grade ratings, expected credit loss rate of advances to joint ventures was assessed to be 0.5% (2019: 0.5%), the loss allowance for advances to joint ventures was immaterial.

Accounts receivables

Movements in loss allowance of accounts receivable are as follows:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
At 1st January	於一月一日	142,760	130,904
Loss allowance (reversed)/recognised in profit or loss	於損益(撥回)/確認之虧損撥備	(1,193)	7,960
Exchange difference	匯兌差額	9,145	3,896
At 31st December	於十二月三十一日	150,712	142,760

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險(續)

(ii) 資產減值(續)

應收貸款及合營企業墊款(續)

以下為應收貸款賬面總值及最高虧損風險：

概無於年內合約金額已被撇銷的貸款仍然在強制執行。

於二零二零年十二月三十一日及二零一九年十二月三十一日，合營企業墊款5,497,749,000港元(二零一九年：106,991,000港元)的投資評級為「履約」，合營企業墊款的預期信貸虧損率經評估為0.5%(二零一九年：0.5%)，合資企業墊款的損失準備金並不重大。

應收賬款

應收賬款虧損撥備之變動如下：

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of assets (Continued)

Accounts receivables (Continued)

The Group applies the HKFRS 9 simplified approach to measure expected credit loss which uses a lifetime expected loss allowance for accounts receivables related to property management services and construction services.

To measure the expected credit loss, these receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical loss rates as adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31st December 2020 or 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that Gross Domestic Product and unemployment rate of Mainland China in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險(續)

(ii) 資產減值(續)

應收賬款(續)

本集團應用香港財務報告準則第9號的簡化方法計量預期信貸虧損，當中就與物業管理服務及建築服務費有關的應收賬款使用全期預期虧損撥備。

為計量預期信貸虧損，該等應收款項已根據攤估信貸風險特徵及逾期日數分類。預期虧損率乃根據歷史虧損率經過調整以反映當前及前瞻性的宏觀經濟因素的資料，而該等因素影響客戶結算應收款項的能力。

預期虧損率分別基於二零一九年或二零二零年十二月三十一日之前12個月期間的銷售付款情況以及此期間經歷相關的歷史信貸虧損。歷史虧損率會被調整，以反映當前及前瞻性的宏觀經濟因素的資料，而該等因素影響客戶結算應收款項的能力。本集團已將其銷售商品和服務的地點(中國大陸)的國內生產總值及失業率確定為最相關的因素，並根據這些因素的預期變化相應調整歷史虧損率。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of assets (Continued)

Accounts receivables (Continued)

As at 31st December 2020 and 2019, the loss allowance provision of accounts receivables from third parties was determined as follows:

		Weighted average lifetime expected credit loss rate 加權平均 全期逾期 信貸虧損率 %	Gross carrying amount 賬面總值 HK\$'000 千港元	Lifetime expected credit loss 全期逾期 信貸虧損 HK\$'000 千港元	Net carrying amount 賬面淨值 HK\$'000 千港元
At 31st December 2020	於二零二零年十二月三十一日				
Not yet due	尚未到期	1.4%	1,156,248	16,358	1,139,890
1 to 3 months past due	逾期1至3個月	4.3%	202,453	8,705	193,748
3 to 6 months past due	逾期3至6個月	6.5%	167,452	10,910	156,542
6 to 9 months past due	逾期6至9個月	9.3%	102,495	9,532	92,963
Over 9 months past due	逾期9個月以上	16.2%	649,676	105,207	544,469
			2,278,324	150,712	2,127,612
At 31st December 2019	於二零一九年十二月三十一日				
Not yet due	尚未到期	1.7%	518,719	8,627	510,092
1 to 3 months past due	逾期1至3個月	4.9%	47,029	2,304	44,725
3 to 6 months past due	逾期3至6個月	8.0%	52,830	4,226	48,604
6 to 9 months past due	逾期6至9個月	10.8%	80,619	8,707	71,912
Over 9 months past due	逾期9個月以上	33.3%	356,718	118,896	237,822
			1,055,915	142,760	913,155

Accounts receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a prolonged period.

Impairment losses on accounts receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險(續)

(ii) 資產減值(續)

應收賬款(續)

於二零二零年及二零一九年十二月三十一日，來自第三方的應收賬款做的減值準備如下：

應收賬款於並無合理預期收回的情況下進行撇銷。並無合理預期可收回的跡象包括(其中包括)債務人未能與集團簽訂還款計劃，以及長期未能作出合約付款。

應收賬款減值虧損列為經營溢利內的減值虧損淨額。其後收回先前撇銷的金額會計入同一分項。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group's operations and to maintain sufficient cash to meet its business development requirements.

Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group's business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in global and Mainland China economic conditions. The Company's directors consider that the Group will be able to maintain sufficient financial resources to meet its needs.

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險

管理流動資金風險時，本集團定期並密切監控其現時及預期流動資金需求，以維持其滾存現金流量在本集團認為足夠之水平，以為本集團業務運作提供資金，以及維持足夠現金應付其業務發展所需。

管理層定期編製現金流量預測，且本集團備有多個不同方案，一旦全球及中國大陸經濟出現突變而對預期的現金流產生影響，該等方案可抵銷事件對本集團業務發展及目前經營的影響。本公司董事認為本集團將能維持足夠的財務資源，應付其營運所需。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities by relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Less than 1 year 1年內 HK\$'000 千港元	Between 1 and 2 years 1至2年 HK\$'000 千港元	Between 2 and 5 years 2至5年 HK\$'000 千港元	Over 5 years 超過5年 HK\$'000 千港元
At 31st December 2020	於二零二零年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	23,913,014	36,954,664	45,205,528	22,307,243
Accounts payable, accruals and other payables (Note)	應付賬款、應計款項 及其他應付款項 (註)	30,452,042	—	—	—
Margin Loans	保證金貸款	9,163,844	—	—	—
Land cost payable	應付土地成本	—	96,280	—	—
Lease liabilities	租賃負債	36,558	35,424	86,532	556,026
Due to an associate	應付一間聯營公司之 款項	6,348	—	—	—
Due to related companies	應付關連公司之款項	212,001	—	—	—
Due to joint ventures	應付合營公司之款項	1,416,623	—	—	—
Due to non-controlling interests	應付非控制性權益之 款項	—	6,833,733	—	—
		65,200,430	43,920,101	45,292,060	22,863,269

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險(續)

下表顯示按相關到期組別劃分之本集團財務負債，根據由結算日至合約到期日之剩餘期間進行分析。表內所披露之金額為合約性未貼現現金流量。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

		Less than 1 year 1年內 HK\$'000 千港元	Between 1 and 2 years 1至2年 HK\$'000 千港元	Between 2 and 5 years 2至5年 HK\$'000 千港元	Over 5 years 超過5年 HK\$'000 千港元
At 31st December 2019	於二零一九年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	16,885,152	18,991,161	38,268,663	9,076,573
Accounts payable, accruals and other payables (Note)	應付賬款、應計款項及 其他應付款項(註)	21,138,261	—	—	—
Land cost payable	應付土地成本	359,201	91,043	—	—
Lease liabilities	租賃負債	24,548	26,109	113,033	520,975
Due to an associate	應付一間聯營公司之款項	5,964	—	—	—
Due to related companies	應付關連公司之款項	366,248	—	—	—
Due to joint ventures	應付合營公司之款項	3,011,241	—	—	—
Due to non-controlling interests	應付非控制性權益之款項	—	—	—	2,126,867
		41,790,615	19,108,313	38,381,696	11,724,415

Note: Excluding other taxes payable and accrued salaries.

The tables above exclude guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties and guarantees given to a bank for bank borrowings of a joint venture (Note 41) as management considers the likely crystallisation of the guarantees to be as minimal.

(d) Cash flow and fair value interest-rate risk

The Group's interest-rate risk arises from interest bearing bank deposits/balances, borrowings and advances from/to joint ventures. Bank deposits/balances and borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest-rate risk.

At 31st December 2020, if interest rates had increased/decreased by one percentage-point and all other variables were held constant, the net finance expense (after taking into account the interest expenses capitalised in the properties under development, investment properties and construction-in-progress) would increase/decrease the Group's post-tax profit by approximately HK\$198,864,000 (2019: HK\$91,959,000).

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險(續)

		Less than 1 year 1年內 HK\$'000 千港元	Between 1 and 2 years 1至2年 HK\$'000 千港元	Between 2 and 5 years 2至5年 HK\$'000 千港元	Over 5 years 超過5年 HK\$'000 千港元
At 31st December 2019	於二零一九年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	16,885,152	18,991,161	38,268,663	9,076,573
Accounts payable, accruals and other payables (Note)	應付賬款、應計款項及 其他應付款項(註)	21,138,261	—	—	—
Land cost payable	應付土地成本	359,201	91,043	—	—
Lease liabilities	租賃負債	24,548	26,109	113,033	520,975
Due to an associate	應付一間聯營公司之款項	5,964	—	—	—
Due to related companies	應付關連公司之款項	366,248	—	—	—
Due to joint ventures	應付合營公司之款項	3,011,241	—	—	—
Due to non-controlling interests	應付非控制性權益之款項	—	—	—	2,126,867
		41,790,615	19,108,313	38,381,696	11,724,415

註： 不包括其他應付稅項及應計薪金。

上表不包括就授予本集團物業之若干買家之按揭貸款而向銀行作出之擔保及就一間合營公司之銀行借貸向銀行作出之擔保(附註41)，原因為管理層認為有關履行擔保之可能性已降至最低。

(d) 現金流及公平值利率風險

本集團之利率風險乃由有息銀行存款/結餘、借貸及應收/應付合營公司墊款產生。銀行存款/結餘及以浮動利率發放之借貸令本集團承受現金流利率風險。而以固定利率發放之借貸則令本集團承受公平值利率風險。本集團並無就其現金流及公平值利率風險作出對沖。

於二零二零年十二月三十一日，倘利率上升/下降1個百分點，而所有其他變數保持不變，則財務費用淨額(計入發展中物業、投資物業及在建工程中已資本化之利息開支)將會使本集團之稅後溢利上升/下降約198,864,000港元(二零一九年：91,959,000港元)。

3 Financial Risk Management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

The Group monitors capital based on gearing ratio. Gearing ratio is calculated as net debt divided by total equity as shown in the consolidated balance sheet. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less pledged/charged bank deposits and cash and cash equivalents. The Group made no changes to its capital risk management objectives, policies or processes during the year ended 31 December 2020 and 2019.

The gearing ratios at 31st December 2020 and 2019 were as follows:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Total borrowings	總借貸	107,537,719	63,389,880
Less: pledged/charged bank deposits and cash and cash equivalents	減：已抵押／押記銀行存款及現金及現金等價物	(29,650,092)	(14,102,038)
Net debt	負債淨額	77,887,627	49,287,842
Total equity	權益總額	97,868,156	75,015,402
Gearing ratio	資本負債比率	80%	66%

In the case of margin loans are included in calculation of net debt, the gearing ratio of the Group for the year ended 2020 is 89% (2019: 66%).

The increase in the gearing ratio was mainly attributable to the increase in borrowings.

3 財務風險管理(續)

3.2 資金風險管理

本集團管理資本之目標乃保障本集團能夠繼續根據持續基準經營，從而為股權持有人創造回報並使其他利益相關者受惠，以及維持最佳資本架構以降低資本成本。

本集團可透過調整派付予股權持有人之股息數額、發行新股或出售資產減少債務，藉以維持或調整資本架構。

本集團按資本負債比率基準監控資本。資本負債比率乃以負債淨額除以於綜合資產負債表所示的權益總額計算。負債淨額乃以總借貸(包括綜合資產負債表所示之流動及非流動借貸)減已抵押／押記銀行存款及現金及現金等價物計算。於截至二零二零年及二零一九年十二月三十一日止年度，本集團並無對其資金風險管理目標、政策或流程作出變動。

於二零二零年及二零一九年十二月三十一日之資本負債比率如下：

倘將保證金貸款計入負債淨額，本集團截至二零二零年止年度的資本負債比率為89%(二零一九年：66%)。

資本負債比率上升主要由於借貸增加所致。

3 Financial Risk Management (Continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method, at 31st December 2020 and 2019. See Note 8 for disclosure relating to the investment properties which are measured at fair value.

		Level 1 第1級 HK\$'000 千港元	Level 3 第3級 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 31st December 2020	於二零二零年 十二月三十一日			
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	21,596,855	423,842	22,020,697
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	725,092	5,418,110	6,143,202
		22,321,947	5,841,952	28,163,899
At 31st December 2019	於二零一九年 十二月三十一日			
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	692,251	96,152	788,403
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	714,224	2,623,549	3,337,773
		1,406,475	2,719,701	4,126,176

3 財務風險管理(續)

3.3 公平值估算

下表以估值法分析於二零二零年及二零一九年十二月三十一日按公平值計量之金融工具。有關按公平值計量的投資物業的披露見附註8。

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments in Mainland China, Hong Kong and the United States of America classified as short-term investments.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. There was no instrument included in Level 2 at 31st December 2019 and 2020.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Instruments included in Level 3 represent unlisted equity securities, which are primarily classified as FVOCI.

Fair values of financial assets at FVOCI in level 3 were derived using the income approach, or estimated using other prices observed in recent transactions or other valuation techniques. Under the income approach, the net present values of the forecast dividend and discounted cash flows approach are estimated by applying an appropriate discount rate which reflects the risk profile of the investments. The Company's directors considered that the income approach reflects the long-term investment purpose of the FVOCI, and the stage of development of the investees' businesses.

3 財務風險管理(續)

3.3 公平值估算(續)

不同級別之定義如下：

第1級：於活躍市場所買賣金融工具之公平值乃根據於結算日之所報市場價格計算。倘即時及定時透過交易所、交易商、經紀、業界組別、報價服務或監管機構獲得報價，且該等價格屬實際及定期按公平基準進行之市場交易，則市場可視為活躍。本集團所持財務資產所用之市場報價為目前之買入價。此等工具已計入第1級。第1級計入之工具主要包括分類為短期投資的中國大陸、香港及美國的股權投資。

第2級：未有在活躍市場買賣之金融工具(如場外衍生工具)之公平值乃採用估值法釐定。此等估值方法盡量運用所得之可觀察市場數據，並盡可能減少依賴實體特定估計。倘所有計算一項工具之公平值所需重大輸入數據屬可觀察時，有關工具會計入第2級。截至二零一九年及二零二零年十二月三十一日止並無工具計入第2級。

第3級：倘一個或多個重大輸入數據並非根據可觀察市場數據計算，有關工具會計入第3級。計入第3級之工具指主要分類為按公平值透過其他全面收入列賬之財務資產之非上市股本證券。

第3級之按公平值透過其他全面收入列賬之財務資產之公平值乃以收入法得出，或通過近期交易觀察得到的其他價格或其他估值方法估計。根據收入法，預測股息及現金流量折現法的淨現值乃透過應用反映投資風險情況的合適貼現率估計。本公司董事認為收入法反映按公平值透過其他全面收入列賬之財務資產之長期投資目的以及被投資方業務的發展階段。

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 items for the year ended 31st December 2020:

3 財務風險管理(續)

3.3 公平值估算(續)

下表呈列截至二零二零年十二月三十一日止年度之第3級項目變動：

		Unlisted equity securities 非上市股本 證券 HK\$'000 千港元
At 31st December 2019	於二零一九年十二月三十一日	2,719,701
Acquisitions	收購	2,381,389
Disposals	出售	(53,467)
Net gains recognised in other comprehensive income	於其他全面收入中確認之收益淨額	588,374
Exchange difference	匯兌差額	205,955
At 31st December 2020	於二零二零年十二月三十一日	5,841,952

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The following unobservable inputs were used to determine the fair value of level 3 items.

Fair value at 31st December 於十二月三十一日之公平值		Unobservable inputs 不可觀察數據	Range of unobservable inputs 不可觀察數據範圍	Relationship of unobservable inputs to fair value 不可觀察數據與公平值的關係
2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元			
Unlisted equity 非上市股本證券				
3,280,048	2,524,057	Dividend growth rate for the year 2021 to 2025 (2019: 2020 to 2024) 二零二一年至二零二五年的 股息增長率(二零一九年: 二零二零年至二零二四年)	12%-25% (2019: 8%-22%) 12%-25% (二零一九年: 8%-22%)	The higher the growth rate, the higher the fair value. 增長率越高, 公平值越高。
		Terminal growth rate 長期增長率	3% p.a. (2019: 3% p.a.) 每年3% (二零一九年: 每年3%)	The higher the growth rate, the higher the fair value. 增長率越高, 公平值越高。
		Discount rate 貼現率	11% p.a. (2019: 11% p.a.) 每年11% (二零一九年: 每年11%)	The higher the discount rate, the lower the fair value. 貼現率越高, 公平值越低。
		Lack of marketability discount 市場流通性貼現率	16% (2019: 16%) 16% (二零一九年: 16%)	The higher the discount, the lower the fair value. 貼現率越高, 公平值越低。

The remaining balance of unlisted equity securities of approximately HK\$2,561,904,000 (2019: HK\$195,644,000) is stated at fair value which is estimated using other prices observed in recent transactions or other valuation techniques such as price-to-sales ratio when the market prices are not readily available.

The nominal value less estimated credit adjustments of accounts receivable, accounts payable, balances with related parties, amounts due to non-controlling interests of subsidiaries and land cost payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments or based on the current bid price in the market.

3 財務風險管理(續)

3.3 公平值估算(續)

以下不可觀察數據乃用第三級類別資產之公平值。

未上市股本證券的餘額約2,561,904,000港元(二零一九年: 195,644,000港元), 投資按公平值入賬, 其公平值乃根據近期之成交價估算, 倘市場交投疏落, 則以其它評估技術例如市銷率等作出估算。

應收賬款、應付賬款、與關連人士之結餘、應付非控制性權益之款項及應付土地成本之面值減去估計信貸調整後, 乃假設與其公平值相若。就披露而言, 財務負債之公平值乃按本集團可取得之類似金融工具之現行市場利率或根據市場現時之買入價, 把未來合約現金流量貼現作出估算。

4 Critical Accounting Estimates and Judgements

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations relating to future events which are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

(a) Estimated fair value of investment properties

The fair value of each investment property is individually determined at each reporting date by independent external valuers based on a market value assessment. Fair values of completed investment properties are derived using the income capitalisation method or direct comparison approach, and fair value of investment properties under development are derived using the residual method. The valuations are dependent on certain key assumptions that require significant judgement, including capitalisation rates and prevailing market rents. The valuations of investment properties under development are also dependent upon the estimated costs to completion and estimated developer's profit. Details of the valuation techniques and key assumptions used in the valuation of the investment properties which are measured at fair value are set out in Note 8.

4 重要會計推算及判斷

編製綜合財務報表需要使用會計估計，根據定義，會計估計很少等於實際結果。管理層在應用本集團的會計政策時亦需作出判斷。

推算及判斷乃持續進行之評估，並以過往經驗及其他因素作為基礎，包括在目前情況下關於未來事件之合理預期。

4.1 重要會計推算及假設

(a) 投資物業之公平值估值

每項投資物業於每個報告日期由獨立外部估值師按其市場價值獨立評估。已落成之投資物業之公平值乃採用收入資本化方法或直接比較法計算，而發展中之投資物業之公平值乃採用餘值估價法計算。重估乃依賴需要重大判斷(包括資本化比率及當前市場租金)的若干關鍵假設。發展中之投資物業之估值亦依賴估計完工成本及估計發展商盈利。有關投資物業計量公平值之估值所採用之估值方法及關鍵假設之詳情，載於附註8。

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(b) Recoverability of prepayments for acquisition of land

Prepayments for acquisition of land represent advances made for the acquisitions of land use rights, for which the land use right certificates have not yet been obtained. Management assesses the likelihood of obtaining the related land use rights by reference to the latest discussions with the relevant government authorities and /or other relevant parties. Management also takes into consideration opinions from independent legal counsels on the legality of the land transfer contracts and undertakings provided by related parties, if any. The Group assesses the recoverability of the land parcels by comparing their respective carrying amounts to the estimated market value of the land. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The assessment requires the use of judgement and estimates. Details of prepayments for acquisition of land are set out in Notes 17, 43(e) and 43(f).

(c) Recoverability of properties under development for sale and completed properties for sale

The Group assesses the carrying amounts of properties under development and completed properties for sale based on their net realisable value, taking into account estimated costs to completion based on past experience and estimated net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(d) Recoverability of properties and equipment

Properties and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of properties and equipment have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculations require the use of judgements and estimates.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(b) 收購土地預付款項之可收回性

收購土地預付款項指購買土地使用權，並於取得該土地使用權憑證前所作出之預付款項。管理層估定取得相關土地使用權的可能性乃經參考與相關政府機關及/或其他相關人士最近的討論得出。管理層亦考慮來自獨立法律顧問就土地轉讓合約及相關人士作出保證(如有)的合法性的意見。本集團估定有關土地之可收回性乃經比較彼等各自有關土地之估計市值賬面值得出。當事件或情況變化表明賬面值為不可收回時，將會作出撥備。該估計須作出判斷及估計。有關收購土地預付款項之詳情，載於附註17、43(e)及43(f)。

(c) 可供出售之發展中物業及可供出售之已落成物業之可收回性

本集團根據可供出售之發展中物業及已落成物業(計及基於過往經驗而釐定之估計完工成本以及基於當前及預期市況而釐定之估計銷售淨值)估定其賬面值。當事件或情況變化表明賬面值為不可收回時，將會作出撥備。該估計須作出判斷及估計。

(d) 物業及設備之可收回性

物業及設備在事件或情況變化表明賬面值為不可收回時，將會考慮作出減值。物業及設備之可收回金額乃根據計算使用價值(計及最新市場資料及過往經驗)而釐定。該等計算須作出判斷及估計。

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

- (e) Estimated fair value of financial assets at fair value through other comprehensive income

The fair value of financial assets at fair value through other comprehensive income that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select the income approach and dividend growth approach and evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and business outlook for the investee. The key assumptions adopted on the valuation methodologies as set out in Note 3.3 are based on management's best estimates.

- (f) Loss allowances for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the existing market conditions as well as forward-looking estimates at the end of each reporting period.

- (g) Current taxation and deferred taxation

The Group is subject to taxation in a number of tax jurisdictions, including Mainland China and Hong Kong. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

The Group is subject to land appreciation taxes in Mainland China. However, the implementation and settlement of these taxes varies among various tax jurisdictions in provinces/cities of Mainland China, and the Group has not finalised most of its land appreciation taxes clearance and payments with the local tax authorities in Mainland China. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognises its obligation to land appreciation taxes based on management's best estimates and interpretations according to the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

- (e) 按公平值透過其他全面收入列賬之財務資產之公平值估計

未有在活躍市場買賣之按公平值透過其他全面收入列賬之財務資產之公平值乃採用估值法釐定。本集團通過判斷選擇收入法及股息增長法並評估(包括其他因素)投資之公平值低於其成本的時間及程度;及被投資公司的財務穩健狀況以及業務前景。載於附註3.3之估值方法採用的主要假設乃根據管理層的最佳估計作出。

- (f) 金融資產的損失準備

金融資產的損失準備金是基於有關違約風險和預期損失率的假設。本集團會根據現有市場情況以及每個報告期末的前瞻性估計,在作出這些假設時選擇判斷,並選擇減值計算的輸入。

- (g) 本期稅項及遞延稅項

本集團須在多個稅收管轄區域繳稅,包括中國內地及中國香港。本集團須繳納中國內地及香港稅項。於釐訂相關稅項之稅項撥備金額及支付時間時須作出判斷。於日常業務過程中有頗多未能確定最終稅項之交易及計算。倘該等事宜之最終稅務結果與初始記錄之金額不同,有關差異將影響作出釐定之期間內之所得稅及遞延稅項撥備。

本集團須於中國大陸繳納土地增值稅。然而,該等稅項的執行及支付因應中國大陸各省份/城市的不同稅務司法權區而有異,而本集團尚未與中國大陸地方稅務機關落實大部分土地增值稅的結算及付款方法。因此,須作出重大判斷以釐定土地增值及其相關稅項的金額。本集團根據管理層就稅務規則作出的最佳估計及詮釋確認其就此等土地增值稅所負之責任。最終稅務結果可能與最初記錄的金額不同,而因當地稅務機關落實該等稅項而出現的有關差異將影響期間內的稅項及稅項撥備。

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(g) Current taxation and deferred taxation (Continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

4.2 Critical accounting judgements

(a) Revenue recognition

The Group has recognised revenue from the sale of properties in the ordinary course of business, as disclosed in Note 2.20. The assessment of when an entity has transferred the control to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of control coincides with the date when the equitable interest in the property vests with the buyer upon handover of the respective property to the buyer.

As disclosed in Note 41, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when the relevant property ownership certificates are lodged with the various banks. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with the regulations in Mainland China upon delivery of the properties. The Company's directors are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour their contractual obligations of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in execution of the bank guarantees. Accordingly, the Company's directors believe that control of the properties have been transferred to the purchasers.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(g) 本期稅項及遞延稅項(續)

倘管理層認為未來應課稅溢利可用作對消暫時性差異或稅項虧損可予動用時，則會確認與若干暫時性差異及稅項虧損有關之遞延稅項資產。倘預期結果與原先之估算不同，有關差異會對有關估算出現變動之期間內遞延稅項資產及稅項之確認構成影響。

遞延所得稅就子公司投資產生之暫時差異而撥備，但假若本集團可以控制暫時差異之撥回時間，而暫時差異在可預見將來有可能不會撥回則除外。

4.2 重要會計推算及判斷

(a) 收入確認

誠如附註2.20所披露，本集團已確認來自於一般業務中出售物業的收益。對於實體何時將控制權轉移至買家須對交易狀況進行審查。大多數情況下，在各物業交付予買家之後，控制權的轉移時間會與物業的衡平權益轉歸買家的時間相一致。

誠如附註41所披露本集團就有關為本集團物業若干買家安排按揭貸款並由若干銀行授出的按揭融資提供擔保。當相關物業所有權證交予各銀行時，該等擔保將告到期。根據中國內地法規，為取得按揭，買家在物業交吉之前，需已交付合約總金額的一定比例。本公司董事認為，該等付款為買家履行銀行貸款的合約責任提供了充分證據。再者，根據過往經驗，買家並無重大按揭貸款拖欠事件，以致進行銀行擔保賠付。因此，本公司董事認為，物業的控制權已被轉移至買家。

4 Critical Accounting Estimates and Judgements (Continued)

4.2 Critical accounting judgements (Continued)

(b) Financial implication of regulations of idle land

Under the laws and regulations in Mainland China, if a property developer fails to develop land according to the terms of a land grant contract, including the designated use of the land and the time of commencement and completion of the property development, the Mainland China government may regard the land as idle and issue a warning or impose a penalty on the developer or reclaim the land. The Group has certain tracts of land for which development has not commenced according to the specified terms of the respective land grant contracts. Judgement is required in assessing whether these tracts of land will be subject to the penalty of idle land or may be reclaimed by the Government and thereby resulting in any adverse financial impact to the Group. In making this judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

5 Segment Information

Executive Directors of the Company (the “Executive Directors”) are regarded as the chief operating decision makers of the Group. The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business from both business and geographic perspectives. Reportable business segments identified are property development, commercial properties investment, property management, infrastructure and investments. Geographically, the property development segment and commercial properties investment segment are further segregated into three main geographical areas, namely Southern China (SC) (including Guangzhou, Huizhou, Zhongshan, Yangshuo and Hong Kong), Northern China (NC) (including Beijing, Tianjin, Dalian, Taiyuan, Langfang and Qinhuangdao) and Eastern China (EC) (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang). Infrastructure segment primarily relates to construction, design and renovation services in Mainland China.

During the year ended 31st December 2020, management reassessed and reported a new reportable operating segment, investments, in accordance with its principle operating activities. Investment businesses (including private equity investments and listed equity investment relating to high-and-new technology and medical science) represents an important element of the Group’s future strategy.

4 重要會計推算及判斷(續)

4.2 重要會計推算及判斷(續)

(b) 閒置土地法規之財務涵義

根據中國內地法例及法規，倘物業發展商未能根據土地批授合約之條款發展土地，包括土地指定用途以及物業發展之施工及完工時限，則中國大陸政府可能視土地為閒置，並向該發展商發出警告或徵收罰款或收回土地。本集團有若干土地並無按照各自之土地批授合約特定條款進行發展。本集團在評估該等土地會否面臨閒置土地之懲罰或遭政府收回而帶來任何不利財務影響時須作出判斷。在作出此判斷時，本集團將評估土地整體之發展程度，以及就延長施工時限或修訂發展規劃與政府機關進行磋商之狀況。

5 分部資料

本公司的執行董事(「執行董事」)被視為本集團之最高營運決策者。執行董事審閱本集團內部報告，以評估表現及分配資源。管理層已根據該等報告釐定營運分部。

執行董事會從商業及地理角度考慮業務。已識別之可呈報業務分部包括物業發展、商業地產投資、物業管理、基建及投資。就地理方面而言，物業發展分部及商業地產投資分部進一步劃分為三個主要地區，即華南(包括廣州、惠州、中山、陽朔及香港)、華北(包括北京、天津、大連、太原、廊坊及秦皇島)及華東(包括上海、杭州、昆山、寧波、慈溪及太倉)。基建板塊主要涉及在中國大陸的工程建設、工程設計和裝修服務。

截至二零二零年十二月三十一日止年度，管理層根據其主要經營活動重新評估並報告新可呈報營運分部，即投資分部。投資業務(包括私募股權投資及高科技及醫療科技類的上市股權投資)是本集團未來戰略的重要要素。

5 Segment Information (Continued)

The Executive Directors assess the performance of the operating segments based on the segment results. Corporate income/ expenses, and finance income and costs are not included in the results for each operating segment that is reviewed by the Executive Directors.

Segment assets consist of all operating assets and exclude deferred tax assets.

Revenues comprise turnover which included revenue from property development, revenue from commercial properties investment, property management income, infrastructure income and investments income. Sales between segments are carried out on terms similar to those that prevail in arm's length transactions. The revenue reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

The following tables present revenue and profit information regarding to the Group's operating segments.

5 分部資料(續)

執行董事根據分部業績評估營運分部之表現。公司收入/開支以及財務收入及成本並無計入執行董事所審閱之各營運分部業績。

分部資產包括遞延稅項資產以外的所有經營資產。

收益由物業發展收益、商業地產投資收益、物業管理收入、基建收入及投資收入組成。分部間銷售乃按與公平交易條款相近的條款進行。向執行董事呈報之收益按與綜合收益表一致之方式計量。

下表呈列有關本集團營運分部的收益及溢利資料。

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Revenue from property development	物業發展之收益	19,075,270	12,848,239
Revenue from commercial properties investment	商業地產投資之收益	3,624,556	3,154,385
Property management income	物業管理收入	2,133,609	1,183,147
Infrastructure income	基建收入	1,507,780	1,414,809
Investments income	投資收入	8,030,061	—
		34,371,276	18,600,580

Notes to the Consolidated Financial Statements (Continued) 綜合財務報表附註(續)

5 Segment Information (Continued)

The segment results by business lines and where applicable by geographical areas for the year ended 31st December 2020 are as follows:

5 分部資料(續)

截至二零二零年十二月三十一日年度按業務及適用地區劃分之分部業績如下：

		Property development			Commercial properties investment			Property	Infrastructure	Investments	Group
		物業發展			商業地產投資			management	基建	投資	集團
		SC	EC	NC	SC	EC	NC				
		華南	華東	華北	華南	華東	華北				
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
Year ended 31st December 2020	截至二零二零年十二月三十一日止年度										
Total revenues	總收益	10,468,876	7,968,264	1,917,524	840,045	1,188,397	1,782,708	2,690,082	8,453,043	8,104,570	43,413,509
Intra/inter-segment revenues	分部內/間收益	(1,275,335)	—	(4,059)	(28,584)	(5,058)	(152,952)	(556,473)	(6,945,263)	(74,509)	(9,042,233)
Revenues	收益	9,193,541	7,968,264	1,913,465	811,461	1,183,339	1,629,756	2,133,609	1,507,780	8,030,061	34,371,276
Revenue from contracts with customers:	客戶合約收益：										
Recognised at a point in time	於某個時間點確認	9,193,541	7,968,264	1,913,465	—	—	—	—	—	—	19,075,270
Recognised over time	隨著時間確認	—	—	—	27,660	181,514	33,819	2,133,609	1,507,780	—	3,884,382
Revenue from other ordinary activities:	其他正常活動收益：										
Rental income	租金收入	—	—	—	783,801	1,001,825	1,595,937	—	—	—	3,381,563
Investments income	投資收入	—	—	—	—	—	—	—	—	8,030,061	8,030,061
Revenues	收益	9,193,541	7,968,264	1,913,465	811,461	1,183,339	1,629,756	2,133,609	1,507,780	8,030,061	34,371,276
Segment results	分部業績	4,440,592	3,647,191	12,506	448,191	746,311	1,641,718	327,176	778,825	7,392,136	19,434,646
Depreciation of properties and equipment	物業及設備折舊	(88,416)	(1,496)	(15,760)	(18,538)	(34,257)	(77,682)	(4,868)	(770)	—	(241,787)
Depreciation of right-of-use assets	使用權資產折舊	(6,589)	(5,394)	(4,443)	(3,961)	(17,615)	(9,612)	(7,131)	—	—	(54,745)
Provision for impairment of assets	資產減值撥備	—	—	—	—	—	—	(40,894)	—	(476,224)	(517,118)
Fair value (loss)/gain on investment properties	投資物業之公平值(虧損)/收益	—	—	—	(149,877)	34,458	879,108	—	—	—	763,689
Share of profit of associates	分佔聯營公司溢利	483	—	420	—	—	—	—	—	—	903
Share of profit/(loss) of joint ventures	分佔合營公司溢利/(虧損)	40,627	(47)	(3,260)	—	—	—	—	—	—	37,320

5 Segment Information (Continued)

5 分部資料(續)

The segment results by business lines and where applicable by geographical areas for the year ended 31st December 2019 are as follows:

截至二零一九年十二月三十一日年度按業務及適用地區劃分之分部業績如下：

		Property development 物業發展			Commercial properties investment 商業地產投資			Property management 物業管理	Infrastructure 基建	Group 集團
		SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北			
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Year ended 31st December 2019	截至二零一九年 十二月三十一日 止年度									
Total revenues	總收益	6,701,846	3,369,153	2,939,920	651,565	1,209,869	1,510,866	1,719,509	6,407,400	24,510,128
Intra/inter-segment revenues	分部內/間收益	(114,255)	(46,830)	(1,595)	(26,708)	(35,401)	(155,806)	(536,362)	(4,992,591)	(5,909,548)
Revenues	收益	6,587,591	3,322,323	2,938,325	624,857	1,174,468	1,355,060	1,183,147	1,414,809	18,600,580
Revenue from contracts with customers:	客戶合約收益：									
Recognised at a point in time	於某個時間點 確認	6,587,591	3,322,323	2,938,325	—	—	—	—	—	12,848,239
Recognised over time	隨著時間確認	—	—	—	38,904	249,247	100,563	1,183,147	1,414,809	2,986,670
Revenue from other ordinary activities:	其他正常活動收益：									
Rental income	租金收入	—	—	—	585,953	925,221	1,254,497	—	—	2,765,671
Revenues	收益	6,587,591	3,322,323	2,938,325	624,857	1,174,468	1,355,060	1,183,147	1,414,809	18,600,580
Segment results	分部業績	3,200,416	1,234,954	125,482	772,470	3,735,560	5,277,272	117,836	698,541	15,162,531
Depreciation of properties and equipment	物業及設備折舊	(84,558)	(470)	(19,656)	(1,362)	(18,034)	(67,975)	(3,620)	(781)	(196,456)
Depreciation of right-of-use assets	使用權資產折舊	(5,072)	(716)	—	(36,808)	(18,295)	(15,696)	—	—	(76,587)
Provision for impairment of assets	資產減值撥備	—	—	—	—	—	—	(7,960)	—	(7,960)
Fair value gain on investment properties	投資物業之公平值 收益	—	—	—	382,117	3,076,964	4,716,700	—	—	8,175,781
Share of profit/(loss) of associates	分佔聯營公司 溢利/(虧損)	1,016	—	(5,578)	—	—	—	—	—	(4,562)
Share of profit/(loss) of joint ventures	分佔合營公司溢利/ (虧損)	84,128	39	(742)	—	—	35,688	—	—	119,113

Notes to the Consolidated Financial Statements (Continued) 綜合財務報表附註(續)

5 Segment Information (Continued)

The segment assets by business lines and where applicable by geographical areas as at 31st December 2020 are as follows:

5 分部資料(續)

於二零二零年十二月三十一日按業務及適用地區劃分之分部資產如下：

	Property development 物業發展			Commercial properties investment 商業地產投資			Property management 物業管理	Infrastructure 基建	Investments 投資	Group 集團
	SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北				
	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
As at and for the year ended 31st December 2020	於二零二零年十二月三十一日及截至該日止年度									
	56,774,099	49,754,622	89,207,465	9,564,451	22,286,999	35,443,739	1,893,813	2,048,885	32,554,263	299,528,336
Segment assets include:	分部資產包括：									
Investments in associates	於聯營公司之投資									
	12,879	—	101,968	—	—	—	—	—	—	114,847
Investments in joint ventures	於合營公司之投資									
	5,864,799	1,458,475	4,036,185	120,507	—	—	—	—	—	11,479,966
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產 (不包括金融工具及遞延稅項資產)									
	716,269	1,537,718	3,916,295	125,796	44,795	474,007	31,105	1,627	—	6,847,612

The segment assets by business lines and where applicable by geographical areas as at 31st December 2019 are as follows:

於二零一九年十二月三十一日按業務及適用地區劃分之分部資產如下：

	Property development 物業發展			Commercial properties investment 商業地產投資			Property management 物業管理	Infrastructure 基建	Group 集團	
	SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北				
	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
As at and for the year ended 31st December 2019	於二零一九年十二月三十一日及截至該日止年度									
	54,725,866	25,600,368	53,805,369	9,455,010	20,303,646	32,038,354	892,061	1,133,397	197,954,071	
Segment assets include:	分部資產包括：									
Investments in associates	於聯營公司之投資									
	272,091	—	92,764	—	—	—	—	—	—	364,855
Investments in joint ventures	於合營公司之投資									
	4,942,038	2,823	—	114,706	—	—	—	—	—	5,059,567
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產 (不包括金融工具及遞延稅項資產)									
	1,039,480	45,946	4,662	528,602	186	2,637,850	3,567	3,336	—	4,263,629

Notes to the Consolidated Financial Statements (Continued) 綜合財務報表附註(續)

5 Segment Information (Continued)

5 分部資料(續)

Reconciliation of reportable segment profit from operations to profit before taxation is as follows:

可呈報分部之經營溢利與除稅前溢利對賬如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Reportable segment profit from operations	可呈報分部經營溢利	19,434,646	15,162,531
Unallocated corporate expenses (including exchange gain/(loss)), net	未分配公司開支(包括匯兌收益/(虧損)), 淨額	733,953	(42,717)
Dividend income	股息收入	—	155,841
Gain on disposal of financial assets at fair value through profit or loss	處置按公平值透過損益列賬之財務資產收益	—	88,642
Interest income from financial assets at fair value through profit or loss	來自按公平值透過損益列賬之財務資產之利息收入	—	5,806
Finance income	財務收入	240,342	394,311
Finance costs	財務成本	(1,768,581)	(1,002,439)
Profit before taxation	除稅前溢利	18,640,360	14,761,975

Reconciliation of reportable segment assets to total assets is as follows:

可呈報分部之資產與總資產對賬如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Total segment assets	分部資產總值	299,528,336	197,954,071
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	—	788,403
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	—	3,337,773
Loan receivables	應收貸款	—	714,137
Deferred tax assets	遞延稅項資產	1,342,998	1,309,259
Total assets	總資產	300,871,334	204,103,643

5 Segment Information (Continued)

As a result of the adoption of a new reportable investments segment during year ended 31st December 2020, dividend income from financial assets at fair value through other comprehensive income and fair value through profit or loss of HK\$374,082,000, gain on disposal of financial assets at fair value through profit or loss of HK\$6,044,332,000, fair value gain on financial assets at fair value through profit or loss of HK\$1,611,647,000, totalling HK\$8,030,061,000 were classified as revenue. Net cash outflows for purchase and disposal of financial assets at fair value through profit or loss of HK\$13,576,315,000 was included in operating cash flow; while net cash outflows for purchase of financial assets at fair value through other comprehensive income of HK\$1,968,845,000 was included in investing activities. For the year ended 31st December 2019, dividend and interest income from financial assets at fair value through other comprehensive income and fair value through profit or loss of HK\$161,647,000, gain on disposal of financial assets at fair value through profit or loss of HK\$88,642,000, and fair value loss on financial assets at fair value through profit or loss of HK\$9,208,000 attributable to investment activities were included in other gains, net (Note 32) and their cash flows were included in investing activities.

Investments segment relating to investments in equity and debt investments in Hong Kong, the United States of America and Mainland China. For other segments, all revenues for the years ended 31st December 2020 and 2019 were from Mainland China; while segment assets as at 31st December 2020 and 2019 were mainly located in Mainland China.

As at 31st December 2019 and 2020, non-current assets were mainly located in Mainland China.

As at 31st December 2020, segment liabilities are managed centrally at the headquarter of the Group, including borrowings of HK\$107,537,719,000 (2019: HK\$63,389,880,000), which were major source of finance of property development segment, commercial properties investment segment, property management segment and infrastructure segment; and margin loans of HK\$9,163,844,000 (2019: Nil), which were the major source of finance of the investments segment.

5 分部資料(續)

由於截至二零二零年十二月三十一日年度採用新的可報告投資分部，按公平值透過其他全面收入列賬之財務資產及按公平值透過損益列賬之財務資產的股利收入374,082,000港元，出售按公平值透過損益列賬之財務資產收益6,044,332,000港元，按公平值透過損益列賬之財務資產公平收益1,611,647,000港元，總計8,030,061,000港元被分類為收益。購入及出售按公平值透過損益列賬之財務資產的現金流出淨額13,576,315,000港元已計入經營現金流量；投資活動包括購買按公平值透過其他全面收入列賬之財務資產的現金流出淨額1,968,845,000港元。截至二零一九年十二月三十一日年度，按公平值透過其他全面收入列賬之財務資產及按公平值透過損益列賬之財務資產的股利和利息收入為161,647,000港元，出售按公平值透過損益列賬之財務資產的收益為88,642,000港元，投資活動包括按公平值透過其他全面收入列賬之財務資產的公平值虧損9,208,000港元已計入其他收益淨額(附註32)，其現金流量已計入投資活動。

投資分部涉及在香港，美國和中國大陸的股本和債務投資。對於其他分部，截至二零二零年十二月三十一日和二零一九年十二月三十一日年度的所有收入均來自中國大陸；截至二零二零年十二月三十一日和二零一九年十二月三十一日的分部資產主要位於中國大陸。

截至二零一九年及二零二零年十二月三十一日，非流動資產主要位於中國大陸。

於二零二零年十二月三十一日，分部負債在本集團總部集中管理，包括借貸107,537,719,000港元(二零一九年：63,389,880,000港元)，是房地產開發板塊，商業物業投資板塊，物業管理板塊和基礎設施板塊的主要資金來源；保證金貸款為9,163,844,000港元(二零一九年：無)，為投資分部的主要資金來源。

6 Right-of-Use Assets

Details of right-of-use assets are as follow:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Right-of-use assets	使用權資產		
Properties	物業	34,422	29,909
Land leases	土地租賃	1,593,511	1,604,136
Total right-of-use assets	總使用權資產	1,627,933	1,634,045

Land leases represent prepaid operating lease payments for hotel properties and buildings which are held for self-use, consisting primarily represent land use rights of between 10 and 50 years located in Mainland China.

During the year ended 31st December 2020, the Group recognised depreciation of right-of-use assets attributable to properties and land leases of HK\$5,473,000 (2019: HK\$26,386,000) and HK\$49,272,000 (2019: HK\$50,201,000), respectively, and finance costs on lease liabilities of HK\$34,474,000 (2019: HK\$13,475,000).

The total cash outflow for leases other than short-term lease and low-value lease in 2020 was HK\$67,973,000 (2019: HK\$40,034,000).

6 使用權資產

使用權資產明細如下：

土地租賃是指為自用而持有的酒店物業及建築物的預付經營租賃付款，主要是指位於中國大陸的10年至50年之間的土地使用權。

截二零二零年十二月三十一日止年度，本集團確認物業及土地租賃的使用權資產折舊分別為5,473,000港元(二零一九年：26,386,000港元)及49,272,000港元(二零一九年：50,201,000港元)，而租賃負債的融資成本為34,474,000港元(二零一九年：13,475,000港元)。

二零二零年除短期租賃和低價值租賃外的租賃的總現金流出為67,973,000港元(二零一九年：40,034,000港元)。

7 Properties and Equipment

7 物業及設備

		Construction- in-progress (Note (i))	Hotel properties	Buildings	Furniture and office equipment	Vehicles	Total
		在建工程 (註(i))	酒店物業	樓宇	傢俬及 辦公室 設備汽車	交通工具	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Year ended	截至二零二零年						
31st December 2020	十二月三十一日						
	止年度						
At 1st January 2020	於二零二零年 一月一日	269,683	2,339,880	1,700,714	135,732	530,871	4,976,880
Additions	新增	373,028	—	—	52,916	23,513	449,457
Depreciation	折舊	—	(109,588)	(25,947)	(43,826)	(62,426)	(241,787)
Disposal of a subsidiary (Note (ii))	出售一間子公司 (註(ii))	—	—	(1,125,685)	—	—	(1,125,685)
Disposals	出售	—	—	—	(14,068)	(1,512)	(15,580)
Exchange difference	匯兌差額	28,620	129,256	3,267	8,578	32,060	201,781
At 31st December 2020	於二零二零年 十二月三十一日	671,331	2,359,548	552,349	139,332	522,506	4,245,066
At 31st December 2020	於二零二零年						
	十二月三十一日						
Cost	成本	671,331	3,654,363	695,520	510,867	683,263	6,215,344
Less: Accumulated depreciation	減：累計折舊	—	(1,294,815)	(143,171)	(371,535)	(160,757)	(1,970,278)
Net book amount	賬面淨值	671,331	2,359,548	552,349	139,332	522,506	4,245,066

7 Properties and Equipment (Continued)

7 物業及設備(續)

		Construction- in-progress (Note (i))	Hotel properties	Buildings	Furniture and office equipment	Vehicles	Total
		在建工程 (註(i))	酒店物業	樓宇	傢俬及 辦公室 設備汽車	交通工具	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Year ended	截至二零一九年						
31st December 2019	十二月三十一日						
	止年度						
At 1st January 2019	於二零一九年 一月一日	252,338	2,426,668	1,777,736	99,537	15,173	4,571,452
Additions	新增	23,098	75,380	1,281	65,441	558,599	723,799
Depreciation	折舊	—	(99,960)	(38,529)	(21,867)	(36,100)	(196,456)
Disposals	出售	—	—	—	(1,331)	(89)	(1,420)
Exchange difference	匯兌差額	(5,753)	(62,208)	(39,774)	(6,048)	(6,712)	(120,495)
At 31st December 2019	於二零一九年 十二月三十一日	269,683	2,339,880	1,700,714	135,732	530,871	4,976,880
At 31st December	於二零一九年						
2019	十二月三十一日						
Cost	成本	269,683	3,450,145	1,857,207	512,077	625,357	6,714,469
Less: Accumulated depreciation	減：累計折舊	—	(1,110,265)	(156,493)	(376,345)	(94,486)	(1,737,589)
Net book amount	賬面淨值	269,683	2,339,880	1,700,714	135,732	530,871	4,976,880

Notes:

- (i) Construction-in-progress mainly represents buildings and hotel properties, which are intended to be held for the long-term.
- (ii) During the year, the Group acquired a subsidiary holding a building at a consideration of HK\$980,007,000. This subsidiary was considered as a non-current asset held for sale as it was acquired with a view of resale within a short period of time. During the year, the Group had another subsidiary holding a building located in the same building with a net book amount of HK\$1,125,685,000. In December 2020, the Group disposed of both of these subsidiaries to a company for a consideration of HK\$642,377,000, representing net book amounts of the buildings net of borrowings.

註：

- (i) 在建工程主要指打算長期持有之樓宇及酒店物業。
- (ii) 年內，本集團以980,007,000港元的對價收購了一家子公司，該子公司持有樓宇。該子公司被視為持有待售的非流動資產，因為它是在短時間內被收購後而被轉售的。年內，本集團有另一間子公司在同一棟建築物內擁有樓宇其賬面淨值為1,125,685,000港元。於二零二零年十二月，本集團將這兩家子公司出售予一家公司，代價為642,377,000港元，即樓宇的賬面淨額減去借款。

8 Investment Properties

8 投資物業

		Completed properties 已落成物業 HK\$'000 千港元	Properties under development 發展中物業 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1st January 2020	於二零二零年一月一日	52,252,784	4,708,745	56,961,529
Additions (including capitalisation of interest)	新增(包括資本化利息)	586,956	—	586,956
Transfer from investment properties under development to completed investment properties	自發展中投資物業轉撥至已落成投資物業	4,264,773	(4,264,773)	—
Fair value gain on investment properties	投資物業公平值收益	763,689	—	763,689
Exchange difference	匯兌差額	3,528,595	(443,972)	3,084,623
At 31st December 2020	於二零二零年十二月三十一日	61,396,797	—	61,396,797
At 1st January 2019	於二零一九年一月一日	37,522,208	9,334,627	46,856,835
Additions (including capitalisation of interest)	新增(包括資本化利息)	911,902	917,415	1,829,317
Transfer from properties under development	自發展中物業轉撥	1,246,768	—	1,246,768
Transfer from investment properties under development to completed investment properties	自發展中投資物業轉撥至已落成投資物業	5,419,926	(5,419,926)	—
Fair value gain on investment properties	投資物業公平值收益	8,143,975	31,806	8,175,781
Exchange difference	匯兌差額	(991,995)	(155,177)	(1,147,172)
At 31st December 2019	於二零一九年十二月三十一日	52,252,784	4,708,745	56,961,529

Valuation processes

The Group's investment properties were valued at 31st December 2020 by DTZ Debenham Tie Leung Limited, independent qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. As at 31st December 2020, all of the Groups investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and discuss with the valuers regarding the valuation processes and results. The finance department also verifies all major inputs to the independent valuation reports and assessed property valuation movements when compared to prior year valuation reports.

估值流程

本集團的投資物業於二零二零年十二月三十一日經獨立合資格估值師戴德梁行有限公司估值，該估值公司持有相關認可專業資格，並對所估值的投資物業的地點和領域擁有近期經驗。於二零二零年十二月三十一日，因為投資物業的估值參考若干重大不可觀察數據得出，本集團所有投資物業均屬於公平值層級第3級。

本集團財務部門就財務報告目的審閱由獨立估值師進行的估值，並與該等估值師就估值流程及結果進行討論。財務部門亦核證獨立估值報告之全部主要輸入數據，並於與往年估值報告作比較時評估物業估值變動。

8 Investment Properties (Continued)

Valuation techniques

Fair values of completed investment properties are generally derived using the income capitalisation method and direct comparison approach. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and other comparable properties. Direct comparison approach (applicable to the year ended 31st December 2019) is based on comparing the properties to be valued directly with other comparable properties which recently changed hands or leased. These premises are generally located in the surrounding areas or in another market, which is comparable to the properties.

Fair values of investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming the properties were completed as at the date of valuation. The estimated capital value of the proposed development is derived using the income capitalisation method as mentioned above.

There were no changes to the valuation techniques during the year.

8 投資物業(續)

估值方法

已落成投資物業的公平值一般以收入資本化法及直接比較法得出。收入資本化法乃基於通過採用適當的資本化比率，將收入淨額及收入變化潛力予以資本化，而資本化比率乃通過對銷售交易及估值師分析當時投資者的要求或期望而得出。在估值中採用的現行市值租金乃根據該等物業及其他可比較物業的近期租務情況釐定。直接比較法(適用於截至二零一九年十二月三十一日止年度)是基於將要直接估價的資產與其他最近轉手或出租的可比資產進行比較。此等物業通常位於周邊地區或與物業相約的另一個市場。

發展中投資物業的公平值一般以剩餘法得出。此估值方法主要為以參考土地的發展潛力而對其進行估值的方法，方式為從擬發展項目(假設物業已於估值日落成)的估計資本值中扣除發展成本以及發展商的利潤及風險。擬發展項目的估計資本價值透過使用上述收入資本化方法計算。

估值方法於年內概無改變。

8 Investment Properties (Continued)

8 投資物業(續)

Significant unobservable inputs used to determine fair value

釐定公平值所用的重要不可觀察數據

Description 概況	Fair value 公平值		Valuation technique 估值方法	Unobservable inputs 不可觀察數據	Range of unobservable inputs 不可觀察數據範圍	Relationship of unobservable inputs to fair value 不可觀察數據與 公平值的關係
	31st December 2020 二零二零年 十二月三十一日 HK\$'000 千港元	31st December 2019 二零一九年 十二月三十一日 HK\$'000 千港元				
Office units (completed) 辦公室單位(已落成)	26,927,190	20,175,877	Income capitalisation and direct comparison 收入資本化及 直接比較	Prevailing market rents 現行市場租金	RMB37-301/sq.m./month (2019: RMB 40-300/sq.m./ month) 每月每平方米人民幣37元至 301元 (二零一九年: 每月每平方米 人民幣40元至300元)	The higher the prevailing market rents, the higher the fair value. 現行市場租金越高, 公平值 越高。
				Capitalisation rate 資本化比率	4.0%-7.0% p.a. (2019: 4.0%-7.0% p.a) 每年4.0%-7.0% (二零一九年: 每年4.0%至 7.0%)	The higher the capitalisation rate, the lower the fair value. 資本化比率越高, 公平值越 低。
				Unit price 單位價格	N/A (2019: RMB18,000/sq.m.) 不適用 (二零一九年: 每平方米 人民幣18,000元)	The higher the unit price, the higher the fair value. 單位價格越高, 公平值越高。
Shopping malls (completed) 購物商場(已落成)	34,469,607	32,076,907	Income capitalisation and direct comparison 收入資本化及 直接比較	Prevailing market rents 現行市場租金	RMB82-737/sq.m./month (2019: RMB45-715/sq.m./ month) 每月每平方米人民幣82元至 737元 (二零一九年: 每月每平方米 人民幣45元至715元)	The higher the prevailing market rents, the higher the fair value. 現行市場租金越高, 公平值 越高。
				Capitalisation rate 資本化比率	5.0%-7.0% p.a. (2019: 5.0%-7.0% p.a.) 每年5.0%-7.0% (二零一九年: 每年5.0%至 7.0%)	The higher the capitalisation rate, the lower the fair value. 資本化比率越高, 公平值越 低。
				Unit price 單位價格	N/A (2019: RMB14,000-23,500/ sq.m.) 不適用 (二零一九年: 每平方米人民 幣14,000元至23,500元)	The higher the unit price, the higher the fair value. 單位價格越高, 公平值越高。

8 Investment Properties (Continued)

8 投資物業(續)

Significant unobservable inputs used to determine fair value (Continued)

釐定公平值所用的重要不可觀察數據(續)

Description 概況	Fair value 公平值		Valuation technique 估值方法	Unobservable inputs 不可觀察數據	Range of unobservable inputs 不可觀察數據範圍	Relationship of unobservable inputs to fair value 不可觀察數據與 公平值的關係
	31st December 2020 二零二零年 十二月三十一日 HK\$'000 千港元	31st December 2019 二零一九年 十二月三十一日 HK\$'000 千港元				
Office units (under development) 辦公室單位(發展中)	—	4,019,751	Residual 剩餘	Prevailing market rents 現行市場租金	N/A (2019: RMB100–110/sq.m./ month) 不適用 (二零一九年：每月每平方米 人民幣100元至110元)	The higher the prevailing market rents, the higher the fair value. 現行市場租金越高，公平值 越高。
				Capitalisation rate 資本化比率	N/A (2019: 6.5% p.a.) 不適用 (二零一九年：每年6.5%)	The higher the capitalisation rate, the lower the fair value. 資本化比率越高，公平值越 低。
				Estimated costs to completion 估計完工成本	N/A (2019: RMB3,700–3,800/sq.m.) 不適用 (二零一九年：每平方米人民 幣3,700元至3,800元)	The higher the estimated costs to completion, the lower the fair value. 估計完工成本越高，公平值 越低。
				Estimated developer's profit and risk margins (depending on the progress of development) 發展商的估計利潤率 及風險率(視乎發 展進度而定)	N/A (2019: 0%–10%) 不適用 (二零一九年：0%至10%)	The higher the estimated developer's profit and risk margins, the lower the fair value. 發展商的估計利潤率及風險 率越高，公平值越低。
Shopping malls (under development) 購物商場(發展中)	—	688,994	Residual 剩餘	Prevailing market rents 現行市場租金	N/A (2019: RMB80–140/sq.m./ month) 不適用 (二零一九年：每月每平方米 人民幣80元至140元)	The higher the prevailing market rents, the higher the fair value. 現行市場租金越高，公平值 越高。
				Capitalisation rate 資本化比率	N/A (2019: 7.0% p.a.) 不適用 (二零一九年：每年7.0%)	The higher the capitalisation rate, the lower the fair value. 資本化比率越高，公平值越 低。
				Estimated costs to completion 估計完工成本	N/A (2019: RMB3,700–3,800/sq.m.) 不適用 (二零一九年：每平方米人民 幣3,700元至3,800元)	The higher the estimated costs to completion, the lower the fair value. 估計完工成本越高，公平值 越低。
				Estimated developer's profit and risk margins (depending on the progress of development) 發展商的估計利潤率 及風險率(視乎發 展進度而定)	N/A (2019: 0%–10%) 不適用(二零一九年：0%至 10%)	The higher the estimated developer's profit and risk margins, the lower the fair value. 發展商的估計利潤率及風險 率越高，公平值越低。
	61,396,797	56,961,529				

9 Properties Under Development for Sale

9 可供出售之發展中物業

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Expected to be completed and available for sale within twelve months	預期將於十二個月內竣工及可供出售	3,857,985	5,333,567
Expected to be completed and available for sale after more than twelve months	預期將於超過十二個月後竣工及可供出	65,301,650	51,713,492
		69,159,635	57,047,059

10 Intangible assets

10 無形資產

		Goodwill 商譽 HK\$'000 千港元	Software 軟件 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Year ended 31st December 2020	截至二零二零年十二月三十一日止年度			
At 1st January 2020	於二零二零年一月一日	34,534	—	34,534
Additions	新增	—	370,729	370,729
Amortisation	攤銷	—	(28,145)	(28,145)
Impairment	減值	(4,726)	—	(4,726)
Exchange difference	匯兌差額	1,806	15,379	17,185
At 31st December 2020	於二零二零年十二月三十一日	31,614	357,963	389,577
At 31st December 2020	於二零二零年十二月三十一日			
Cost	成本	69,081	387,013	456,094
Less: Accumulated amortisation	減：累計攤銷	—	(29,050)	(29,050)
Less: Accumulated impairment	減：累計減值	(37,467)	—	(37,467)
Net book amount	賬面淨值	31,614	357,963	389,577
Year ended 31st December 2019	截至二零一九年十二月三十一日止年度			
At 1st January 2019	於二零一九年一月一日	35,249	—	35,249
Additions	新增	57	—	57
Impairment	減值	(2)	—	(2)
Exchange difference	匯兌差額	(770)	—	(770)
At 31st December 2019	於二零一九年十二月三十一日	34,534	—	34,534
At 31st December 2019	於二零一九年十二月三十一日			
Cost	成本	64,906	—	64,906
Less: Accumulated impairment	減：累計減值	(30,372)	—	(30,372)
Net book amount	賬面淨值	34,534	—	34,534

11 Investments in Associates

11 於聯營公司之投資

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Share of net assets	分佔淨資產	114,847	364,855
		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Share of profit/(loss) and total comprehensive income/(loss) for the year	分佔年度溢利/(虧損)及 全面收入/(虧損)總額	903	(4,562)

Details of the associates, which are unlisted, as at 31st December 2020 are set out in Note 47. Details of capital commitment relating to the Group's interests in associates are set out in Note 42(a).

於二零二零年十二月三十一日之聯營公司(其並無上市)詳情載於附註47。有關本集團於聯營公司權益的資本承擔之詳情載列於附註42(a)。

12 Investments in Joint Ventures

12 於合營公司之投資

		Share of net assets	Advances (Note (i))	Total
		分佔淨資產	墊款 (註(i))	總計
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
At 1st January 2020	於二零二零年一月一日	4,952,576	106,991	5,059,567
Additions (Note (i))	新增(註(i))	680,614	5,206,420	5,887,034
Share of profits	分佔業績	37,320	—	37,320
Dividend paid	已付股息	(15,319)	—	(15,319)
Disposal	出售	(4,029)	—	(4,029)
Exchange difference	匯兌差額	341,055	174,338	515,393
At 31st December 2020	於二零二零年十二月三十一日	5,992,217	5,487,749	11,479,966
At 1st January 2019	於二零一九年一月一日	6,784,509	729,553	7,514,062
Additions	新增	468,825	—	468,825
Share of post-acquisition results	分佔收購後業績	119,113	—	119,113
Disposal	出售	(28,951)	—	(28,951)
Transfer to assets held for sale (Note 21)	轉撥至持作出售資產 (附註21)	(2,254,374)	(620,172)	(2,874,546)
Exchange difference	匯兌差額	(136,546)	(2,390)	(138,936)
At 31st December 2019	於二零一九年十二月三十一日	4,952,576	106,991	5,059,567

The amount includes HK\$4,663,977,000 investment in Guangzhou Diyi Dyeing Factory Company Limited ("GDDFCL"). The investment in the remaining joint ventures are not individually significant.

該金額包括廣州第一染織廠有限公司(「廣州第一染織廠」)4,663,977,000港元的投資。餘下合營公司的投資就個別而言並不重大。

Note:

註:

(i) As at 31st December 2020, advances to joint ventures of HK\$5,487,749,000 (2019: HK\$106,991,000) represent shareholders' loans to joint ventures, which are denominated in RMB, non-interest bearing and not repayable within the next twelve months.

(i) 於二零二零年十二月三十一日，合營企業墊款5,487,749,000港元(二零一九年：106,991,000港元)代表股東向合營企業的貸款，以人民幣計值，不計息，且在未來十二個月內不用償還。

Set out below is the summarised financial information for GDDFCL, which in the opinion of the Directors, is material joint ventures of the Group. The Group holds 65% of the issued share capital of GDDFCL, which owns a piece of land for property development in Haizhu District, Guangzhou, Guangdong Province, Mainland China.

下文載列董事認為對本集團屬重要的合營公司廣州第一染織廠的財務資料概要。本集團持有廣州第一染織廠已發行股本的65%，而廣州第一染織廠於中國大陸廣東省廣州海珠區擁有一幅土地作物業發展之用。

12 Investments in Joint Ventures (Continued)

12 於合營公司之投資(續)

Summarised balance sheets

資產負債表概要

		GDDFCL 廣州第一染織廠	
		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Assets	資產		
Non-current assets	非流動資產	832,726	2,065,363
Current assets	流動資產	6,277,457	4,561,733
Total assets	資產總值	7,110,183	6,627,096
Liabilities	負債		
Current liabilities	流動負債	(7,288)	(24,633)
Total liabilities	負債總額	(7,288)	(24,633)
Net assets	淨資產	7,102,895	6,602,463

12 Investments in Joint Ventures (Continued)

Reconciliations of the summarised financial information presented to the carrying amounts of the investments in the joint venture are as follows:

12 於合營公司之投資(續)

所呈列的財務資料概要與其於合營公司的投資賬面值之對賬如下：

		GDDFCL 廣州第一染織廠	
		2020	2019
		二零二零年	二零一九年
		HK\$'000	HK\$'000
		千港元	千港元
Net assets at 1st January	於一月一日之淨資產	6,602,463	6,684,114
Profit for the year	年度溢利	52,517	65,162
Dividend	股息	(23,568)	—
Exchange difference	匯兌差額	471,483	(146,813)
Net assets at 31st December	於十二月三十一日之淨資產	7,102,895	6,602,463
		65%	65%
Shared by the Group	本集團分佔	4,616,882	4,291,601
Other costs	其他成本	47,094	72,240
Interests in joint ventures	於合營公司之投資	4,663,976	4,363,841

12 Investments in Joint Ventures (Continued)

12 於合營公司之投資(續)

Summarised statements of comprehensive income

全面收益表概要

		GDDFCL 廣州第一染織廠	
		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Profit before taxation	除稅前溢利	70,245	87,150
Taxation	稅項	(17,728)	(21,988)
Profit for the year and total comprehensive income for the year	年度溢利及年度全面收入總額	52,517	65,162
Share by the Group of profit for the year and total comprehensive income for the year	集團應佔年度溢利及年度全面收入總額	34,136	42,356
Dividend received from a joint venture	已收一間合營公司股息	15,319	—

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture.

上述資料反映呈列於合營公司之財務報表的金額，並已就本集團及該合營公司的會計政策的差異作出調整。

The Group's share of results of the remaining immaterial joint ventures for the year ended 31st December 2019 and 2020 is as follows:

本集團於截至二零一九年及二零二零年十二月三十一日止年度分佔仍然不重大的合營公司業績如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Share of profit for the year and total comprehensive income for the year	分佔年度溢利及年度全面收入總額	3,184	76,757

Details of the principal joint ventures as at 31st December 2020 are set out in Note 48.

於二零二零年十二月三十一日之主要合營公司詳情載於附註48。

13 Finance Lease Receivables

The Group provides financial leasing services on motor vehicles in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to five years with interest rate ranging from 6% to 10% (2019: 6% to 10%) per annum.

13 融資租賃應收款項

本集團於中國提供汽車融資租賃服務。該等租賃已分類為融資租賃，而餘租期由一年至五年不等，年息為6%至10%（二零一九年：6%至10%）不等。

		Present value of minimum lease payments			
		Minimum lease payments 最低應付租金		Present value of minimum lease payments 最低應付租金現值	
		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元	2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Finance lease receivables comprise: In the second to fifth year, inclusive	融資租賃應收款項 包括： 第二年至第五年 (包括首尾兩年)	295,360	409,965	248,298	344,656
Less: unearned finance income	減：未賺取財務收入	(47,062)	(65,309)		
Total net finance lease receivables	融資租賃應收款項 淨總額	248,298	344,656		

The Group's finance lease receivables are denominated in RMB.

本集團之融資租賃應收款項以人民幣計值。

14 Financial Assets at Fair Value Through Other Comprehensive Income

14 按公平值透過其他全面收入列賬之財務資產

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
At 1st January	於一月一日	3,337,773	3,144,258
Additions	新增	1,968,845	774,245
Fair value gain/(loss) recognised in other comprehensive income	於其他全面收入/(虧損)中 確認之公平值收益	588,374	(539,540)
Exchange difference	匯兌差額	248,210	(41,190)
At 31st December	於十二月三十一日	6,143,202	3,337,773
Listed securities:	上市證券：		
– Equity securities, Hong Kong	– 股本證券，香港	725,092	714,224
Unlisted securities:	非上市證券：		
– Equity securities, Mainland China	– 股本證券，中國大陸	5,418,110	2,623,549
		6,143,202	3,337,773

The Group classifies equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise as financial assets at fair value through other comprehensive income in this category. These are strategic investments and the Group considers this classification to be more relevant.

As at 31st December 2020, financial assets at fair value through other comprehensive income mainly include 3.57% and 4.32% equity interests in two unlisted financial institutions in Mainland China of HK\$3,280,048,000, 2.74% equity interests in a financial institution listed in Hong Kong of HK\$725,092,000 and 2.96% of equity interest in a technology solutions and services company incorporated in Cayman Islands and operating in Mainland China of HK\$1,861,000,000.

本集團將非持作買賣的股本證券分類，並在初始確認時以不可撤銷的方式選擇確認為按公平值透過其他全面收入列賬之財務資產。該等股本證券為戰略投資，本集團認為此種分類更為相關。

於二零二零年十二月三十一日，按公平值透過其他全面收入列賬之財務資產主要包括於兩間中國大陸未上市財務機構之3.57%及4.32%股本權益，價值3,280,048,000港元、於一間香港上市財務機構之2.74%股本權益，價值725,092,000港元，及於一間在開曼群島註冊成立並於中國大陸經營的技術解決方案及服務公司之2.96%股本權益，價值1,861,000,000港元。

14 Financial Assets at Fair Value Through Other
Comprehensive Income (Continued)

In 2020, the Group entered into subscription agreements with a technology solutions and services company incorporated in Cayman Islands and operating in Mainland China (the "Target") to acquire its new shares at the total consideration price of US\$600,000,000, which represents approximately 7.40% of the enlarged issued capital. As at 31st December 2020, the Group has completed the acquisition of 2.96% equity interest in the Target at a consideration of US\$240,000,000 (equivalent to HK\$1,861,000,000) and paid deposits of US\$60,000,000 (equivalent to HK\$465,000,000), which is included in prepayments, deposits and other non-current assets and the completion of the remaining equity interest in the Target is expected to be completed in 2021. As at 31st December 2020, the capital commitment of the remaining interest is US\$300,000,000 (equivalent to HK\$2,326,000,000) (Note 42(a)).

On 11th December 2020, the Group entered into a transaction to dispose of 3.64% equity interest in an unlisted financial institution in Mainland China (with book carrying amount of HK\$1,895,846,000 as at 31st December 2020) at a consideration of RMB2,156,000,000 (equivalent to approximately HK\$2,562,000,000). As at 31st December 2020, the Group has received the entire disposal proceeds of RMB2,156,000,000 (equivalent to approximately HK\$2,562,000,000) as deposit (see Note 23(b)). The completion of the transaction is subject to approvals by certain regulators in Mainland China, and the Group cannot reasonably estimate the expected completion date.

As at 31st December 2020, none of the equity securities in any individual investee company held by the Group equalled or exceeded 5% of the Group's total assets.

14 按公平值透過其他全面收入列
賬之財務資產(續)

在二零二零年，本集團與一間於開曼群島註冊成立並於中國大陸經營的技術解決方案及服務公司(「目標公司」)訂立認購協議，以總代價600,000,000美元認購其新股，佔其經擴大已發行資本約7.40%。於二零二零年十二月三十一日，本集團已收購目標公司2.96%股本權益，代價為240,000,000美元(相當於1,861,000,000港元)，支付定金60,000,000美元(相當於465,000,000港元)。該定金計入預付款項、按金及其他非流動資產，預期於二零二一年完成收購目標公司餘下的股本權益。於二零二零年十二月三十一日，目標公司餘下股本權益的資本承擔為300,000,000美元(相當於2,326,000,000港元)(附註42(a))。

於二零二零年十二月十一日，本集團進行一項交易，以代價人民幣2,156,000,000元(相當於2,562,000,000港元)出售在中國大陸一家非上市金融機構的3.64%股權(於二零二零年十二月三十一日的賬面值為1,895,846,000港元)。於二零二零年十二月三十一日，本集團已收取全部出售所得款項人民幣2,156,000,000元(約等於2,562,000,000港元)作為按金(見附註23(b))。交易的完成尚待中國內地某些監管機構的批准，而本集團無法合理估計預期的完成日期。

於二零二零年十二月三十一日，本集團持有的任何一家個體投資公司的股權證券均不等於或超過本集團總資產的5%。

15 Financial Assets at Fair Value Through Profit or Loss

The Group classifies the following financial assets at fair value through profit or loss:

- short-term equity investments;
- structured investment products (including equity linked notes relating to Hong Kong listed shares);
- debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income; and
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

15 按公平值透過損益列賬之財務資產

本集團將下列財務資產按公平值透過損益列賬：

- 短期股本投資；
- 結構投資產品(包括香港上市股份權益掛鈎票據)；
- 不符合以按攤銷成本列賬或按公平值透過其他全面收入列賬計量之債務投資；及
- 實體並未選擇確認公平值收益及虧損計入其他全面收入之股權投資。

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Listed securities:	上市證券：		
— Equity securities, Hong Kong, at quoted market value	— 股本證券，香港，按所報市值	13,572,255	675,167
— Equity securities, Mainland China at quoted market value	— 股本證券，中國大陸，按所報市值	79,783	17,084
— Equity securities, overseas, at quoted market value	— 股本證券，海外，按所報市值	5,138,635	—
Unlisted securities:	非上市證券：		
— Structured investment products, Hong Kong	— 結構性投資產品，香港	2,806,182	—
— Equity securities, Hong Kong	— 股本證券，香港	390,692	40,000
— Equity securities, Mainland China	— 股本證券，中國大陸	33,150	5,917
— Debt securities, Mainland China	— 債權投資，中國大陸	—	50,235
		22,020,697	788,403

As at 31 December 2020, none of the equity or debt securities in any individual investee company held by the Group equalled or exceed 5% of the Group's total asset.

於二零二零年十二月三十一日，本集團持有的任何一家個體投資公司的股本或債權投資均不等於或超過集團總資產的5%。

15 Financial Assets at Fair Value Through Profit or Loss (Continued)

As a result of change in reportable operating segment during the year, for the year ended 31st December 2020, changes in fair values, gain or loss on disposals, dividend income and interest income of financial assets at fair value through profit or loss are presented in revenue in the consolidated income statement (Note 5). For the year ended 31st December 2019, changes in fair values, gain or loss on disposals, dividend income and interest income of financial assets at fair value through profit or loss were recognised in other gains, net, in the consolidated income statement (Note 32).

15 按公平值透過損益列賬之財務資產(續)

由於可呈報營運分部的年內變動，截至二零二零年十二月三十一止年度，按公平值透過損益列賬之財務資產的公平值變動、出售損益、股息收入及利息收入於綜合收入表呈列於收入(附註5)。截至二零一九年十二月三十一止年度，按公平值透過損益列賬之財務資產的公平值變動、出售損益、股息收入及利息收入於綜合收入表確認為其他收益，淨額(附註32)。

16 Loan Receivables

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Non-current	非流動部分	321,591	170,801
Current	流動部分	2,657,587	2,520,879
		2,979,178	2,691,680

16 應收貸款

- (i) The balance includes an amount of approximately HK\$1,300,067,000 (2019: HK\$1,221,492,000) which bears interest at 13.2% to 14.4% per annum and is repayable on demand. The loan is secured by various parcels of land and properties in Huizhou, Guangdong Province, Mainland China.
- (ii) The balance includes an amount of approximately HK\$512,481,000 (2019: HK\$473,615,000), which represents a loan to a subsidiary of a non-controlling interest of a subsidiary of the Group. The loan bears interest at 4.9% per annum; HK\$180,682,000 (2019: HK\$311,745,000) is repayable on demand and HK\$331,799,000 (2019: HK\$161,870,000) is repayable within 12 months.

- (i) 結餘包括約1,300,067,000港元(二零一九年: 1,221,492,000港元)的款項，有關款項按年利率13.2厘至14.4厘計息，應要求償還。貸款以位於中國大陸廣東省惠州多幅土地及物業作抵押。
- (ii) 結餘包括約512,481,000港元(二零一九年: 473,615,000港元)的款項，指向本集團非控制權益一間子公司提供的貸款。有關款項按年利率4.9厘計息，180,682,000港元(二零一九年: 311,745,000港元)應要求償還，而331,799,000港元(二零一九年: 161,870,000港元)於12個月內償還。

16 Loan Receivables (Continued)

- (iii) The balance includes an amount of approximately HK\$37,947,000 (2019: HK\$497,486,000), which is unsecured, bears interest at 5.2% to 12% per annum and will mature in 1 to 3 years from the date of provision of the loans.
- (iv) The balance represents a loan to a non-controlling interest of a subsidiary of the Group amount of approximately HK\$297,039,000 (2019: HK\$279,086,000). The loan bears interest at 12.0% per annum, repayable upon sale of properties by the subsidiary, and is secured by various properties in Hebei Province, Mainland China, and 10% equity interest in the subsidiary.
- (v) The balance includes an amount of approximately HK\$743,644,000 (2019: Nil), which is unsecured, bears interest at 10% per annum and will mature in 1 to 3 years from the date of provision of the loans.

All balances are denominated in Renminbi, except for an amount of HK\$831,644,000, which is dominated in Hong Kong dollars (2019: HK\$220,000,000).

Gross loan receivables are accounted HK\$3,470,719,000, of which the impairment is amounted to HK\$491,541,000.

Note 3.1(b) provides for details about the impairment of loan receivables and the Group's exposure to credit risk.

16 應收貸款(續)

- (iii) 結餘包括約37,947,000港元(二零一九年: 497,486,000港元)的款項, 有關款項並無抵押、按年利率5.2厘至12厘計息, 並將於提供貸款當日起計一至三年到期。
- (iv) 結餘包括向本集團一間子公司非控制權益提供約297,039,000港元(二零一九年: 279,086,000港元)的貸款。貸款按年利率12厘計息、於子公司出售物業時償還, 並以位於中國大陸河北省多間物業以及於子公司的10%權益作抵押。
- (v) 結餘包括約743,644,000港元(二零一九年: 無)的款項, 有關款項並無抵押、按年利率10厘計息, 並將於提供貸款當日起計一至三年到期。

除831,644,000港元(二零一九年: 220,000,000港元)之款項以港元計值外, 全部結餘均以人民幣計值。

應收貸款總值為3,470,719,000港元, 其中減值為491,541,000港元。

附註3.1(b)載列有關應收貸款減值以及本集團面臨的信貨風險的詳細信息。

Notes to the Consolidated
Financial Statements (Continued) 綜合財務報表附註(續)

17 Prepayments for Acquisition of Land,
Prepayments for Construction Work and
Prepayments, Deposits and Other Current
Assets

17 收購土地預付款項、建築工程
之預付款項及預付款項、按金
及其他資產

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Non-current	非流動		
Prepayments for acquisition of land	收購土地預付款項	126,397	118,758
Prepayments for construction work	建築工程之預付款項	—	244,107
Deposits for acquisition of equity interest (Note (iii))	收購股本權益之按金(註(iii))	1,170,643	—
Current	流動		
Prepayments for acquisition of land (Note (i))	收購土地預付款項(註(i))	30,105,213	10,767,194
Other receivables (Note (ii))	其他應收款項(註(ii))	1,593,014	2,136,017
Deposits for acquisition of equity interest (Note (iii))	收購股本權益之按金(註(iii))	1,577,573	823,076
Guarantee deposits	擔保按金	70,101	65,864
Prepayments for construction renovation work	建設裝修工程之預付款項	390,806	347,721
Land tender deposits	土地投標按金	—	2,355
Prepaid taxes	預付銷售稅	682,338	938,973
Construction, utilities and other deposits	建設、公用設施及其他按金	1,791,543	1,987,088
Dividend and interest receivables	股息及應收利息	699,864	600,553
Consideration receivables (Note 32)	應收代價(附註32)	668,948	—
Others	其他	1,549,341	1,158,804
Prepayments, deposits and other current assets	預付款項、按金及其他流動資產	9,023,528	8,060,451

Notes:

- (i) Prepayments for acquisition of land for owner-occupied properties are classified as non-current, Whereas the prepayments for acquisition of land for development for sale are classified as current.

Prepayments for acquisition of land represent advances made for the acquisitions of land use rights in Beijing, Shanghai, Guangzhou and Tianjin, Mainland China. Formal land use right certificates have not yet been obtained as at 31st December 2020.

The balance includes an amount of approximately HK\$20,384,521,000 (2019: HK\$403,798,000) for the land situated in Yangpu District, Shanghai, China. The Group has commenced the demolition and relocation work of this project at the request of the local government in 2020.

The balance includes an amount of approximately HK\$4,455,587,000 (2019: HK\$4,186,297,000) for the land situated in Chaoyang District, Beijing, Mainland China in connection with the Group's acquisition of 80% equity interest in Believe Best Investments Limited, which, through its wholly owned subsidiary, possesses the right to develop the Jing Run Project on the land (Note 43(f)).

The balance also includes an amount of approximately HK\$4,041,227,000 (2019: HK\$3,796,979,000) for the land situated in Panyu District, Guangdong, Mainland China in connection with the Group's acquisition of 100% equity interest in Panyu Zhujiang Real Estate Limited, which possesses the right to develop the land (see also Note 43(e)).

註:

- (i) 為自用物業收購土地預付款項分類為非流動，而用作開發以銷售的收購土地預付款項則分類為流動。

收購土地之預付款項指就於中國大陸北京、上海、廣州及天津收購土地使用權而作出之墊款。於二零二零年十二月三十一日，尚未取得正式土地使用權證。

結餘包括位於中國上海市楊浦區之地塊約20,384,521,000港元(2019年: 403,798,000港元)。應當地政府的要求，本集團已於二零二零年開始該項目的拆遷工作。

結餘包括位於中國大陸北京朝陽區之地塊約4,455,587,000港元(二零一九年: 4,186,297,000港元)，該地塊乃與本集團收購信佳投資有限公司之80%權益有關，而該公司透過其全資子公司持有發展京潤項目地塊之權利(附註43(f))。

結餘款項亦包括位於中國大陸廣東番禺區之地塊約4,041,227,000港元(二零一九年: 3,796,979,000港元)，該地塊乃與本集團收購番禺珠江房地產有限公司之100%權益有關，而該公司擁有發展該土地之開發權(亦請參閱附註43(e))。

17 Prepayments for Acquisition of Land, Prepayments for Construction Work and Prepayments, Deposits and Other Current Assets (Continued)

Notes: (Continued)

- (ii) Other receivables relate to the Group's participation in land development projects in Beijing and Huizhou, Guangdong Province, Mainland China with returns based on a pre-determined percentage of funds invested by the Group. Other receivables are denominated in RMB. Their carrying amounts approximate fair values.
- (iii) The non-current deposit represents deposits made to independent third party of US\$60,000,000 (equivalent to HK\$465,000,000) (2019: Nil) (Note 14) and a related party of US\$91,000,000 (equivalent to HK\$705,250,000) (2019: Nil) (Note 43(i)). The current portion represents deposits made to independent third parties of HK\$1,094,178,000 (2019: HK\$823,076,000) for the acquisition of equity interests in entities whose principal activities are property holding and development. The acquisitions are not yet completed as at 31st December 2020.

17 收購土地預付款項、建築工程之預付款項及預付款項、按金及其他資產(續)

註：(續)

- (ii) 其他應收款項與本集團參與中國大陸北京及廣東省惠州有回報(根據本集團所投入資金預先釐訂百分比計算)之土地開發項目有關。其他應收款項以人民幣計值，賬面值與公平值相若。
- (iii) 非流動股權收購按金指向獨立第三方作出的60,000,000美元(相等於465,000,000港元)(2019年：無)(附註14)及關連人士的91,000,000美元(相等於705,250,000港元)(2019年：無)的預付款(附註43(i))。本期部分指為收購主要業務為物業持有和發展的實體的股權而向獨立第三方的預付按金1,094,178,000港元(2019年：823,076,000港元)。截至2020年12月31日，收購尚未完成。

18 Accounts Receivable

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Accounts receivable	應收賬款		
— Related parties	— 關連方	495,259	144,926
— Third parties	— 第三方	2,278,324	1,055,915
		2,773,583	1,200,841
Less: Loss allowance	減：虧損撥備	(150,712)	(142,760)
		2,622,871	1,058,081

Accounts receivable mainly arise from sales of properties, property management services and construction services. No credit terms were granted.

Accounts receivable relates to a number of independent customers and related parties, and are denominated in RMB. The carrying value of accounts receivable approximates their fair values.

The maximum exposure to credit risk is the carrying amount of accounts receivable mentioned above.

18 應收賬款

應收賬款主要從物業銷售、物業管理服務及建築服務產生。概無授予任何信貸條款。

應收賬款與多名獨立客戶及關聯公司有關並以人民幣計值。應收賬款之賬面值與其公平值相若。

本集團所面臨之最大信貸風險為上文所述應收賬款之賬面值。

18 Accounts Receivable (Continued)

The ageing analysis of accounts receivable (including amounts due from related companies of trading in nature) is as follows:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
0 to 3 months	0至3個月	1,627,659	655,018
3 to 6 months	3至6個月	201,238	44,725
6 to 9 months	6至9個月	156,542	48,604
9 to 12 months	9至12個月	92,963	71,912
Over 12 months	超過12個月	544,469	237,822
		2,622,871	1,058,081

As at 31 December 2020, accounts receivable of approximately HK\$495,259,000 (2019: HK\$144,926,000) were due from related companies in respective of property management services. Note 3.1(b) provides for details about the impairment of accounts receivable and the Group's exposure to credit risk.

此等應收賬款(包括應收關連公司屬於交易性質之賬款)之賬齡分析如下:

於二零二零年十二月三十一日，應收賬款約為495,259,000港元(二零一九年：144,926,000港元)，為就物業管理服務應收關連公司的款項。附註3.1(b)載列有關應收賬款減值和本集團面臨的信貸風險的詳細信息。

19 Contract Acquisition Costs

The Group has recognised an asset in relation to costs to secure property sales contracts.

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Assets recognised from costs incurred to secure contracts	因獲得合約所產生之成本而 確認之資產	1,639,200	982,860

Management expects the incremental costs, primarily sales commission, as a result of securing property sale contracts are recoverable. The Group has capitalised the amounts of sales commission and amortised when the related revenues are recognised. During the year ended 31st December 2020, the Group recognised amortisation of approximately HK\$232,584,000 (2019: HK\$250,400,000), which is included as selling and marketing expenses, and capitalised sales commission of HK\$825,700,000 (2019: HK\$770,006,000).

19 合約收購成本

本集團已確認獲得物業銷售合約有關成本之資產。

管理層預期因獲得物業銷售合約而產生之增量成本以及主要銷售佣金屬可收回。本集團已在相關收入獲確認時將款項予以資本化及攤銷。截至二零二零年十二月三十一日止年度，本集團已確認攤銷約232,584,000港元(二零一九年：250,400,000港元)，該攤銷金額已於一般及行政費用及資本化佣金總額825,700,000港元(二零一九年：770,006,000港元)。

20 Pledged/Charged Bank Deposits and Cash and Cash Equivalents

20 已抵押／押記銀行存款以及現金及現金等價物

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Cash at bank and on hand	銀行及手頭現金	29,650,092	14,101,988
Short-term bank deposits	短期銀行存款	—	50
		29,650,092	14,102,038
Less: pledged/charged bank deposits	減：已抵押／押記銀行存款	(1,741,508)	(1,466,913)
Cash and cash equivalents	現金及現金等價物	27,908,584	12,635,125

As at 31st December 2020, the Group's pledged/charged bank deposits mainly represented deposits charged by certain banks in relation to the Group's banking facilities and the mortgage facilities granted by the banks to buyers of the Group's properties, and deposits restricted by certain banks due to pending litigations.

As required by the State-Owned Land and Resource Bureau in Mainland China, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties to finance the construction of the related properties. Such bank deposits represent normal operating fund and are presented as part of cash and cash equivalents. As at 31st December 2020, cash and cash equivalents include pre-sale proceeds of HK\$7,390,000,000 (2019: HK\$5,035,947,000) placed in designated bank accounts.

Pledged/charged bank deposits and cash and cash equivalents are denominated in the following currencies:

於二零二零年十二月三十一日，本集團之已抵押／押記銀行存款主要代表已抵押予若干銀行，以便授出本集團銀行信貸、銀行向本集團物業買家授予按揭信貸額及由於未決訴訟的限制銀行結餘。

根據中國國土資源局規定，本集團若干物業發展公司須向指定銀行戶口存入物業預售所得的部分款項，作為興建相關物業的資金。有關銀行存款為一般營運資金，並作為現金及現金等價物之部分列賬。於二零二零年十二月三十一日，現金及現金等價物包括存於指定銀行戶口的預售所得款項7,390,000,000港元(二零一九年：5,035,947,000港元)。

已抵押／押記銀行存款以及現金及現金等價物乃以下列貨幣列值：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
RMB	人民幣	27,372,708	12,675,373
Hong Kong dollar	港元	955,372	374,741
US dollar	美元	1,321,961	1,051,878
Others	其他	51	46
		29,650,092	14,102,038

21 Asset Classified as Held for Sale

On 30th November 2018, the Group entered into a sales and purchase agreement to dispose its entire equity interests in a joint venture. Beijing Dongfangwenhua International Properties Company Limited (“BJDFWH”), with certain pre-sale conditions need to be fulfilled before the completion of the disposal. BJDFWH owned a piece of land for property development in Dongcheng District, Beijing, Mainland China. As at 31st December 2019, management was of the view that BJDFWH was available for immediate sale in the present condition, subject only to terms that are usual and customary for sales and it was highly probable that the disposal will be completed within the next twelve months. Accordingly, the BJDFWH was classified as assets classified as held for sale. See note 32 for the gain arising from the completion of disposal in February 2020.

21 分類為持作出售之資產

於二零一八年十一月三十日，本集團已訂立買賣協議以出售其於合營公司的全部股權。北京東方文華國際置業有限公司（「東方文華」）在完成處置前須滿足若干預售條件。東方文華在中國大陸北京市東城區擁有一塊用於房地產開發的土地。截至二零一九年十二月三十一日，管理層認為該投資可在當前條件下立即出售，僅受出售的慣常條款約束，且極有可能在未來十二個月內完成出售。因此，該投資被分類為分類為持作出售之資產。有關二零二零年二月二十九日出售所得收益，請參與附註32。

22 Lease Liabilities

22 租賃負債

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Current	流動	64,541	8,419
Non-current	非流動	649,999	676,246
		714,540	684,665

23 Accounts Payable, Accruals and Other Payables

23 應付賬款、應計款項及其他應付款項

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Accounts payable (Note (a))	應付賬款(註(a))		
— Related parties	— 關聯方	916,920	829,032
— Third parties	— 第三方	17,663,580	13,190,408
		18,580,500	14,019,440
Accruals and other payables (Note (b))	應計款項及其他應付款項 (註(b))		
— Deposit received and prepayment from customers, tenants and residents	— 收取客戶商戶及個人的押金及預付款	4,823,934	2,211,845
— Finance costs payable	— 應付財務成本	1,227,005	440,727
— Accruals for operating expenses	— 應付經營費用	1,804,250	1,337,524
— Tax payables	— 應付稅費	2,059,430	1,832,587
— Receipt in advance for disposal of a financial asset through other comprehensive income	— 出售計入其他綜合收益的金融資產預收款	2,562,806	—
— Others	— 其他	1,453,547	3,128,725
		13,930,972	8,951,408

Notes:

註:

(a) Ageing analysis of accounts payable (including amounts due to related companies of trading in nature) is as follows:

(a) 應付賬款之賬齡分析(包括應付予關連公司屬於交易性質之賬款)如下:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
0 to 3 months	0至3個月	4,190,958	3,034,732
3 to 6 months	3至6個月	4,128,806	1,692,416
6 to 9 months	6至9個月	1,931,843	2,974,763
9 to 12 months	9至12個月	1,081,952	835,278
Over 12 months	超過12個月	7,246,941	5,482,251
		18,580,500	14,019,440

As at 31st December 2020, accounts payable of approximately HK\$916,920,000 (2019: HK\$829,032,000) were due to related companies in respect of property construction (Note 43(b)).

於二零二零年十二月三十一日，應付賬款中約916,920,000港元(二零一九年：829,032,000港元)為就物業建築應付若干關連公司之賬款(附註43(b))。

Accounts payable are denominated in RMB. The carrying value of accounts payable approximates their fair values.

應付賬款以人民幣計值。應付賬款之賬面值與其公平值相若。

(b) The balance include deposits received from an independent third party relating to the disposal of equity interests in an unlisted financial institution in Mainland China of approximately HK\$2,562,806,000 (2019: Nil) (see Note 14).

(b) 結餘包括本集團出售中國大陸非上市金融機構的股本權益從獨立第三方收取的按金約2,562,806,000港元(二零一九年：無)(見附註14)。

24 Contract Liabilities

24 合約負債

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Contract liabilities	合約負債	25,940,333	19,505,008

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

本集團根據合約規定的開具賬單時間表收取客戶付款。銷售物業通常會在履約之前收到付款。

Revenue recognised during the year ended 31st December 2020 that was included in the contract liabilities balance at 31st December 2019 is HK\$8,850,000,000.

截至二零二零年十二月三十一日止年度，於二零一九年十二月三十一日計入合約負債結餘的確認收益為8,850,000,000港元。

The following table shows the contract amount with an original expected duration of one year or more:

下表載列預期期限原為一年或以上的合約金額：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Expected to be recognised within one year	預計將於一年內確認	18,387,390	10,181,773
Expected to be recognised after one year	預計將於一年後確認	7,552,943	9,323,235
		25,940,333	19,505,008

25 Borrowings

25 借貸

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Non-current	非流動		
Bank and financial institution borrowings	銀行及財務機構借貸	76,683,518	38,873,684
Commercial mortgage-backed securities (Note (i))	商業抵押擔保證券(註(i))	9,156,703	7,986,349
Senior notes (Note (ii))	優先票據(註(ii))	3,841,071	3,840,525
		89,681,292	50,700,558
Current	流動		
Bank and financial institution borrowings	銀行及財務機構借貸	13,425,498	12,661,692
Commercial mortgage-backed securities (Note (i))	商業抵押擔保證券(註(i))	81,888	27,630
Senior notes (Note (ii))	優先票據(註(ii))	4,349,041	—
		17,856,427	12,689,322
		107,537,719	63,389,880

25 Borrowings (Continued)

Notes:

- (i) In June 2018, the Group issued 6.50% commercial mortgage-backed securities. The securities will mature in 2039 and are repayable at their nominal value of RMB5,600,000,000 according to pre-determined schedule from 2019 to 2039. The Group has the right to redeem all of the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 31st December 2020, the carrying value of the securities (including arrangement fees) amounted to HK\$6,203,131,000, and the securities are secured by an investment property of approximately HK\$11,943,349,000 (2019: HK\$11,214,807,000) and the rental income receivables deriving from the investment property.

In June 2019, the Group issued 5.70% commercial mortgage-backed securities. The securities will mature in 2037 and are repayable at their nominal value of RMB2,000,000,000 according to pre-determined schedule from 2019 to 2037. The Group has the right to redeem all of the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 31st December 2020, the carrying value of the securities (including arrangement fees) amounted to HK\$2,299,041,000, and the securities are secured by an investment property of approximately HK\$3,166,438,000 (2019: HK\$2,900,266,000) and the rental income/receivables deriving from the investment property.

In September 2020, the Group issued 3.85% commercial mortgage-backed securities. The securities will mature in 2041 and are repayable at their nominal value of RMB700,000,000 according to pre-determined schedule from 2020 to 2041. The Group has the right to redeem all of the securities at pre-determined points in time; the investors are also entitled to sell back the securities to the Group on the same dates. As at 31st December 2020, the carrying value of the securities (including arrangement fees) amounted to HK\$736,419,000, and the securities are secured by an investment property of approximately HK\$996,863,000 (2019: Nil) and the rental income/receivables deriving from the investment property.

- (ii) In June 2019, the Group issued 7.5% senior notes. The notes are unsecured, will mature in June 2022 and are repayable at their nominal value of US\$500,000,000. The Group may redeem all or a portion of the notes at the redemption prices specified in the offering circular after the drawdown date, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular. As at 31st December 2020, the carrying value of the securities (including arrangement fees) was amounted to HK\$3,841,071,000 (2019: HK\$3,840,525,000).

In February 2020, the Group issued 6.0% senior notes. The notes are unsecured, will mature in February 2021 and are repayable at their nominal value of US\$500,000,000. The Group may redeem all or a portion of the notes at the redemption prices specified in the offering circular after the drawdown date, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular. As at 31st December 2020, the carrying value of the securities (including arrangement fees) was amounted to HK\$3,872,644,000.

In July 2020, the Group issued 6.0% senior notes. The notes are unsecured, will mature in July 2021 and are repayable at their nominal value of US\$61,450,000. The Group may redeem all or a portion of the notes at the redemption prices specified in the offering circular after the drawdown date, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular. As at 31st December 2020, the carrying value of the securities (including arrangement fees) was amounted to HK\$476,397,000.

25 借貸(續)

註:

- (i) 於二零一八年六月，本集團發行收益率為6.50厘的商業抵押擔保證券。該等證券將於二零三九年到期，並根據二零一九年至二零三九年的預定時間表，按人民幣面值5,600,000,000元償還。本集團有權於預先確定的時間點贖回所有證券；投資者亦有權於相同日期向本集團返銷該等證券。於二零二零年十二月三十一日，該等證券的賬面值(包括安排費)達6,203,131,000港元，該等證券由約11,943,349,000港元(二零一九年：11,214,807,000港元)的投資物業及該等投資物業產生的應收租金收入作擔保。

於二零一九年六月，本集團發行收益率為5.70厘的商業抵押擔保證券。該等證券將於二零三十七年到期，並根據二零一九年至二零三十七年的預定時間表，按人民幣面值2,000,000,000元償還。本集團有權於預先確定的時間點贖回所有證券；投資者亦有權於相同日期向本集團返銷該等證券。於二零二零年十二月三十一日，該等證券的賬面值(包括安排費)達2,299,041,000港元，該等證券由約3,166,438,000港元(二零一九年：2,900,266,000港元)的投資物業及該等投資物業產生的應收租金收入作擔保。

於二零二零年九月，本集團發行收益率為3.85厘的商業抵押擔保證券。該等證券將於二零四一年到期，並根據二零二零年至二零四一年的預定時間表，按人民幣面值700,000,000元償還。本集團有權於預先確定的時間點贖回所有證券；投資者亦有權於相同日期向本集團返銷該等證券。於二零二零年十二月三十一日，該等證券的賬面值(包括安排費)達736,419,000港元，該等證券由約996,863,000港元(二零一九年：無)的投資物業及該等投資物業產生的應收租金收入作擔保。

- (ii) 於二零一九年六月，本集團發行利率為7.5厘的優先票據。該等票據無擔保，將於二零二二年六月到期，並按面值500,000,000美元償還。本集團可在提款日期後按發售通函中規定的贖回價格贖回全部或部分票據，連同截至贖回日期的應計及未付利息，惟須遵守發售通函中規定的條款和條件。於二零二零年十二月三十一日，該等證券的賬面值(包括安排費)為3,841,071,000港元(二零一九年：3,840,525,000港元)。

於二零二零年二月，本集團發行利率為6.0厘的優先票據。該等票據無擔保，將於二零二一年二月到期，並按面值500,000,000美元償還。本集團可在提款日期後按發售通函中規定的贖回價格贖回全部或部分票據，連同截至贖回日期的應計及未付利息，惟須遵守發售通函中規定的條款和條件。於二零二零年十二月三十一日，該等證券的賬面值(包括安排費)為3,872,644,000港元。

於二零二零年七月，本集團發行利率為6.0厘的優先票據。該等票據無擔保，將於二零二一年七月到期，並按面值61,450,000美元償還。本集團可在提款日期後按發售通函中規定的贖回價格贖回全部或部分票據，連同截至贖回日期的應計及未付利息，惟須遵守發售通函中規定的條款和條件。於二零二零年十二月三十一日，該等證券的賬面值(包括安排費)為476,397,000港元。

25 Borrowings (Continued)

25 借貸(續)

The maturity analysis of the borrowings is as follows:

借貸之到期分析如下：

		Bank and financial institution borrowings		Commercial-mortgage backed securities		Senior notes		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
		二零二零年	二零一九年	二零二零年	二零一九年	二零二零年	二零一九年	二零二零年	二零一九年
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
Within one year	一年內	13,425,498	12,661,692	81,888	27,630	4,349,041	—	17,856,427	12,689,322
Between one and two years	一年至兩年	27,870,799	15,413,125	128,873	75,488	3,841,071	—	31,840,743	15,488,613
Between two and five years	兩年至五年	29,956,239	15,375,516	9,027,830	7,910,861	—	3,840,525	38,984,069	27,126,902
Over five years	超過五年	18,856,480	8,085,043	—	—	—	—	18,856,480	8,085,043
		90,109,016	51,535,376	9,238,591	8,013,979	8,190,112	3,840,525	107,537,719	63,389,880

Note: The maturity analysis of the commercial-mortgage backed securities is based on the contractual repayment schedules set out in the agreements and has not taken in to account the rights to redeem or sell back at predetermined points in time.

註：商業抵押擔保證券的到期日分析於協議中規定的償還時間表，到期日分析中不考慮在預定時間點贖回或回售的權利。

The borrowings are denominated in the following currencies and with the following respective weighted average effective interest rates:

借貸以下列貨幣為單位及按下列各實際加權平均利率計息：

		2020		2019	
		二零二零年	Effective interest rate	二零一九年	Effective interest rate
		HK\$'000	實際利率	HK\$'000	實際利率
		千港元		千港元	
RMB	人民幣				
— Bank and financial institution borrowings	— 銀行及財務機構借貸	86,793,836	7.05%	48,815,909	6.97%
— Commercial mortgage-backed securities	— 商業抵押擔保證券	9,238,591	5.38%	8,013,979	6.14%
HK dollar	港元				
— Bank borrowings	— 銀行借貸	3,202,845	2.50%	2,526,095	2.55%
US dollar	美元				
— Bank borrowings	— 銀行借貸	112,335	3.31%	193,372	4.00%
— Senior notes	— 優先票據	8,190,112	6.96%	3,840,525	8.13%
		107,537,719		63,389,880	

25 Borrowings (Continued)

25 借貸(續)

The carrying amounts and the fair values of the borrowings are as follows:

借貸之賬面值及公平值如下：

		Carrying amount		Fair values	
		賬面值		公平值	
		2020	2019	2020	2019
		二零二零年	二零一九年	二零二零年	二零一九年
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
RMB	人民幣				
— Bank and financial institution borrowings	— 銀行及財務機構借貸	86,793,836	48,815,909	87,917,626	48,291,190
— Commercial mortgage-backed securities	— 商業抵押擔保證券	9,238,591	8,013,979	9,088,453	8,020,069
HK dollar	港元				
— Bank borrowings	— 銀行借貸	3,202,845	2,526,095	3,201,519	2,600,369
US dollar	美元				
— Bank borrowings	— 銀行借貸	112,335	193,372	111,599	199,049
— Senior notes	— 優先票據	8,190,112	3,840,525	8,363,009	4,101,646
		107,537,719	63,389,880	108,682,206	63,212,323

The fair values of the bank and financial institution borrowings, commercial mortgage-backed securities and senior notes are based on cash flows discounted using the market interest rate of 2.5% to 9.3% per annum as at 31st December 2020 (2019: 1.9% to 10.6% per annum), depending on the currency of the borrowings.

二零二零年十二月三十一日，銀行及財務機構借貸、商業抵押擔保證券及優先票據的公平值乃根據市場年利率2.5厘至9.3厘（二零一九年：年利率1.9厘至10.6厘）（視乎借貸貨幣）計算之折算現金流釐訂。

As at 31st December 2020, the Group's bank and financial institution borrowings and commercial mortgage-backed securities were secured by:

於二零二零年十二月三十一日，本集團之銀行及財務機構借貸及商業抵押擔保證券之借貸乃以下列抵押品擔保：

- (i) the Group's right-of-use assets (prepaid operating land lease payments for hotel properties and self-use buildings) of approximately HK\$505,740,000 (2019: HK\$543,032,000);
- (ii) the Group's hotel properties and self-use buildings of approximately HK\$2,195,638,000 (2019: HK\$3,025,065,000);
- (iii) the Group's properties under development for sale of approximately HK\$13,884,132,000 (2019: HK\$18,574,978,000);
- (iv) the Group's completed properties for sale of approximately HK\$17,946,925,000 (2019: HK\$6,658,397,000);

- (i) 本集團約505,740,000港元（二零一九年：543,032,000港元）之使用權資產（酒店物業及自用樓宇之預付經營租賃款項）；
- (ii) 本集團約2,195,638,000港元（二零一九年：3,025,065,000港元）之酒店物業及自用樓宇；
- (iii) 本集團約13,884,132,000港元（二零一九年：18,574,978,000港元）之可供出售之發展中物業；
- (iv) 本集團約17,946,925,000港元（二零一九年：6,658,397,000港元）之可供出售之已落成物業；

25 Borrowings (Continued)

- (v) the Group's investment properties of approximately HK\$52,464,577,000 (2019: HK\$47,089,281,000), including investment properties of approximately HK\$16,106,650,000 (2019: HK\$14,115,074,000) which derived from commercial mortgage-backed securities;
- (vi) the Group's financial assets at fair value through other comprehensive income of approximately HK\$1,272,056,000 (2019: HK\$2,239,567,000);
- (vii) the Group's bank deposits of HK\$1,104,986,000 (2019: HK\$820,514,000); and
- (viii) the Group's equity interests in subsidiaries of HK\$9,269,559,000 (2019: HK\$1,266,869,000).

25 借貸(續)

- (v) 本集團約52,464,577,000港元(二零一九年: 47,089,281,000港元)之投資物業, 其中16,106,650,000港元(二零一九年: 14,115,074,000港元)之投資物業是由商業抵押擔保證券;
- (vi) 本集團約1,272,056,000港元(二零一九年: 2,239,567,000港元)之按公平值透過其他全面收入列賬之財務資產;
- (vii) 本集團為1,104,986,000港元(二零一九年: 820,514,000港元)之銀行存款; 及
- (viii) 本集團於子公司之股本權益9,269,559,000港元(二零一九年: 1,266,869,000港元)。

26 Margin Loans

26 保證金貸款

		2020 二零二零年		2019 二零一九年	
		HK\$'000 千港元	Effective interest rate 實際利率	HK\$'000 千港元	Effective interest rate 實際利率
Within one year	一年內	9,163,844	0.94%–5.25%	—	—

The margin loans are denominated in Hong Kong dollar of HK\$4,805,862,000 and United States dollar of HK\$4,357,982,000. The margin loans are mainly subject to interest range between 0.94% to 5.25%.

應付保證金貸款包括分別以港元及美元計值的約4,805,862,000港元及4,357,982,000港元。應付保證金貸款的利率範圍主要介乎0.94厘至5.25厘之間。

27 Deferred Income Tax

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

27 遞延所得稅

遞延稅項資產及遞延稅項負債僅在本期稅項資產及本期稅項負債有合法可強制執行權利互相抵銷及遞延所得稅與同一稅務機關有關，方可互相抵銷。抵銷金額如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Deferred tax assets:	遞延稅項資產：		
— Deferred tax assets to be recovered after more than twelve months	— 將於十二個月後收回之遞延稅項資產	1,256,863	1,228,227
— Deferred tax assets to be recovered within twelve months	— 將於十二個月內收回之遞延稅項資產	86,135	81,032
		1,342,998	1,309,259
Deferred tax liabilities:	遞延稅項負債：		
— Deferred tax liabilities to be realised after more than twelve months	— 將於十二個月後變現之遞延稅項負債	(9,526,963)	(9,109,084)
— Deferred tax liabilities to be realised within twelve months	— 將於十二個月內變現之遞延稅項負債	(1,231,024)	(848,009)
		(10,757,987)	(9,957,093)
		(9,414,989)	(8,647,834)

27 Deferred Income Tax (Continued)

27 遞延所得稅(續)

The net movements in deferred taxation are as follows:

遞延稅項淨變動如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Assets/(liabilities)	資產/(負債)		
At 1st January	於一月一日	(8,647,834)	(7,539,359)
Recognised in the consolidated income statement (Note 37)	於綜合收益表確認(附註37)	(198,219)	(1,467,074)
Released directly from other comprehensive income (Note 31)	直接解除自其他全面收入(附註31)		
— Fair value (gain)/loss on financial assets at fair value through other comprehensive income	— 按公平值透過其他全面收入列賬之財務資產之公平值(收益)/虧損	(143,782)	139,392
— Assets revaluation reserve realised upon disposal of completed properties held for sale	— 出售持作出售已落成物業時變現之資產重估儲備	54,823	40,341
Exchange difference	匯兌差額	(479,977)	178,866
At 31st December	於十二月三十一日	(9,414,989)	(8,647,834)

The movements in deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

遞延稅項資產及遞延稅項負債之變動(並無考慮相同稅務司法權區內之結餘抵銷)如下：

Deferred tax assets

遞延稅項資產

		Tax losses 稅項虧損	
		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
At 1st January	於一月一日	1,309,259	784,147
Recognised in the consolidated income statement	於綜合收益表確認	(48,909)	548,243
Exchange difference	匯兌差額	82,648	(23,131)
At 31st December	於十二月三十一日	1,342,998	1,309,259

27 Deferred Income Tax (Continued)

27 遞延所得稅(續)

Deferred tax liabilities

遞延稅項負債

		Withholding income tax on undistributed profits 來自未分派 溢利之預扣 所得稅 HK\$'000 千港元	Revaluation surplus 重估盈餘 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1st January 2019	於二零一九年一月一日	(70,245)	(8,253,261)	(8,323,506)
Recognised in the consolidated income statement	於綜合收益表確認	(1,749)	(2,013,568)	(2,015,317)
Released directly from other comprehensive income, net	直接解除自其他全面 收入·淨額	—	179,733	179,733
Exchange difference	匯兌差額	1,551	200,446	201,997
At 31st December 2019	於二零一九年 十二月三十一日	(70,443)	(9,886,650)	(9,957,093)
Recognised in the consolidated income statement	於綜合收益表確認	—	(149,310)	(149,310)
Released directly from other comprehensive income, net	直接解除自其他全面 收入·淨額	—	(88,959)	(88,959)
Exchange difference	匯兌差額	(4,255)	(558,370)	(562,625)
At 31st December 2020	於二零二零年 十二月三十一日	(74,698)	(10,683,289)	(10,757,987)

The recognised deferred tax assets relate to tax losses amounting to approximately HK\$5,371,987,000 (2019: HK\$5,237,060,000) which are expiring from 2021 through 2025.

約5,371,987,000港元(二零一九年: 5,237,060,000港元)之已確認有關稅項虧損之遞延稅項資產將於二零二一年至二零二五年期間屆滿。

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2020, the Group did not recognise deferred tax assets of approximately HK\$458,489,000 (2019: HK\$410,185,000) in respect of tax losses amounting to approximately HK\$1,933,835,000 (2019: HK\$2,092,691,000).

遞延稅項資產乃因應相關稅務利益可透過未來應課稅溢利變現而就所結轉之稅項虧損作確認。於二零二零年十二月三十一日，本集團並無確認遞延稅項資產約458,489,000港元(二零一九年: 410,185,000港元)，涉及稅項虧損約1,933,835,000港元(二零一九年: 2,092,691,000港元)。

As at 31st December 2020, deferred tax liabilities of HK\$12,503,075,000 (2019: HK\$4,276,546,000) have not been recognised for withholding tax on the unremitted earnings of certain subsidiaries in Mainland China, as these earnings are expected to be reinvested in Mainland China in the foreseeable future.

於二零二零年十二月三十一日，本集團尚未就若干中國大陸子公司未匯出盈利的預扣稅確認遞延稅項負債12,503,075,000港元(二零一九年: 4,276,546,000港元)，原因為此等盈利預期在可預見將來將於中國大陸用作再投資。

28 Current Tax Liabilities

Current tax liabilities mainly represent payable for Mainland China corporate income tax and Mainland China land appreciation tax.

28 本期稅項負債

本期稅項負債主要指應付中國大陸企業所得稅及應付中國大陸土地增值稅。

29 Share Capital

29 股本

		Number of ordinary shares 普通股數目 '000 千股	Share capital 股本 HK\$'000 千港元
At 1st January 2019 and 1st January 2020	於二零一九年十二月三十一日	2,225,560	222,556
Repurchase of own shares	購回本身股份	(34,192)	(3,419)
At 31st December 2020	於二零二零年十二月三十一日	2,191,368	219,137

The total authorised number of ordinary shares is 3,000,000,000 shares (2019: 3,000,000,000 shares), with a par value of HK\$0.1 per share (2019: HK\$0.1 per share).

法定普通股總數為3,000,000,000股(二零一九年：3,000,000,000股)每股面值0.1港元(二零一九年：每股面值0.1港元)之股份。

All issued shares are fully paid.

所有已發行股份均已繳足股款。

During the year, the Company repurchased and cancelled approximately 34,192,000 ordinary shares. The total amount of approximately HK\$603,637,000 paid to acquire the ordinary shares has been deducted from shareholders' equity. The total reduction in share premium was approximately HK\$241,844,000.

年內，為簡化本公司的資本架構，本公司於場內購回並註銷約34,192,000股普通股。本公司合共支付約603,637,000港元用於購回普通股，該金額已從股東權益中扣除。股份溢價共減少約241,844,000港元。

30 Non-Controlling Interests

The total non-controlling interests as at 31st December 2020 was HK\$9,856,187,000 (2019: HK\$2,434,725,000). Non-controlling interest of HK\$1,963,563,000 (2019: HK\$1,877,342,000) relates to Believe Best Investments Limited ("Believe Best Group"). Believe Best Group is 82.5% owned by the Group and is principally engaged in property development in Chaoyang District, Beijing, Mainland China.

In May 2020, the Group has acquired three pieces of land through two subsidiaries (with equity interest of 22.7% and 60% attributable to the Group) for property development in Beijing, Mainland China. The non-controlling interests attributable to these subsidiaries amounted to HK\$4,966,563,000 as at 31st December 2020. No summarised consolidated balance sheet, income statement and cash flow statements are presented as the non-controlling interests of these two subsidiaries individually are not material at 31st December 2020.

The non-controlling interests in respect of the remaining subsidiaries individually are not material.

Set out below are the summarised financial information of Believe Best Group, which have included fair value adjustments relating to the acquisition of Believe Best Group in prior years.

Summarised consolidated balance sheet

		Believe Best Group 信佳集團	
		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Assets	資產		
Non-current assets	非流動資產	3,568	162,365
Current assets	流動資產	28,350,255	25,831,166
Total assets	總資產	28,353,823	25,993,531
Liabilities	負債		
Non-current liabilities	非流動負債	(14,747,953)	(9,495,847)
Current liabilities	流動負債	(2,653,431)	(5,913,004)
Total liabilities	負債總額	(17,401,384)	(15,408,851)
Net assets	淨資產	10,952,439	10,584,680

30 非控制性權益

於二零二零年十二月三十一日，非控制性權益總額為9,856,187,000港元（二零一九年：2,434,725,000港元），其中1,963,563,000港元（二零一九年：1,877,342,000港元）與信佳投資有限公司（「信佳集團」）有關。信佳集團由本集團擁有82.5%權益，主要於中國大陸北京朝陽區從事物業發展。有關其餘子公司的非控制性權益各自並不重大。

於二零二零年五月，本集團已通過兩家子公司（本集團擁有介乎22.7%至60%的股權）收購位於中國大陸北京市的三塊土地，用於房地產開發。截至二零二零年十二月三十一日止年度，本集團收到來自該等子公司非控股權益共達4,966,563,000港元。由於上述兩家子公司在二零二零年十二月三十一日的非控制性權益並不重要，因此並無呈列綜合資產負債表、收益表和現金流量表概要。

其餘子公司的非控制性權益個別而言並不重大。

信佳集團的財務資料概要載列於下文，已包括過往年度之收購信佳集團所導致之公平值調整。

綜合資產負債表概要

30 Non-Controlling Interests (Continued)

30 非控制性權益(續)

Summarised consolidated income statement

綜合收益表概要

		Believe Best Group 信佳集團	
		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Revenues	收益	1,328,198	1,992,785
Profit before taxation	除稅前溢利	135,296	943,803
Taxation	稅項	(232,868)	(600,226)
(Loss)/profit for the year and total comprehensive (loss)/income for the year	年度(虧損)/溢利及年度全面(虧損)/收入總額	(97,572)	343,577
Total comprehensive (loss)/profit attributable to non-controlling interests	非控制性權益應佔之全面(虧損)/溢利總額	(17,075)	68,715

Summarised consolidated cash flow statement

綜合現金流量表概要

		Believe Best Group 信佳集團	
		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Cash flows from operating activities	經營活動之現金流量		
Cash generated from operations	經營產生之現金	692,978	572,416
Mainland China corporate income tax paid	已付中國大陸企業所得稅	(192,471)	(200,296)
Mainland China land appreciation tax paid	已付中國大陸土地增值稅	(34,548)	(19,002)
Net cash generated from operating activities	經營活動產生之現金淨額	465,959	353,118
Net cash generated from investing activities	投資活動產生之現金淨額	133,854	517,446
Net cash generated from/(used in) financing activities	融資活動產生/(所用)之現金淨額	762,101	(898,822)
Net increase/(decrease) in cash and cash equivalents	現金及現金等價物之增加/(減少)淨額	1,361,914	(28,258)
Cash and cash equivalents at 1st January	於一月一日之現金及現金等價物	45,332	74,919
Exchange gain/(loss) on cash and cash equivalents	現金及現金等價物之匯兌收益/(虧損)	36,367	(1,329)
Cash and cash equivalents at 31st December	於十二月三十一日之現金及現金等價物	1,443,613	45,332

Notes to the Consolidated
Financial Statements (Continued) 綜合財務報表附註(續)

31 Reserves

31 儲備

		Share premium	Statutory reserve (Note (i))	Assets revaluation reserve (Note (ii))	Currency translation differences	Retained earnings	Total
		股份溢價	法定儲備 (註(i))	資產重估 儲備 (註(ii))	貨幣匯兌 差額	保留盈利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
For year ended	截至二零二零年						
31st December 2020	十二月三十一日						
	止年度						
Balance at 1st January 2020	於二零二零年 一月一日之結餘	15,800,776	161,117	1,133,021	(779,750)	56,042,957	72,358,121
Profit for the year	年度溢利	—	—	—	—	13,633,830	13,633,830
Repurchase of own shares (Note 29)	購回本身股份 (附註29)	(241,844)	—	—	—	(358,374)	(600,218)
Currency translation differences	貨幣匯兌差額	—	—	—	4,023,028	—	4,023,028
Fair value gain on financial assets at fair value through other comprehensive income (Note 14)	按公平值透過其他 全面收入列賬之 財務資產之公平 值收益(附註14)	—	—	588,374	—	—	588,374
Realised upon disposal of properties held for sale	出售持作出售物業 時變現	—	—	(118,340)	—	—	(118,340)
Dividends paid	已付股息	—	—	—	—	(2,003,004)	(2,003,004)
Deferred tax	遞延稅項	—	—	(88,959)	—	—	(88,959)
Balance at 31st December 2020	於二零二零年 十二月三十一日 之結餘	15,558,932	161,117	1,514,096	3,243,278	67,315,409	87,792,832

Notes to the Consolidated Financial Statements (Continued) 綜合財務報表附註(續)

31 Reserves (Continued)

31 儲備(續)

		Share premium	Statutory reserve (Note (i))	Assets revaluation reserve (Note (ii))	Currency translation differences	Retained earnings	Total
		股份溢價	法定儲備 (註(i))	資產重估儲備 (註(ii))	貨幣匯兌差額	保留盈利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
For year ended 31st December 2019	截至二零一九年十二月三十一日止年度						
Balance at 1st January 2019	於二零一九年一月一日之結餘	15,800,776	161,117	1,579,907	705,929	47,224,625	65,472,354
Profit for the year	年度溢利	—	—	—	—	9,486,000	9,486,000
Currency translation differences	貨幣匯兌差額	—	—	—	(1,485,679)	—	(1,485,679)
Fair value loss on financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產之公平值虧損	—	—	(539,540)	—	—	(539,540)
Realised upon disposal of properties held for sale	出售持作出售物業時變現	—	—	(87,079)	—	—	(87,079)
Dividends paid	已付股息	—	—	—	—	(667,668)	(667,668)
Deferred tax	遞延稅項	—	—	179,733	—	—	179,733
Balance at 31st December 2019	於二零一九年十二月三十一日之結餘	15,800,776	161,117	1,133,021	(779,750)	56,042,957	72,358,121

Notes:

註:

- (i) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the statutory reserves and enterprise expansion fund, at rates determined by their respective boards of directors. The statutory reserves can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. When the statutory reserves reach an amount equal to 50% of the registered capital of the Company's subsidiaries, further appropriation needs not be made.
- (ii) Assets revaluation reserve represents revaluation reserve of fair value gain of equity interests classified as financial assets at fair value through other comprehensive income of HK\$363,478,000 (2019: revaluation reserve of fair value loss of equity interests classified as financial assets at fair value through other comprehensive income of HK\$79,205,000), fair value gain arising from properties transferred from self-use property to investment property in prior year of HK\$566,768,000 (2019: HK\$566,768,000) and the fair value gain in respect of 69.5% interest in Guangzhou Zhujiang Qiaodu Real Estate Limited ("GZQREL") of HK\$583,850,000 (2019: HK\$645,457,000).

- (i) 按照中國大陸法規所訂明，本公司於中國大陸成立及經營之子公司須自其除稅後溢利(經抵銷過往年度虧損後)中撥出一部分至法定儲備及企業發展基金，比率乃由各董事會釐定。法定儲備可用作抵銷過往年度虧損或用作發行紅股，而企業發展基金則可用作發展業務。當法定儲備達到相當於本公司的子公司註冊資本50%之金額時，將毋須進一步作出撥款。

- (ii) 資產重估儲備指歸類為按公平值透過其他全面收入列賬之金融資產的權益公平值收益重估儲備363,478,000港元(二零一九年：歸類為按公平值透過其他全面收入列賬之金融資產的權益公平值虧損重估儲備79,205,000港元)，上年度自用物業轉撥至投資物業的公平值收益港幣566,768,000港元(二零一九年：566,768,000港元)及廣州珠江橋都房地產有限公司(GZQREL)69.5%權益的公平值收益583,850,000港元(二零一九年：645,457,000港元)。

Upon completion of the acquisition of Guangzhou Nonggongshang Construction and Development Company Limited in 2007, GZQREL became a subsidiary of the Group. The fair value gain in respect of the 69.5% interest in GZQREL previously held by the Group (as a joint venture) of approximately HK\$2,180,096,000, net of tax, has been credited to an asset revaluation reserve directly in other comprehensive income. Subsequent sales of the properties developed by GZQREL are regarded as partial disposal of the business of GZQREL and accordingly the related portion of the asset revaluation reserve is released to the consolidated income statement. As at 31st December 2020, the asset revaluation reserve of GZQREL amounted to approximately HK\$583,850,000 (2019: HK\$645,457,000).

於二零零七年完成對廣州市農工商建設開發有限公司的收購後，GZQREL成為本集團的子公司。本集團先前(作為合營公司)持有的GZQREL 69.5%權益的公平值收益約2,180,096,000港元(稅後)已直接計入其他全面收入的資產重估儲備。隨後出售GZQREL開發的物業被視為GZQREL業務的部分出售，因此資產重估儲備的相關部分已計入綜合收益表。於二零二零年十二月三十一日，GZQREL的資產重估儲備約為583,850,000港元(二零一九年：645,457,000港元)。

31 Reserves (Continued)

Notes: (Continued)

- (iii) During the year, the Company repurchased and cancelled approximately 34,192,000 ordinary shares. The total amount of approximately HK\$603,637,000 paid to acquire the ordinary shares has been deducted from shareholders' equity. The total reduction in share premium was approximately HK\$241,844,000.

31 儲備(續)

註：(續)

- (iii) 年內，為簡化本公司的資本架構，本公司於場內購回並註銷約34,192,000股普通股。本公司合共支付約603,637,000港元用於購回普通股，該金額已從股東權益中扣除。股份溢價共減少約241,844,000港元。

32 Other Gains, Net

32 其他收益，淨額

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Dividend income from	股息收入來自		
— Financial assets at fair value through other comprehensive income	— 按公平值透過其他全面收入列賬之財務資產	—	155,413
— Financial assets at fair value through profit or loss (Note (iii))	— 按公平值透過損益列賬之財務資產(註(iii))	—	428
Government grants (Note (i))	政府補助(註(i))	122,659	44,951
Gain on disposal of financial assets at fair value through profit or loss (Note (iii))	處置按公平值透過損益列賬之財務資產收益(註(iii))	—	88,642
Interest income from financial assets at fair value through profit or loss (Note (iii))	來自按公平值透過損益列賬之財務資產之利息收入(註(iii))	—	5,806
Fair value loss on financial assets at fair value through profit or loss (Note (iii))	按公平值透過損益列賬之財務資產之公平值虧損(註(iii))	—	(9,208)
Gain on disposal of assets classified as held for sale (Note (ii))	處置分類為持作銷售之資產收益(註(ii))	580,484	—
Net foreign exchange gains/(losses)	匯兌收益/(虧損)淨額		
— net foreign exchange gains/(losses)	— 匯兌收益/(虧損)淨額	777,581	(40,610)
— exchange losses relating to foreign currency borrowings capitalised	— 已資本化的外幣借貸相關匯兌虧損	—	25,442
Others	其他	5,750	14,465
		1,486,474	285,329

Notes:

- (i) The amount mainly represents one-off non-assets related government subsidy received from the municipal governments of certain cities in Mainland China.
- (ii) In February 2020, the Group completed the disposal of its entire equity interests in a joint venture, BJDFWH, which was classified as assets classified as held for sale at 31st December 2019 (see Note 21) at a consideration of HK\$3,517,642,000, and recognised a disposal gain of HK\$580,484,000. As at 31st December 2020, outstanding consideration receivable of HK\$668,948,000 was included in other current assets (note 17).
- (iii) See Note 15.

註：

- (i) 該款項主要指從中國內地若干城市的市政府獲得的一次性非資產相關政府補貼。
- (ii) 於二零二零年二月，本集團完成出售其於一家合營公司BJDFWH的全部股權，該合營公司於二零一九年十二月三十一日被分類為持有待售資產(見附註21)，代價為3,517,642,000港元，並確認出售收益580,484,000港元。於二零二零年十二月三十一日，未償還應收對價668,948,000港元已計入其他流動資產(附註17)。
- (iii) 見附註15。

33 Expenses by Nature

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

33 按性質劃分之開支

開支包括銷售成本、銷售及市場推廣費用，以及一般及行政費用，分析如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Advertising and promotion costs	廣告及推廣開支	198,003	236,812
Auditor's remuneration	核數師酬金		
– Audit services	– 審計服務	15,639	11,758
– Non-audit services	– 非審計服務	8,450	8,123
Cost of completed properties sold	出售已落成物業之成本	9,108,548	6,536,776
Cost of property management business	物業管理業務成本	1,706,442	1,019,942
Cost of commercial properties business	商業地產業務成本	861,261	858,438
Cost of infrastructure business	基建業務成本	687,055	669,006
Depreciation of properties and equipment	物業及設備折舊	241,787	196,456
Depreciation of right-of-use assets	使用權資產折舊	54,745	76,587
Direct operating expenses arising from investment properties that	以下類別投資物業產生之直接經營開支		
– generated rental income	– 產生租金收入	229,136	324,781
– did not generate rental income	– 並無產生租金收入	–	8,497
Employees' benefits costs (including directors' emoluments) (Note 34)	僱員福利成本(包括董事酬金)(附註34)	1,772,529	1,580,931
Loss on disposals of properties and equipment	出售物業及設備虧損	15,580	1,420
Short-term and low-value assets lease expenses	短期及低價值資產租賃開支	15,421	20,084
Loss allowance of financial assets (Note 3.1(b))	金融資產減值撥備(附註3.1(b))	517,118	7,960
Donation	捐贈	160,204	6,394

34 Employees' Benefits Costs

34 僱員福利成本

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	1,078,206	879,071
Sales commission and bonus	銷售佣金及花紅	537,772	479,737
Pension costs	退休金成本		
– Defined contribution plans	– 定額供款計劃	156,551	222,116
– Provision for long service payment	– 長期服務金撥備	–	7
		1,772,529	1,580,931

34 Employees' Benefits Costs (Continued)

(a) Pensions — Defined contribution plans

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group's employees make monthly contributions to the plans at approximately 8% of the income (comprising salaries, allowances and bonus), while the Group contributes 12% to 22% of such income and has no further obligations for the actual payment of pensions beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and employees are subject to a cap of HK\$1,500 and thereafter contributions are voluntary.

No forfeited contributions (2019: Nil) were utilised during the year. There is no forfeited contributions leaving available at the year-end to reduce future contributions.

Contributions totalling HK\$14,690,000 (2019: HK\$19,477,000) were payable at the year-end.

34 僱員福利成本(續)

(a) 退休金 — 定額供款計劃

按照中國大陸之規則及法規所規定，本集團為其於中國大陸之僱員選擇一個由國家資助之退休計劃。本集團僱員每月按其收入(包括薪金、津貼及花紅)約8%對計劃作出供款，本集團則按該等收入12%至22%作出供款。除這些供款外，本集團並無其他對實際退休金付款責任。國家資助之退休計劃負責支付退休僱員之全部退休金。

本集團已替其香港僱員安排參與一項由一位獨立信託人管理之定額供款計劃，即強制性公積金計劃(「強積金計劃」)。根據強積金計劃，本集團(僱主)及其僱員各自須按強制性公積金法例所界定各自按該僱員收入之5%向該計劃作每月供款。僱主及僱員各自所作之每月供款之上限為1,500港元，多於上限之供款則屬自願性質。

年內並無已沒收的供款(二零一九年：零)被動用。概無已沒收供款剩餘於年末可供使用以減少未來供款。

合共14,690,000港元(二零一九年：19,477,000港元)的供款於年末應付予基金。

34 Employees' Benefits Costs (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2019: one) director, whose emoluments are reflected in the analysis presented below. The emoluments for the remaining four (2019: four) individuals are as follows:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	12,016	11,118
Employer's contribution to pension scheme	僱主對退休金計劃之供款	244	482
		12,260	11,600

The emoluments fell within the following band:

酬金介乎以下組別：

		Number of individuals 人數	
		2020 二零二零年	2019 二零一九年
HK\$2,000,001 to HK\$2,500,000	2,000,001 港元至 2,500,000 港元	—	2
HK\$2,500,001 to HK\$3,000,000	2,500,001 港元至 3,000,000 港元	2	—
HK\$3,000,001 to HK\$3,500,000	3,000,001 港元至 3,500,000 港元	2	1
HK\$3,500,001 to HK\$4,000,000	3,500,001 港元至 4,000,000 港元	—	1

35 Benefits and Interests of Directors

35 董事利益及權益

The remuneration of each director for the year ended 31st December 2020 is set out below:

截至二零二零年十二月三十一日止年度，各董事之酬金載列如下：

Name of director	董事姓名	As director (Note (i)) 作為董事(註(i))		As management (Note (ii)) 作為管理層(註(ii))		Total 總計
		Fees	Salaries, allowances and benefits-in-kind (Note (iii)) 基本薪金、津貼及實物袍金 利益(註(iii))	Salaries, allowances and benefits-in-kind (Note (iii)) 僱員福利 (註(iii))		
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Executive directors 執行董事						
Mr. Au Wai Kin	歐偉建先生	—	—	252	—	252
Mr. Bao Wenge	鮑文格先生	—	—	1,567	—	1,567
Ms. Chu Kut Yung	朱桔榕女士	—	—	2,265	—	2,265
Mr. Xie Bao Xin	謝寶鑫先生	—	—	1,549	—	1,549
Mr. Xi Ronggui (resigned on 1st November 2020)	席榮貴先生 (於二零二零年 十一月一日辭任)	—	—	4,517	—	4,517
Mr. Zhang Fan (appointed on 1st November 2020)	張帆先生 (於二零二零年 十一月一日委任)	—	—	389	—	389
		—	—	10,539	—	10,539
Independent non-executive directors 獨立非執行董事						
Mr. Lee Tsung Hei, David (resigned on 28th February 2021)	李頌熹先生 (於二零二一年 二月二十八日辭任)	340	—	—	—	340
Mr. Tan Leng Cheng, Aaron	陳龍清先生	340	—	—	—	340
Mr. Ching Yu Lung	程如龍先生	340	—	—	—	340
		1,020	—	—	—	1,020

Notes to the Consolidated Financial Statements (Continued) 綜合財務報表附註(續)

35 Benefits and Interests of Directors (Continued)

35 董事利益及權益(續)

The remuneration of each director for the year ended 31st December 2019 is set out below:

截至二零一九年十二月三十一日止年度，各董事之酬金載列如下：

Name of director 董事姓名	Fees 袍金 HK\$'000 千港元	As director (Note (i)) 作為董事(註(i))		As management (Note (ii)) 作為管理層(註(ii))		Total 總計 HK\$'000 千港元
		Salaries, allowances and benefits-in-kind (Note (iii)) 基本薪金、津貼及實物利益(註(iii)) HK\$'000 千港元	Salaries, allowances and benefits-in-kind (Note (iii)) 僱員福利(註(iii)) HK\$'000 千港元			
Executive directors 執行董事						
Mr. Au Wai Kin 歐偉建先生	—	—	252	252	252	252
Mr. Bao Wenge 鮑文格先生	—	—	1,555	1,555	1,555	1,555
Ms. Chu Kut Yung 朱桔榕女士	—	—	2,270	2,270	2,270	2,270
Mr. Chu Mang Yee (resigned on 10th January 2020) 朱孟依先生 (於二零二零年一月十日辭任)	—	—	—	—	—	—
Mr. Xie Bao Xin 謝寶鑫先生	—	—	1,574	1,574	1,574	1,574
Mr. Xi Ronggui (resigned on 1st November 2020) 席榮貴先生 (於二零二零年十一月一日辭任)	—	—	5,519	5,519	5,519	5,519
	—	—	11,170	11,170	11,170	11,170
Independent non-executive directors 獨立非執行董事						
Mr. Lee Tsung Hei, David (resigned on 28th February 2021) 李頌熹先生 (於二零二一年二月二十八日辭任)	330	—	—	—	330	330
Mr. Tan Leng Cheng, Aaron 陳龍清先生	330	—	—	—	330	330
Mr. Ching Yu Lung 程如龍先生	330	—	—	—	330	330
	990	—	—	—	990	990

Mr. Chu Mang Yee waived emoluments of HK\$240,000.

朱孟依先生放棄酬金240,000港元。

Notes:

註：

- (i) The amounts represented emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiaries.
- (ii) The amounts represented emoluments paid or payable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiaries.
- (iii) The amounts include salaries, housing allowances and employer's contribution to a pension scheme.
- (iv) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

- (i) 該款項指就相關人士提供本公司或其子公司董事服務的已付或應付酬金。
- (ii) 該款項指就相關人士提供管理本公司或其子公司事務的其他服務的已付或應付酬金，包括薪金、津貼、酌情花紅及僱主對退休金計劃的供款。
- (iii) 該款項包括薪金、酌情花紅、房屋津貼及僱主對退休金計劃的供款。
- (iv) 年內，本集團概無向董事支付酬金，以作為吸引加入或加入本集團時的獎勵或因離職而所作的補償(二零一九年：零)。

36 Finance Income and Costs

36 財務收入及成本

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Finance income	財務收入		
Interest income from banks, advance to a joint venture and loan receivables	來自銀行之利息收入、一間合營公司之墊款及應收貨款	240,342	394,311
Finance costs	財務成本		
Interest expense and other borrowing cost:	利息開支及其他借貸成本：		
— loans from banks and financial institutions	— 銀行及財務機構貸款	(5,343,099)	(3,630,521)
— commercial mortgage-backed securities, senior notes	— 商業抵押擔保證券、優先票據	(1,181,100)	(695,549)
— margin loans	— 保證金貸款	(92,210)	—
Total borrowing costs incurred	所發生之總借貸成本	(6,616,409)	(4,326,070)
Less: Amount capitalised as part of the cost of properties under development, investment properties under development and construction-in-progress	減：作為發展中物業、發展中投資物業以及在建工程的資本化款項	4,847,828	3,323,631
		(1,768,581)	(1,002,439)
Net finance costs	財務成本淨額	(1,528,239)	(608,128)

During the year ended 31st December 2020, the weighted average capitalisation rate for capitalised borrowing cost is 6.79% (2019: 6.74%).

截至二零二零年十二月三十一日止年度，資本化借貸成本的加權平均資本化率為6.79%（二零一九年：6.74%）。

37 Taxation

37 稅項

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Current tax	本期稅項		
Hong Kong profits tax (Note (a))	香港利得稅(註(a))	266,057	33,294
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(註(b))	2,191,903	1,622,239
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(註(c))	2,296,104	1,988,978
		4,754,064	3,644,511
Deferred tax	遞延稅項		
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(註(b))	220,628	1,483,142
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(註(c))	(22,409)	(16,068)
		198,219	1,467,074
Taxation	稅項	4,952,283	5,111,585

The Company is exempted from taxation in Bermuda until March 2035. Subsidiaries in the British Virgin Islands are incorporated under the International Business Companies Act (now the BVI Business Companies Act, 2004) of the British Virgin Islands ("BVI") and are not liable to any form of taxation in the British Virgin Islands.

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at 16.5% on the estimated assessable profit for the year ended 31st December 2020 (2019:16.5%).

(b) Mainland China corporate income tax

Mainland China corporate income tax has been provided at the rate of 25% for the year ended 31st December 2020 (2019: 25%).

Dividend distribution made by Mainland China subsidiaries and joint ventures to shareholders outside of Mainland China in respect of their profits earned after 1st January 2008 is subject to withholding income tax at tax rates of 5% or 10%, where applicable.

本公司獲豁免繳納百慕達稅項，直至二零三五年三月止。英屬處女群島的子公司根據英屬處女群島(「BVI」)的《國際商業公司法》(現為英屬處女群島商業公司法，二零零四年)註冊成立，在英屬處女群島無需繳納任何形式的稅項。

註：

(a) 香港利得稅

截至二零二零年十二月三十一日止年度，香港利得稅已按年內估計應課稅溢利之16.5%計提撥備(二零一九年：16.5%)。

(b) 中國大陸企業所得稅

截至二零二零年十二月三十一日止年度，於中國大陸成立及營運之子公司須按25%之稅率繳納中國大陸企業所得稅(二零一九年：25%)。

自二零零八年一月一日起，中國大陸子公司和合營公司就其所賺取的利潤分配給中國境外股東的股息，應按稅率5%或10% (如適用)繳納預扣所得稅。

37 Taxation (Continued)

Notes: (Continued)

(c) Mainland China land appreciation tax

Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the rate of taxation prevailing in the countries applicable to profits of the group companies in which they operate are as follows:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Profit before taxation	除稅前溢利	18,640,360	14,761,975
Less: Share of (profit)/loss of associates	減：分佔聯營公司(溢利)/虧損	(903)	4,562
Less: Share of profit of joint ventures	減：分佔合營公司溢利	(37,320)	(119,113)
		18,602,137	14,647,424
Tax calculated at domestic tax rates applicable to profits in the respective regions	按於各地區之溢利適用國內稅率計算之稅項	2,664,396	3,675,190
Income not subject to tax	不用課稅收入	(191,813)	(114,425)
Expenses not deductible for tax	不可扣稅支出	47,306	22,550
Utilisation of previously unrecognised tax losses	動用過往未確認稅項虧損	(111,571)	(39,935)
Deferred tax asset arising from tax losses not recognised	未確認稅項虧損遞延稅項資產	389,541	86,773
Land appreciation tax deductible for calculation of corporate income tax purposes	可扣減作為計算所得稅用途之土地增值稅	(568,424)	(493,227)
Withholding tax on dividend income from Mainland China subsidiaries and joint ventures	中國子公司及合營公司之股息收入之預扣稅	449,153	1,749
Land appreciation tax	土地增值稅	2,678,588	3,138,675
		2,273,695	1,972,910
Taxation	稅項	4,952,283	5,111,585

Note:

For the year ended 31st December 2020, the weighted average applicable tax rate was 14.4% (2019: 25.1%). The decrease is due to the change in mix of category and tax jurisdiction of the Group's revenues, in particular certain investments income is non-taxable.

37 稅項(續)

註：(續)

(c) 中國大陸土地增值稅

中國大陸土地增值稅就土地增值，即出售房地產所得款項扣除可扣減開支(包括土地成本、發展及建築開支)，按累進稅率30%至60%徵收。

本集團除稅前溢利與按照適用於集團公司營運所在國家的現行溢利稅率計算之理論金額之差異如下：

註：

截至二零二零年十二月三十一日止年度，加權平均適用稅率為14.4%(二零一九年：25.1%)。稅率下降乃由於本集團收益類別及稅務司法權區的組合變動所致，特別是若干投資為免稅。

38 Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

		2020 二零二零年	2019 二零一九年
Profit attributable to equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利(千港元)	13,633,830	9,486,000
Weighted average number of ordinary shares in issue ('000)	已發行普通股之加權平均數(千股)	2,218,448	2,225,560
Basic earnings per share (HK\$ per share)	每股基本盈利(每股港元)	6.15	4.26

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares for the years ended 31st December 2020 and 2019, diluted earnings per share is equal to basic earnings per share.

38 每股盈利

基本

每股基本盈利乃根據本公司股權持有人應佔溢利除以年內已發行普通股之加權平均數得出。

攤薄

計算每股攤薄盈利時，已對已發行在外普通股之加權平均數作出調整，以假設所有具攤薄潛力之普通股獲悉數轉換。由於截至二零二零年及二零一九年十二月三十一日止年度，並沒有具攤薄潛力之普通股，因此每股攤薄盈利與每股基本盈利一致。

39 Dividend

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Interim dividend paid of HK\$0.60 (2019: HK\$0.10) per ordinary share	派付中期股息每股普通股0.60港元(二零一九年：0.10港元)	1,335,336	222,556
Proposed final dividend of HK\$1.10 (2019: HK\$0.30) per ordinary share	擬派末期股息每股普通股1.10港元(二零一九年：0.30港元)	2,410,505	667,668
		3,745,841	890,224

Final dividend of HK\$1.10 per share in respect of the financial year ended 31st December 2020 (2019: HK\$0.30 per share) totalling HK\$2,410,505,000 (2019: HK\$667,668,000) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The financial statements as at 31st December 2020 have not reflected this dividend payable.

董事會已建議就截至二零二零年十二月三十一日止財政年度派付末期股息每股1.10港元(二零一九年：0.30港元)，共計2,410,505,000港元(二零一九年：667,668,000港元)該股息須待股東於應屆股東週年大會上批准。於二零二零年十二月三十一日的財務報表並未反映此應付股息。

40 Note to the Consolidated Cash Flow Statement

40 綜合現金流量表附註

(a) Cash (used in)/generated from operations

(a) 經營(所用)/產生之現金

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Profit before taxation	除稅前溢利	18,640,360	14,761,975
Adjustments for:	調整：		
– Finance income	– 財務收入	(240,342)	(394,311)
– Finance costs	– 財務成本	1,768,581	1,002,439
– Dividend income	– 股息收入	–	(155,841)
– Share of profit of joint ventures	– 分佔合營公司溢利	(37,320)	(119,113)
– Share of (profit)/loss of associates	– 分佔聯營公司(溢利)/虧損	(903)	4,562
– Depreciation of properties and equipment	– 物業及設備折舊	241,787	196,456
– Depreciation of right-of-use assets	– 使用權資產折舊	54,745	76,587
– Amortisation of intangible assets	– 無形資產攤銷	28,145	–
– Loss on disposals of properties and equipment	– 出售物業及設備虧損	15,580	1,420
– Provision for impairment of assets	– 資產減值撥備	517,118	7,960
– Provision of impairment of goodwill	– 商譽減值撥備	4,726	2
– Fair value gain on investment properties	– 投資物業公平值收益	(763,689)	(8,175,781)
– Fair value (gain)/loss on financial assets at fair value through profit or loss	– 按公平值透過損益列賬之財務資產之公平值(收益)/虧損	(1,611,647)	9,208
– Interest income from financial assets at fair value through profit and loss	– 按公平值透過損益列賬之財務資產之利息收入	–	(5,806)
– Gain on disposal of financial assets at fair value through profit and loss	– 處置按公平值透過損益列賬之財務資產收益	(6,044,332)	(88,642)
– Loss/(gain) on disposal of subsidiaries	– 處置子公司虧損/(收益)	538	(8,688)
– Net gain on disposal of associates/joint ventures	– 處置聯營公司/合營公司的收益淨額	–	(5,779)
– Net gain on disposal of non-current assets held for sale	– 處置持有待售非流動資產的收益淨額	(580,484)	–
– Net exchange (gain)/loss, net	– 匯兌(收益)/虧損淨額	(777,581)	15,168
Operating profits before working capital changes	營運資金變動前經營溢利	11,215,282	7,121,816
Changes in working capital (excluding the effects of acquisition/disposal of subsidiaries and exchange differences on consolidation):	營運資金變動(不包括收購/出售子公司及匯兌差額對綜合賬目之影響)：		
– Finance lease receivables	– 融資租賃應收款項	114,833	(190,401)
– Properties under development for sale and completed properties for sale	– 可供出售之發展中物業及可供出售之已落成物業	(9,938,501)	(14,245,329)
– Accounts receivable	– 應收賬款	(1,490,980)	(301,524)
– Prepayments for acquisition of land	– 收購土地之預付款項	(19,420,156)	(1,569,092)
– Prepayments, deposits and other current assets	– 預付款項、按金及其他流動資產	(470,324)	(2,464,326)
– Contract acquisition costs	– 合約收購成本	(888,924)	(759,654)
– Accounts payable, accruals and other payables	– 應付賬款、應計款項及其他應付款項	1,674,498	7,495,755
– Contract liabilities	– 合約負債	5,019,196	9,530,024
– Additions of financial assets at fair value through profit or loss	– 新增按公平值透過損益列賬之財務資產	(42,885,227)	–
– Proceeds from disposal of financial assets at fair value through profit or loss	– 出售按公平值透過損益列賬之財務資產之所得款項	29,308,912	–
Cash (used in)/generated from operations	經營(所用)/產生之現金	(27,761,391)	4,617,269

40 Note to the Consolidated Cash Flow Statement (Continued)

40 綜合現金流量表附註(續)

(b) Reconciliation of liabilities arising from financing activities

(b) 融資活動產生之負債對賬

		Borrowings	Margin loan payable 應付保證金 借貸 HK\$'000 千港元	Interest payable 應付利息 HK\$'000 千港元	Due to related companies 應付關連公司款項 HK\$'000 千港元	Due to joint ventures 應付合營公司款項 HK\$'000 千港元	Due to an associates 應付一間聯營公司款項 HK\$'000 千港元	Due to non-controlling interests 應付非控制權益款項 HK\$'000 千港元	Lease liabilities 租賃負債 HK\$'000 千港元
At 1st January 2020	於二零二零年一月一日	63,389,880	—	440,727	366,248	3,011,241	5,964	2,126,867	684,665
Cash flows	現金流量								
— inflow from financing activities	— 融資活動之流入	69,387,208	8,878,288	—	—	—	—	4,085,921	—
— outflow from financing activities	— 融資活動之流出	(29,047,160)	—	(5,894,994)	(402,131)	(1,766,329)	(5,756)	—	(67,973)
Non-cash movements	非現金變動								
— Foreign exchange adjustment	— 匯兌調整	3,807,791	285,556	64,863	75,618	171,711	6,140	620,945	43,601
— Total borrowing costs incurred	— 所產生之總借貸成本	—	—	6,616,409	—	—	—	—	—
— Others	— 其他	—	—	—	172,266	—	—	—	54,247
At 31st December 2020	於二零二零年十二月三十一日	107,537,719	9,163,844	1,227,005	212,001	1,416,623	6,348	6,833,733	714,540

		Borrowings	Interest payable	Due to related companies 應付關連公司款項 HK\$'000 千港元	Due to joint ventures 應付合營公司款項 HK\$'000 千港元	Due to an associates 應付一間聯營公司款項 HK\$'000 千港元	Due to non-controlling interests 應付非控制權益款項 HK\$'000 千港元	Lease liabilities 租賃負債 HK\$'000 千港元
At 1st January 2019	於二零一九年一月一日	55,101,143	365,338	260,654	2,773,349	6,299	514,605	—
Cash flows	現金流量							
— inflow from financing activities	— 融資活動之流入	24,157,484	—	111,181	192,966	—	870,211	—
— outflow from financing activities	— 融資活動之流出	(14,704,799)	(3,781,041)	—	—	—	—	—
Non-cash movements	非現金變動							
— Foreign exchange adjustment	— 匯兌調整	(1,163,948)	(469,641)	(5,587)	(63,918)	(335)	(11,248)	—
— Total borrowing costs incurred	— 所產生之總借貸成本	—	4,326,071	—	—	—	—	—
— Others	— 其他	—	—	—	108,844	—	753,299	684,665
At 31st December 2019	於二零一九年十二月三十一日	63,389,880	440,727	366,248	3,011,241	5,964	2,126,867	684,665

41 Contingent Liabilities and financial guarantees

41 或然負債及財務擔保

(a) Financial guarantees not provided for in the financial statements are as follows:

(a) 未於財務報表中作出撥備之財務擔保如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties (<i>Note (i)</i>)	就購買本集團物業之若干買家提供按揭貸款而向銀行作出之擔保(註(i))	16,868,599	11,846,377
Guarantees given to a bank for bank borrowings of joint ventures (<i>Note (ii)</i>)	就合營公司銀行借貸而向銀行作出之擔保(註(ii))	1,336,300	1,252,886
		18,204,899	13,099,263

Notes:

註：

(i) Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees are to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally be available within 1 year after the purchasers take possession of the relevant properties; or (ii) the full repayment of the mortgage loan by the purchasers of properties.

(i) 就購買本集團物業之若干買家提供按揭貸款而向銀行作出之擔保代表若干銀行授出之按揭融資之擔保，乃有關為本集團物業之若干買家安排之按揭貸款。根據該擔保的條款，倘該等買家拖欠按揭付款，本集團須負責償還違約買方拖欠銀行之尚未償還按揭本金連同應計利息及罰款，而本集團有權取得相關物業之法定所有權以及佔用權。當(i)發出房地產所有權證(一般於買家佔用相關物業後一年內發出)，或(ii)該等物業的買家已悉數償清按揭貸款(以較早者為準)，該擔保將會解除。

The Directors consider that in case of default in payments of the mortgage facilities by the buyers, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty (see also Note 3.1(b)(i)).

董事認為，倘出現拖欠付款的情況，相關物業的可變現淨值足以彌補尚未償還的按揭本金連同累計利息及罰款(請同時參閱附註3.1(b))。

(ii) Bank borrowings of joint ventures are 100% guaranteed by the Group, and are secured by the properties owned by the a joint venture.

(ii) 合營公司的銀行借貸由本集團提供100%擔保，並以一間合營公司擁有的物業作抵押。

(b) Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the consolidated financial statements for the years ended 31st December 2019 and 2020.

(b) 本集團的若干子公司參與其在平等業務過程中產生的訴訟。經評估未決索償及獲取法律意見後，董事認為，截至二零一九年及二零二零年十二月三十一日止年度的綜合財務報表已作出充足撥備。

42 Commitments

(a) Capital commitments

Capital expenditures at the balance sheet date but not yet incurred are as follows:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Contracted but not provided for	已訂約但未撥備		
– Acquisition of land and equity interests in certain land holding entities	– 收購土地及若干持有土地實體之股本權益	–	916,545
– Property construction costs	– 物業建築成本	3,963,530	1,531,591
– Capital contribution to an associate	– 一間聯營公司之出資	254,598	239,211
– Acquisition of equity investments (Note 14 and 42(i))	– 收購股本權益 (附註14及42(i))	3,031,264	–
		7,249,392	2,687,347

(b) Short-term and low value lease commitments

The Group has lease commitments in respect of premises under various non-cancellable lease agreements for low-value leases and short-term leases with a lease term of less than 12 months. The future aggregate minimum lease payments under these leases are as follows:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Amounts payable	應付款項		
– Within one year	– 一年內	9,492	16,071
– Within two to five years	– 兩年至五年內	–	4,013
		9,492	20,084

42 承擔

(a) 資本承擔

於結算日尚未產生之資本開支如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Contracted but not provided for	已訂約但未撥備		
– Acquisition of land and equity interests in certain land holding entities	– 收購土地及若干持有土地實體之股本權益	–	916,545
– Property construction costs	– 物業建築成本	3,963,530	1,531,591
– Capital contribution to an associate	– 一間聯營公司之出資	254,598	239,211
– Acquisition of equity investments (Note 14 and 42(i))	– 收購股本權益 (附註14及42(i))	3,031,264	–
		7,249,392	2,687,347

(b) 短期及低價值租賃承擔

本集團就多份有關租賃物業之不可註銷租賃協議而有租期少於十二個月的低價值租賃及短期租賃之租賃承擔。根據該等租賃，於日後之最低應付租金總額如下：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Amounts payable	應付款項		
– Within one year	– 一年內	9,492	16,071
– Within two to five years	– 兩年至五年內	–	4,013
		9,492	20,084

42 Commitments (Continued)

(c) Future minimum rental receivable

The Group leased out certain properties under operating leases. The future minimum rental receivable under non-cancellable operating leases is as follows:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Within one year	一年內	2,321,521	1,998,347
Within two to five years	兩年至五年內	4,373,254	3,493,585
After five years	五年後	1,720,883	1,139,728
		8,415,658	6,631,660

Rental receivable consists rental income from commercial properties.

42 承擔

(c) 未來最低應收租金

本集團根據經營租賃出租若干物業。依據不可撤銷經營租賃之未來最低應收租金如下：

應收租金包括商業物業的租金收入。

43 Related Party Transactions

The Company is controlled by Mr. Chu Mang Yee, who owns approximately 52.95% of the Company's shares as at 31st December 2020 (2019: 55.22%). The remaining shares are widely held.

The ultimate holding company is Sounda Properties Limited, a company incorporated in the British Virgin Islands.

(a) The following significant connected transactions were carried out with related parties:

Sales of goods and services (Note)

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Property management services to a related company	提供予一間關連公司之物業管理服務	36,836	33,510
Building design services to a related company	提供予一間關連公司之樓宇設計服務	62,067	70,014
Shop and office lease services to related companies	提供予關連公司之商舖及辦公室租賃服務	23,969	25,546
Hotel management services to related companies	提供予關連公司之酒店管理服務	7,972	4,965
Commercial real estate management services to related companies	提供予關連公司之商業地產管理服務	321,775	131,795
Heating services to a related company	提供予一間關連公司之供暖服務	992	1,458
Property construction services to a related company	提供予一間關連公司之物業建築服務	187,407	16,154
		641,018	283,442

43 關連人士交易

本公司由朱孟依先生控制，其於二零二零年十二月三十一日擁有約52.95%（二零一九年：55.22%）本公司股份。餘下股份由其他人士廣泛持有。

最終控股公司為於英屬處女群島註冊成立的新達置業有限公司。

(a) 下列為與關連人士進行之重要關連交易：

銷售貨品及服務(註)

43 Related Party Transactions (Continued)

(a) The following significant connected transactions were carried out with related parties: (Continued)

Purchase of goods and services (Note)

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Property construction services from a related company	一間關連公司提供之物業建築服務	532,086	984,988
Electricity installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work from related companies	關連公司提供之電力安裝、弱電系統及智能樓宇系統安裝以及建築工程成本控制諮詢服務	46,352	11,472
Office lease services from related companies	關連公司提供之辦公室租賃服務	10,277	9,488
Information technology related services from a related company	一間關連公司提供之信息科技相關服務	23,567	13,409
Marketing services from related companies	關連公司提供之市場推廣服務	778,120	682,375
		1,390,402	1,701,732

Note:

All transactions were carried out with Chu's controlled entities, comprising companies which are related to either Mr. Chu Yat Hong or Mr. Chu Wai Hong. They are brothers of Ms. Chu Kut Yung (Chairman of the Board of Directors of the Company).

All the services mentioned above were charged in accordance with the terms of the underlying agreements.

43 關連人士交易(續)

(a) 下列為與關連人士進行之重要關連交易：(續)

購買貨品及服務(註)

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Property construction services from a related company	一間關連公司提供之物業建築服務	532,086	984,988
Electricity installation, low voltage system and intelligent building system installation and consultancy service on cost control for construction work from related companies	關連公司提供之電力安裝、弱電系統及智能樓宇系統安裝以及建築工程成本控制諮詢服務	46,352	11,472
Office lease services from related companies	關連公司提供之辦公室租賃服務	10,277	9,488
Information technology related services from a related company	一間關連公司提供之信息科技相關服務	23,567	13,409
Marketing services from related companies	關連公司提供之市場推廣服務	778,120	682,375
		1,390,402	1,701,732

註：

所有交易都是與朱氏控制實體進行，朱氏控制實體包括屬於朱一航先生或朱偉航先生的聯繫人的公司。他們為朱桔榕女士(本公司董事會主席)之胞兄。

上述所有服務乃根據相關協議的條款收費。

43 Related Party Transactions (Continued)

43 關連人士交易(續)

(b) Amounts due from/to related parties were as follows:

(b) 應收/付關連人士之款項如下:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Advances to joint ventures	合營企業墊款	5,487,749	106,991
Due from joint ventures	應收合營公司之款項	91,843	48,845
Due from associates	應收聯營公司款項	5,941	58,964
Due from related companies	應收關連公司款項	246,111	8,318
Due to an associate	應付一間聯營公司之款項	6,348	5,964
Due to related companies	應付關連公司之款項	212,001	366,248
Due to joint ventures	應付合營公司之款項	1,416,623	3,011,241

As at 31st December 2020, except for the advances to joint ventures which are denominated in RMB, unsecured, non-interest bearing and not repayable within the next twelve months, all outstanding balances with related companies, associates and joint ventures were denominated in RMB, unsecured, non-interest bearing and without predetermined repayment terms.

於二零二零年十二月三十一日，除了合營公司墊款以人民幣計值、無抵押、免息及未來十二個月尚未到期外，與關連公司、聯營公司及合營公司之全部結餘均以人民幣計值、無抵押、免息及並無預定還款期。

As at 31st December 2020, the Group also had accounts receivable of approximately HK\$495,259,000 (2019: HK\$144,926,000) due from certain related companies (Note 18) and account payable of approximately HK\$916,920,000 (2019: HK\$829,032,000) due to certain related companies in respect of property construction (Note 23). These related companies are owned by the brother and uncles of Ms. Chu Kut Yung (Chairman of the Board of Directors of the Company).

於二零二零年十二月三十一日，本集團亦有應收若干關聯公司的賬款約495,259,000港元(二零一九年：144,926,000港元)(附註18)及應付若干關連公司物業建築款項約916,920,000港元(二零一九年：829,032,000港元)(附註23)。該等關連公司由朱桔榕女士(本公司董事會主席)之胞兄、伯父及姑丈持有。

(c) Amount due to non-controlling interests

The amount due to non-controlling interests represents shareholders' loans to subsidiaries from the non-controlling interests, which are denominated in RMB, unsecured and non-interest bearing. The amount is not repayable within the next twelve months.

(c) 應付非控制性權益之款項

應付非控制性權益之款項指非控制性權益向子公司借出之股東貸款，有關款項為以人民幣計值、無擔保及免息。有關款項不需於未來十二個月內償還。

43 Related Party Transactions (Continued)

(d) Key management compensation:

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	17,801	16,565
Pension costs	退休金成本	480	695
		18,281	17,260

(e) Undertaking provided by Mr. Chu Mang Yee to the Group in relation to the acquisition of Panyu Zhujiang Real Estate Limited*

In March 2010, the Group completed the acquisition of the entire interest in Panyu Zhujiang Real Estate Limited ("Panyu Zhujiang") from Hanjiang Construction Installation Project Limited (now known as Guangdong Hanjiang Engineering Construction Limited) ("Hanjiang").

Panyu Zhujiang possesses the right to develop a piece of land in Panyu District, Guangdong, Mainland China. Hanjiang agreed to perform and complete all necessary demolition and preparation work to obtain the land use right certificate at its own cost. In relation to the Group's acquisition of Panyu Zhujiang, Mr. Chu Mang Yee has undertaken to the Group to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the land (subject to a maximum amount of RMB3,600 million). As at 31st December 2020, Hanjiang was in the process of applying the land use right certificates.

43 關連人士交易(續)

(d) 主要管理層報酬：

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	17,801	16,565
Pension costs	退休金成本	480	695
		18,281	17,260

(e) 朱孟依先生就收購番禺珠江房地產有限公司向本集團作出之承諾*

於二零一零年三月，本集團完成向廣東韓江建築安裝工程有限公司(現稱為廣東韓江工程總承包有限公司)(「韓江」)收購番禺珠江房地產有限公司(「番禺珠江」)之全部權益。

番禺珠江擁有中國大陸廣東番禺區內一塊土地的發展權。韓江同意自費處理並完成全部所需的拆除及準備工作以獲得土地使用權證。就有關本集團收購番禺珠江而言，朱孟依先生已向本集團保證韓江如期履行其有關土地的債務(最高款項可達人民幣3,600百萬元)。於二零二零年十二月三十一日，韓江正在申請土地使用權憑證。

43 Related Party Transactions (Continued)

(f) Undertaking provided by Mr. Chu Mang Yee to the Group in relation to acquisition of Believe Best Investment Limited*

In 2007, the Group completed the acquisition of 80% of the issued share capital of Believe Best Investments Limited (“Believe Best”) from Mr. Chu Mang Yee. Believe Best has, through its indirect wholly-owned subsidiary (the project company), a piece of land for property development in Chaoyang District, Beijing, Mainland China (known as the “Jing Run Project”).

In relation to the Group’s interest in the Jing Run Project (through its 80% interest in Believe Best), Mr. Chu Mang Yee, has (i) fully guaranteed the bank loans which were used by the project company for the demolition and relocation of the extra public greenfield site peripheral to the Jing Run Project at the request of the local government; and (ii) undertaken to the Group to be responsible for the excess amount, if any, being the difference in the unit cost per square metre (including the demolition and relocation fees for the extra public greenfield site and the land transfer fees as compared with the original agreed valuation price of Jing Run Project) for the gross floor area to be developed, payable by the project company in respect of any increase in plot ratio as the government may approve. The demolition and relocation work on the extra public greenfield is ongoing and the related costs of approximately RMB1,630 million had been incurred by the Group up to 31st December 2020 (31st December 2019: RMB1,630 million). Such additional costs may be compensated by an increase in plot ratio for the Jing Run Project, although government approval for increase in plot ratio is pending.

(g) Acquisition of Sun Excel Investments Limited*

On 3rd November 2010, the Group entered into an agreement with Farrich Investments Limited (“Farrich”), a related company, to acquire 100% equity interests in Sun Excel Investments Limited (“Sun Excel”) at a total consideration of RMB6,605,066,000. The consideration would be satisfied by (i) cash of RMB2,313,787,000, and (ii) the issuance of 523,247,000 shares of the Company for RMB4,291,279,000 (equivalent to approximately HK\$5,387,332,000), on the basis that the construction will be fully completed by Farrich at its own cost.

43 關連人士交易(續)

(f) 朱孟依先生就收購信佳投資有限公司向本集團作出之承諾*

於二零零七年，本集團完成向朱孟依先生收購信佳投資有限公司(「信佳」)已發行股本之80%權益。信佳已透過其間接全資子公司(項目公司)擁有一幅位於中國大陸北京市朝陽區之土地作物業發展之用(名為「京潤項目」)。

就有關本集團於京潤項目之權益(透過其於信佳之80%權益)而言，朱孟依先生已(i)全數擔保項目公司應當地政府之要求，就京潤項目周邊額外公用綠化土地之拆遷而可能需要之銀行貸款；及(ii)向本集團承諾倘當地政府就完成額外公用綠化土地之拆遷而增加批出之容積率，而每平方米之單位成本(包括較京潤項目原本議定之估價為高之額外公共綠化土地之拆遷費用及土地轉讓費)高於原本議定之估價，朱孟依先生承擔支付該項目公司可建築面積超出之金額(如有)。額外公用綠化土地之拆遷工作正在進行中，而本集團於截至二零二零年十二月三十一日已產生約人民幣1,630百萬元(二零一九年十二月三十一日：人民幣1,630百萬元)之相關成本。額外成本或會於增加京潤項目之容積率得以補償，然而政府尚未發出增加容積率之批准。

(g) 收購日佳投資有限公司*

於二零一零年十一月三日，本集團與一間關連公司遠富投資有限公司(「遠富」)訂立協議，以總代價人民幣6,605,066,000元收購日佳投資有限公司(「日佳」)之100%股本權益。代價將以(i)現金人民幣2,313,787,000元，及(ii)就人民幣4,291,279,000元(相等於約5,387,332,000港元)發行523,247,000股本公司股份的方式支付，以上乃基於遠富自行負擔完全完成興建之費用。

43 Related Party Transactions (Continued)

(g) Acquisition of Sun Excel Investments Limited* (Continued)

The sole asset of Sun Excel is its 100% interests in Beijing Chuanghe Fengwei Real Property Development Co. Limited (formerly known as Beijing Chuanghe Fengwei Technology Investment and Management Co. Limited) (“Project Co A”) and Beijing Shengchuang Hengda Real Property Development Co. Limited (formerly known as Beijing Shengchuang Hengda Technology Investment and Management Co. Limited) (“Project Co D”). Project Co A and Project Co D hold the land use rights of a piece of land in Tongzhou District, Beijing, Mainland China (the “Project”).

The acquisition of Sun Excel was completed in October 2013. As at 31st December 2020, cash consideration of RMB2,313,787,000 (31st December 2019: RMB1,579,414,000) out of the total cash consideration of RMB2,313,787,000 were paid, representing the amount of construction work completed by Farrich.

(h) Disposals of land use rights to Mr. Chu Mang Yee*

In May 2012, the Group entered into agreements to dispose of its land use rights of two pieces of land in Panyu District, Guangdong, Mainland China and Baodi District, Tianjin, Mainland China to Mr. Chu Mang Yee, for considerations of RMB29,258,305 and RMB2,500,000, respectively.

The transactions have not yet been completed as at 31st December 2020. It is expected that the Group will recognise gain on disposals, net of tax, of approximately RMB9,834,000 upon completion of the transactions.

(i) Subscription of share capital of Chu’s controlled entities*

On 3rd November 2020, the Group has entered into a share subscription agreement with Meta Group Limited (“Yuanzhi Cayman”), which are Chu’s controlled entities, to subscribe for 20% share capital at a consideration of US\$182,000,000, in exchange of the 20% equity interest of Hooplife Technology Group Limited and 30% equity interest of Hopson Technological Commerce Group Limited, which were wholly owned subsidiaries of the Group, at a consideration of US\$170,000,000 (HK\$1,318,000,000) and US\$12,000,000 (HK\$93,000,000) respectively. As at 31st December 2020, the Group paid deposits of US\$91,000,000 (HK\$705,487,000) to Yuanzhi Cayman (Note 17(iii)) and the remaining commitment is included in Note 42(a). The transactions were completed in January 2021.

* Represented connected transactions with connected persons of the Company under the Listing Rules.

43 關連人士交易(續)

(g) 收購日佳投資有限公司*(續)

日佳唯一的資產為其於北京創合豐威房地產開發有限公司(前稱北京創合豐威科技投資管理有限公司)(「項目公司A」)及北京盛創恒達房地產開發有限公司(前稱北京盛創恒達科技投資管理有限公司)(「項目公司D」)的100%權益。項目公司A及項目公司D持有中國大陸北京通州區內一幅土地之土地使用權(「項目」)。

收購日佳已於二零一三年十月完成。於二零二零年十二月三十一日，總現金代價共人民幣2,313,787,000元中的人民幣2,313,787,000元(二零一九年十二月三十一日：人民幣1,579,414,000元)現金代價已獲支付，即遠富已完成之興建工程金額。

(h) 向朱孟依先生出售土地使用權*

於二零一二年五月，本集團訂立協議，分別以人民幣29,258,305元及人民幣2,500,000元作為代價，向朱孟依先生出售其位於中國大陸廣東番禺區及中國大陸天津寶坻區的兩幅土地的土地使用權。

於二零二零年十二月三十一日，交易尚未完成。預期本集團將於交易完成時確認出售收益(扣除稅項後)約人民幣9,834,000元。

(i) 認購朱氏控制實體的股本*

於二零二零年十一月三日，本集團與朱氏控制實體Meta Group Limited(「元知開曼」)訂立股份認購協議，以代價182,000,000美元認購其20%股本，以換取合生活科技集團有限公司20%股本和合生商業科技集團有限公司30%的股本，均為本集團之全資子公司，代價分別為170,000,000美元(1,318,000,000港元)及12,000,000美元(93,000,000港元)。於二零二零年十二月三十一日，本集團已向元知開曼支付91,000,000美元(705,487,000港元)(附註17(iii)及附註42(a)中的資本承擔)，交易已於二零二一年一月完成。

* 根據上市規則屬於與本公司關連人士的關連交易。

44 Events After the Balance Sheet Date

On 13th January 2021, an indirect wholly-owned subsidiary of the Company, issued 5.8% senior notes due 2022 with a principal amount of US\$400,000,000 (equivalent to approximately HK\$3,101,920,000) at par value. The Group may redeem all or a portion of the notes at pre-determined redemption prices.

On 26th January 2021, a wholly-owned subsidiary of the Company, became the successful bidder for the land use rights in respect of plots DX05-0200-0037, 0038 and 6002, Shanty Town, Nanjiao Farm, Jiugong Town, Daxing District, Beijing (北京大興區舊宮鎮南郊農場棚戶區) (the "Land") at the total consideration of RMB4.657 billion through a public bidding process. The Group intends to develop the Land into residential buildings.

On 28th January 2021, an indirect wholly-owned subsidiary of the Company, issued 5.8% senior notes due 2022 with a principal amount of US\$100,000,000 (equivalent to approximately HK\$775,480,000) at par value. The Group may redeem all or a portion of the notes at pre-determined redemption prices.

44 結算日後事項

於二零二一年一月十三日，一家本公司之間接全資子公司按面值發行於二零二二年到期本金總額400,000,000美元(相等於約3,101,920,000港元)之5.8厘優先票據。本集團可按預先釐定之贖回價贖回全部或部分票據。

於二零二一年一月二十六日，本公司全資子公司通過公開投標流程，成功中標位於北京大興區舊宮鎮南郊農場棚戶區DX05-0200-0037、0038及6002地塊的土地使用權(「該土地」)，總代價為人民幣46.57億元。本集團擬在該土地開發住宅樓宇。

於二零二一年一月二十八日，一家本公司之間接全資子公司按面值發行於二零二二年到期本金總額100,000,000美元(相等於約775,480,000港元)之5.8厘優先票據。本集團可按預先釐定之贖回價贖回全部或部分票據。

45 Company Statement of Financial Position

45 本公司財務狀況表

		2020 二零二零年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元
Assets	資產		
Non-current assets	非流動資產		
Investments in subsidiaries	於子公司之投資	23,513,386	20,513,971
Current assets	流動資產		
Prepayments, deposits and other current assets	預付款項、按金及其他流動資產	2,599	2,463
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	12,815	14,591
Cash and cash equivalents	現金及現金等價物	761,156	231,585
		776,570	248,639
Total assets	總資產	24,289,956	20,762,610
Equity	權益		
Share capital	股本	219,137	222,556
Reserves (Note)	儲備(註)	19,309,909	16,683,507
Total equity	權益總額	19,529,046	16,906,063
Liabilities	負債		
Non-current liabilities	非流動負債		
Borrowings	借貸	4,741,071	3,840,525
		4,741,071	3,840,525
Current liabilities	流動負債		
Accruals and other payables	應計款項及其他應付款項	11,042	7,757
Current tax liabilities	流動稅項負債	8,797	8,265
		19,839	16,022
Total liabilities	負債總額	4,760,910	3,856,547
Total equity and liabilities	權益及負債總額	24,289,956	20,762,610

Notes to the Consolidated Financial Statements (Continued) 綜合財務報表附註(續)

45 Company Statement of Financial Position (Continued)

45 本公司財務狀況表(續)

Note:

註：

Reserve movement of the Company

本公司之儲備變動

		Share premium 股份溢價 HK\$'000 千港元	Currency translation differences 貨幣匯兌差額 HK\$'000 千港元	Retained earnings 保留盈利 HK\$'000 千港元	Total 總計 HK\$'000 千港元
For the year ended 31st December 2020	截至二零二零年 十二月三十一日止年度				
Balance at 1st January 2020	於二零二零年一月一日之結餘	15,800,776	(80,101)	962,832	16,683,507
Repurchase of own shares	購回本身股份	(241,844)	—	(358,374)	(600,218)
Profit for the year	年度溢利	—	—	4,035,409	4,035,409
Currency translation differences	貨幣匯兌差額	—	1,194,215	—	1,194,215
Dividend paid	已付股息	—	—	(2,003,004)	(2,003,004)
Balance at 31st December 2020	於二零二零年十二月三十一日之結餘	15,558,932	1,114,114	2,636,863	19,309,909
For the year ended 31st December 2019	截至二零一九年 十二月三十一日止年度				
Balance at 1st January 2019	於二零一九年一月一日之結餘	15,800,776	364,768	894,980	17,060,524
Profit for the year	年度溢利	—	—	735,520	735,520
Currency translation differences	貨幣匯兌差額	—	(444,869)	—	(444,869)
Dividend paid	已付股息	—	—	(667,668)	(667,668)
Balance at 31st December 2019	於二零一九年十二月三十一日之結餘	15,800,776	(80,101)	962,832	16,683,507

46 Details of Principal Subsidiaries

46 主要子公司詳情

The following is a list of the principal subsidiaries at 31st December 2020:

以下為於二零二零年十二月三十一日之主要子公司名單：

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
Hopson Development International Limited 合生創展國際有限公司	British Virgin Islands, limited liability company 英屬處女群島，有限責任公司	US\$2,000 2,000美元	100%	—	Investment holding in Hong Kong 於香港投資控股
Sun Excel Investments Limited 日佳投資有限公司	British Virgin Islands, limited liability company 英屬處女群島，有限責任公司	US\$2,600,001 2,600,001美元	100%	—	Investment holding in Hong Kong 於香港投資控股
Addup International Limited 永熹國際有限公司	Hong Kong, limited liability company 香港，有限責任公司	HK\$1 1港元	—	100%	Investment holding in Hong Kong 於香港投資控股
Archibald Properties Limited 愛寶置業有限公司	British Virgin Islands, limited liability company 英屬處女群島，有限責任公司	US\$2 2美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Bazhou Shengkai Property Development Co., Ltd 霸州市勝凱房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB20,000,000 人民幣20,000,000元	—	75%	Property development in Mainland China 於中國大陸發展物業
Beijing Chuanghe Fengwei Real Property Development Co. Limited 北京創合豐威房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$61,920,330 61,920,330美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Beijing Hopson Beifang Real Estate Development Limited 北京合生北方房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$220,580,000 220,580,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Beijing Hopson Longhui Restaurant Management Company Limited 北京合生龍匯餐飲管理有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB3,000,000 人民幣3,000,000元	—	100%	Restaurant management in Mainland China 於中國大陸管理餐飲
Beijing Hopson Luzhou Real Estate Development Limited 北京合生綠洲房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB1,793,370,000 人民幣1,793,370,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Beijing Hopson Wangjing Real Estate Development Company Limited 北京合生望景房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB364,990,000 人民幣364,990,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Beijing Hopson Xingye Real Estate Development Limited 北京合生興業房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$31,600,000 31,600,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Beijing Hopson Yujing Real Estate Development Limited 北京合生愉景房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$165,760,000 165,760,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
			Beijing Longyuan Shunjing Real Estate Development Limited 北京龍源順景房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	
Beijing Shengchuang Hengda Real Property Development Co. Limited 北京盛創恒達房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$67,385,504 67,385,504美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Beijing Xinjingrun Property Co., Ltd. 北京新京潤房地產有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$444,540,000 444,540,000美元	—	82.5%	Property development in Mainland China 於中國大陸發展物業
Beijing Heli Yunxing Real Estate Co., Ltd. 北京合力運興置業有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB2,100,000,000 人民幣2,100,000,000元	—	51%	Property development in Mainland China 於中國大陸發展物業
Believe Best Investments Limited 信佳投資有限公司	British Virgin Islands, limited liability company 英屬處女群島，有限責任公司	US\$200 200美元	—	82.5%	Investment holding in Hong Kong 於香港投資控股
Chia Lung Group Company Limited 佳龍集團有限公司	Samoa, limited liability company 薩摩亞國，有限責任公司	US\$6,500,000 6,500,000美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Dalian Hopson Fubang Real Estate Development Company Limited 大連合生富邦房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$32,747,000 32,747,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Dalian Hopson Xingye Real Estate Development Company Limited 大連合生興業房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB50,000,000 人民幣50,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Dynawell Investment Limited 頤和投資有限公司	Hong Kong, limited liability company 香港，有限責任公司	HK\$10,000 10,000港元	—	100%	Investment holding in Hong Kong 於香港投資控股
Ever New Properties Limited 恒新置業有限公司	Hong Kong, limited liability company 香港，有限責任公司	HK\$2 ordinary HK\$3 non-voting deferred shares (Note) 2港元普通股3港元 無投票權遞延股份 (註)	—	100%	Investment holding and property investment in Hong Kong 於香港投資控股及投資 物業
Funland Properties Limited 奔騰置業有限公司	British Virgin Islands, limited liability company 英屬處女群島，有限責任公司	US\$2 2美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Grand Avenue Limited 勁途有限公司	Hong Kong, limited liability company 香港，有限責任公司	HK\$22,500,000 22,500,000港元	—	100%	Investment holding in Hong Kong 於香港投資控股

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
Guangdong Esteem Property Services Limited 廣東康景物業服務有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	HK\$5,000,000 5,000,000港元	—	100%	Property management in Mainland China 於中國大陸管理物業
Guangdong Hopson Dijing Real Estate Co. Ltd. 廣東合生帝景房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	US\$37,500,000 37,500,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangdong Hopson Hongjing Real Estate Company Limited 廣東合生泓景房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB200,280,000 人民幣200,280,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangdong Hopson Lejing Real Estate Co. Limited 廣東合生樂景房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB44,500,000 人民幣44,500,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangdong Hopson Minghui Real Estate Limited 廣東合生明暉房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB41,500,000 人民幣41,500,000元	—	91%	Property development in Mainland China 於中國大陸發展物業
Guangdong Hopson Yuehua Real Estate Limited 廣東合生越華房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB41,500,000 人民幣41,500,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangdong Huajing New City Real Estate Limited 廣東華景新城房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB93,500,018 人民幣93,500,018元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangdong Huanan New City Real Estate Limited 廣東華南新城房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB464,750,000 人民幣464,750,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangdong Zhongfu Real Estate Investment Co., Ltd. 廣東中福房地產投資有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB10,010,000 人民幣10,010,000元	—	100%	Investment holding in Mainland China 於中國大陸投資控股
Guangzhou Chuangda Investment Development Company Limited 廣州創達投資發展有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB600,000,000 人民幣600,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangdong Hechuang Construction Company Limited 廣東合創工程總承包有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB1,200,000,000 人民幣1,200,000,000元	—	100%	Provision of construction service in Mainland China 於中國大陸提供建築服務
Guangzhou Hopson Cuijing Real Estate Limited 廣州合生翠景房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB53,550,000 人民幣53,550,000元	—	97%	Property development in Mainland China 於中國大陸發展物業

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
			Guangzhou Hopson Dongyu Real Estate Limited 廣州合生東宇房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	
Guangzhou Hopson Junjing Real Estate Limited 廣州合生駿景房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB221,619,440 人民幣221,619,440元	—	95%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Hopson Keji Garden Real Estate Limited 廣州合生科技園房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB133,340,000 人民幣133,340,000元	—	95%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Hopson Qingyuan Water Supply Limited 廣州合生清源淨水有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB3,000,000 人民幣3,000,000元	—	100%	Water supply in Mainland China 於中國大陸供水
Guangzhou Hopson Xingjing Business Services Limited 廣州合生星景商務有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB500,000 人民幣500,000元	—	100%	Provision of clubhouse and residential services in Mainland China 於中國大陸提供會所及住宅服務
Guangzhou Hopson Yihui Real Estate Limited 廣州合生怡暉房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB131,420,019 人民幣131,420,019元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Hopson Yijing Real Estate Limited 廣州合生逸景房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB82,040,000 人民幣82,040,000元	—	99.5%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Hopson Yujing Real Estate Limited 廣州合生愉景房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB47,250,000 人民幣47,250,000元	—	70%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Huayue Longting Restaurant Limited 廣州華越龍庭酒家有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB3,000,000 人民幣3,000,000元	—	100%	Restaurant management in Mainland China 於中國大陸管理餐飲
Guangzhou Jiannan Property Development Limited 廣州建南房產發展有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	US\$12,000,000 12,000,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Nonggongshang Construction and Development Company Limited 廣州市農工商建設開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB2,170,243 人民幣2,170,243元	—	95%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Wanxiangying Real Estate Company Limited 廣州市萬想營物業發展有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB1,000,000 人民幣1,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
Guangzhou Xinchangjiang Development Limited 廣州新長江建設開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB60,000,000 人民幣60,000,000元	—	95.5%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Yihui Real Estate Development Limited 廣州市溢輝房地產開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB37,000,000 人民幣37,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Yiming Real Estate Development Company Limited 廣州頤明房地產開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB43,800,000 人民幣43,800,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Yisheng Real Estate Development Limited 廣州市溢晟房地產開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB52,500,000 人民幣52,500,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Zhujiang Qiaodu Real Estate Limited 廣州珠江橋都房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB535,500,000 人民幣535,500,000元	—	99.5%	Property development in Mainland China 於中國大陸發展物業
Guangzhou Ziyun Village Real Estate Company Limited 廣州紫雲山莊房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	US\$36,400,259 36,400,259美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Guilin Feng Huang Wen Tou Properties Company Limited 桂林鳳凰文投置業有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB119,260,600 人民幣119,260,600元	—	42.8%	Property development in Mainland China 於中國大陸發展物業
Hangzhou Xincheng Yuehong Real Estate Property Development Company Limited 杭州新城悅宏房地產開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB100,000,000 人民幣100,000,000元	—	95%	Property development in Mainland China 於中國大陸發展物業
Hopeson Holdings Limited 合生集團有限公司	Hong Kong, limited liability company 香港·有限責任公司	HK\$2 ordinary HK\$10,000 non-voting deferred shares (Note) 2港元普通股 10,000港元無投票權 遞延股份(註)	—	100%	Investment holding in Hong Kong 於香港投資控股
Hopson (Guangzhou) Industries Limited 合生(廣州)實業有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	US\$4,830,000 4,830,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Hopson Development (Consultants) Limited 合生創展(顧問)有限公司	British Virgin Islands, limited liability company 英屬處女群島·有限責任公司	US\$2 2美元	—	100%	Provision of consultancy services in Hong Kong 於香港提供諮詢服務
Hopson Development (Properties) Limited 合生創展(置業)有限公司	Hong Kong, limited liability company 香港·有限責任公司	HK\$10,000 10,000港元	—	100%	Investment holding in Hong Kong 於香港投資控股

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
			Hopson Properties (China) Limited 合生中國房地產有限公司	British Virgin Islands, limited liability company 英屬處女群島, 有限責任公司	
Huidong Zhongfu Real Estate Co., Ltd. 惠東中福置業有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB45,760,035 人民幣45,760,035元	—	92.2%	Property development in Mainland China 於中國大陸發展物業
Huizhou Daya Bay New Coastal City Development and Investment Co. Ltd. 惠州大亞灣新海岸城市建設投資 有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB100,000,000 人民幣100,000,000元	—	60%	Property development in Mainland China 於中國大陸發展物業
Huizhou Hopson Youtian Property Company Limited 惠州市合生友天實業有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB584,843,979 人民幣584,843,979元	—	100%	Property development in Mainland China 於中國大陸發展物業
Huizhou Hopson Xieyuan Property Company Limited 惠州市合生協元房地產有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB590,411,061 人民幣590,411,061元	—	100%	Property development in Mainland China 於中國大陸發展物業
Huizhou Yapai Real Estate Company Limited 惠州市亞派房地產有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB260,870,000 人民幣260,870,000元	—	95.8%	Property development in Mainland China 於中國大陸發展物業
Huizhou Yaxin Real Estate Company Limited 惠州市亞新房地產有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB119,000,000 人民幣119,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Ji Run Property Investments Limited 吉潤置業投資有限公司	Hong Kong, limited liability company 香港, 有限責任公司	HK\$1,000,000 1,000,000港元	—	82.5%	Investment holding in Hong Kong 於香港投資控股
Jiangmen Hopson Xinjing Property Company Limited 江門市合生鑫景房地產有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB100,000,000 人民幣100,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Kunshan Hesong Property Development Company Limited 昆山合嵩房地產開發有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB400,000,000 人民幣400,000,000元	—	60%	Property development in Mainland China 於中國大陸發展物業
Karworld Holdings Limited 嘉和集團有限公司	Hong Kong, limited liability company 香港, 有限責任公司	HK\$10,000 10,000港元	—	100%	Investment holding in Hong Kong 於香港投資控股
Kunshan Hopson Property Development Company Limited 昆山合生房地產開發有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB200,000,000 人民幣200,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Langfang Hongchang Jiatai Property Development Company Limited 廊坊市宏昌佳泰房地產開發有限公司	Mainland China, limited liability company 中國大陸, 有限責任公司	RMB15,000,000 人民幣15,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
Malaysian Teogheew Industrial Estate Development (Guangzhou) Ltd. 廣州馬潮工業村發展有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	HK\$25,000,000 25,000,000港元	—	55%	Property development in Mainland China 於中國大陸發展物業
Max Clear Investments Limited 先卓投資有限公司	Hong Kong, limited liability company 香港·有限責任公司	HK\$1 1港元	—	100%	Investment holding in Hong Kong 於香港投資控股
Nambour Properties Limited 南博置業有限公司	British Virgin Islands, limited liability company 英屬處女群島·有限責任公司	US\$2 2美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Ningbo Hopson Ci City Leisure Sports Company Limited 寧波合生慈城休閒體育發展有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	US\$10,000,000 10,000,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Ningbo Hopson Kam City Real Estate Company Limited 寧波合生錦城房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB157,900,000 人民幣157,900,000元	—	95%	Property development in Mainland China 於中國大陸發展物業
Ningbo Hopson Ming City Real Estate Company Limited 寧波合生名城房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB10,000,000 人民幣10,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Ningbo Hopson Real Estate Company Limited 寧波合生創展房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB220,000,000 人民幣220,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Outward Expanse Investments Limited 廣大投資有限公司	British Virgin Islands, limited liability company 英屬處女群島·有限責任公司	US\$2 2美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Panyu Zhujiang Real Estate Company Limited 番禺珠江房地產有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB100,000,000 人民幣100,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Plaza Royale Water Palace Convention Hotel Tianjin Co. Limited 天津帝景溫泉酒店有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB72,000,000 人民幣72,000,000元	—	70%	Hotel operation in Mainland China 於中國大陸經營酒店
Pomeroy Properties Limited 邦萊置業有限公司	British Virgin Islands, limited liability company 英屬處女群島·有限責任公司	US\$2 2美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Prestige Dragon Development Limited 譽龍發展有限公司	Hong Kong, limited liability company 香港·有限責任公司	HK\$10,000 10,000港元	—	100%	Investment holding in Hong Kong 於香港投資控股
Right Strong International Limited 信能國際有限公司	Hong Kong, limited liability company 香港·有限責任公司	HK\$1 1港元	—	100%	Investment holding in Hong Kong 於香港投資控股

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
			Shanghai Dazhan Investment Management Company Limited 上海大展投資管理有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	
Shanghai Hechuang Linhai Property Development Company Limited 上海合創臨海房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB900,000,000 人民幣900,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Hopson Jinting Real Estate Development Limited 上海合生錦廷房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB50,000,000 人民幣50,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Hopson Property Development Company Limited 上海合生房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$59,900,000 59,900,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Hopson Sanlin Real Estate Development Limited 上海合生三麟房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB50,000,000 人民幣50,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Longjia Properties Limited 上海龍嘉置業有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB20,000,000 人民幣20,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Longmeng Real Estate Development Company Limited 上海龍盟房地產開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$44,370,000 44,370,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Sanxiang Real Estate Development Company Limited 上海三象房產發展有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	US\$8,000,000 8,000,000美元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Shangshi Haiyun Properties Company Limited 上海上實海雲置業有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB800,000,000 人民幣800,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Tongzhen Investment and Consultant Company Limited 上海同振投資諮詢有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB5,000,000 人民幣5,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Yutai Real Estate Development Company Limited 上海御泰房地產發展有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB400,000,000 人民幣400,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Shanghai Zeyu Properties Limited 上海澤宇置業有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB50,000,000 人民幣50,000,000元	—	94%	Property development in Mainland China 於中國大陸發展物業
Shanghai Zhengze Real Estate Development Company Limited 上海正澤房地產有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB50,000,000 人民幣50,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
Shanxi Hopson Dijing Construction Company Limited 山西合生帝景建設有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB990,753,900 人民幣990,753,900元	—	96.6%	Property development in Mainland China 於中國大陸發展物業
Shine Wealth Consultants Limited 亮豐顧問有限公司	British Virgin Islands, limited liability company 英屬處女群島·有限責任公司	US\$1 1美元	—	100%	Provision of consultancy in Hong Kong 於香港提供顧問服務
Size Up Investments Limited 廣都投資有限公司	Hong Kong, limited liability company 香港·有限責任公司	HK\$1 1港元	—	100%	Investment holding in Hong Kong 於香港投資控股
Solawide Properties Limited 崇偉置業有限公司	British Virgin Islands, limited liability company 英屬處女群島·有限責任公司	US\$2 2美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Suizhong Haisheng Tourism Development Corporation 綏中海盛旅遊置業發展有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB10,000,000 人民幣10,000,000元	—	51%	Property development in Mainland China 於中國大陸發展物業
Sun Advance Investments Limited 日進投資有限公司	British Virgin Islands, limited liability company 英屬處女群島·有限責任公司	US\$1 1美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Sun Yick Properties Limited 新益置業有限公司	British Virgin Islands, limited liability company 英屬處女群島·有限責任公司	US\$2 2美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Suzhou Ruiyin Properties Limited 蘇州瑞銀置業有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB493,311,100 人民幣493,311,100元	—	97.3%	Property development in Mainland China 於中國大陸發展物業
Taicang Hopson Property Development Company Limited 太倉合生房地產開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB280,000,000 人民幣280,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Tianjin Babo Real Estate Development Company Limited 天津市巴博房地產開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB30,000,000 人民幣30,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Tianjin Hopson Binhai Real Estate Development Company 天津合生濱海房地產開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB375,826,000 人民幣375,826,000元	—	98.9%	Property development in Mainland China 於中國大陸發展物業
Tianjin Hopson Zhujiang Real Estate Development Limited 天津合生珠江房地產開發有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB280,000,000 人民幣280,000,000元	—	92.3%	Property development in Mainland China 於中國大陸發展物業
Tianjin Meixin Architectural Design Company Limited 天津美新建築設計有限公司	Mainland China, limited liability company 中國大陸·有限責任公司	RMB3,000,000 人民幣3,000,000元	—	100%	Architectural design in Mainland China 於中國大陸設計建築

46 Details of Principal Subsidiaries (Continued)

46 主要子公司詳情(續)

Name of company 公司名稱	Place of incorporation and kind of legal entity 註冊成立地點及法律實體類別	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 本集團應佔 股權百分比		Principal activities and place of operation 主要業務及營運地點
			Directly 直接	Indirectly 間接	
Tianjin Royal Garden Hot Spring Development Company Limited 天津珠江帝景溫泉開發有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB190,000,000 人民幣190,000,000元	—	100%	Hotel operation in Mainland China 於中國大陸經營酒店
Tumen Properties Limited 祥能置業有限公司	British Virgin Islands, limited liability company 英屬處女群島，有限責任公司	US\$2 2美元	—	100%	Investment holding in Hong Kong 於香港投資控股
Trisum Investment Limited 豐深投資有限公司	Hong Kong, limited liability company 香港，有限責任公司	HK\$5,000,000 5,000,000港元	—	100%	Investment holding in Hong Kong 於香港投資控股
Value-Added Guangzhou Limited 廣州市加益有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB8,000,000 人民幣8,000,000元	—	70%	Property development in Mainland China 於中國大陸發展物業
Wilcon investment Limited 香港耀安投資有限公司	Hong Kong, limited liability company 香港，有限責任公司	HK\$49,320,002 49,320,002港元	—	100%	Investment holding in Mainland China 於中國大陸投資控股
Yao'an Batteries Power Supply Technology (Shenzhen) Co., Ltd. 耀安電池電源科技(深圳)有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB50,000,000 人民幣50,000,000元	—	100%	Property investment in Mainland China 於中國大陸投資物業
Zhejiang Kehua Digital Plaza Company Limited 浙江科華數碼廣場有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB10,000,000 人民幣10,000,000元	—	95%	Property development in Mainland China 於中國大陸發展物業
Zhongshan Hopson Haojing Real Estate Company Limited 中山市合生灝景房地產有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB10,000,000 人民幣10,000,000元	—	95%	Property development in Mainland China 於中國大陸發展物業
Zhongshan Hopson Hongjing Real Estate Company Limited 中山市合生宏景房地產有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB10,000,000 人民幣10,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業
Zhongshan Hopson Xijing Real Estate Company Limited 中山市合生熙景房地產有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB11,215,800 人民幣11,215,800元	—	84.7%	Property development in Mainland China 於中國大陸發展物業
Zhongxian International Company Limited 中先國際控股有限公司	Mainland China, limited liability company 中國大陸，有限責任公司	RMB2,250,000,000 人民幣2,250,000,000元	—	100%	Property development in Mainland China 於中國大陸發展物業

46 Details of Principal Subsidiaries (Continued)

Note:

The non-voting deferred shares have no voting rights and are not entitled to any dividend or distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares and thereafter one-half of the assets are distributable to holders of the non-voting deferred shares.

46 主要子公司詳情(續)

註：

無投票權遞延股份並無投票權，無權收取任何股息或無權於清盤時享有分派，除非100,000,000,000,000港元已分派予普通股持有人，則其後資產之一半可分派予無投票權遞延股份持有人。

47 Details of Principal Associates

47 主要聯營公司詳情

Name 名稱	Particulars of issued shares held 所持已發行股份詳情	Place of incorporation 註冊成立地點	Principle activities 主要業務	Interest held % 所持權益%	
				2020 二零二零年	2019 二零一九年
Guangdong Huasheng Cultural Development Company Limited 廣東華生教育文化發展有限公司	Registered capital of RMB5,000,000 註冊股本人民幣 5,000,000元	Mainland China 中國大陸	Operation of school 營辦學校	40	40
Tianjing Jingjin Financial and Property Investment Company Limited 天津京津金融產業投資有限公司	Registered capital of RMB1,000,000,000 註冊股本人民幣 1,000,000,000元	Mainland China 中國大陸	Property development 物業發展	30	30

48 Details of Principal Joint Ventures

48 主要合營公司詳情

Name 名稱	Particulars of issued shares held 所持已發行股份詳情	Place of incorporation 註冊成立地點	Principle activities 主要業務	Interest held % 所持權益%	
				2020 二零二零年	2019 二零一九年
Beijing Dongfangwenhua International Properties Company Limited 北京東方文華國際置業有限公司	Registered capital of US\$47,890,000 註冊股本47,890,000美元	Mainland China 中國大陸	Property development and property investment 物業發展及物業投資	—	60.98 (Note (i))
Guangzhou Diyi Dyeing Factory Company Limited 廣州第一染織廠有限公司	Registered capital of RMB82,991,973 註冊股本人民幣82,991,973元	Mainland China 中國大陸	Property development 物業發展	65 (Note (ii))	65 (Note (ii))
Beijing Hesheng Runjing Real Estate Co., Ltd. 北京合盛潤景置業有限公司	Registered capital of RMB3,204,600,000 註冊股本人民幣3,204,600,000元	Mainland China 中國大陸	Property development 物業發展	50	N/A 不適用
Kunshan Huayunxin Property Development Company Limited 昆山華昀新房地產開發有限公司	Registered capital of RMB200,000,000 註冊股本人民幣200,000,000元	Mainland China 中國大陸	Property development 物業發展	14.54 (Note (iii))	N/A 不適用

Notes:

- (i) The Group was entitled to 57.14% of the voting power in the Board of Directors of the joint venture while ordinary resolutions of the joint venture require 75% of the voting of the Board of Directors. The investment in joint venture was disposed in current year.
- (ii) The Group is entitled to 57.14% of the voting power in the Board of Directors of the joint venture while ordinary resolutions of the joint venture require 66.7% of the voting of the Board of Directors.
- (iii) The Group is entitled to 40% of the voting power in the Board of Directors of the joint venture while ordinary resolutions of the joint venture require 100% of the voting of the Board of Directors.

註:

- (i) 本集團擁有合營公司57.14%董事會投票權，而合營公司之普通決議案須董事會75%投票權。；在該合營公司的投資於二零二零年內完成出售。
- (ii) 本集團擁有合營公司57.14%董事會投票權，而合營公司之普通決議案須董事會66.7%投票權。
- (iii) 本集團擁有合營公司40%董事會投票權，而合營公司之普通決議案須董事會100%投票權。



羅兵咸永道

To the Shareholders of
Hopson Development Holdings Limited
(incorporated in Bermuda with limited liability)

致合生創展集團有限公司全體股東
(於百慕達註冊成立之有限公司)

Opinion

意見

What we have audited

我們已審計的內容

The consolidated financial statements of Hopson Development Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 166 to 285, which comprise:

合生創展集團有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)列載於第166至285頁之綜合財務報表，包括：

- the consolidated balance sheet as at 31st December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

- 於二零一九年十二月三十一日之綜合資產負債表；
- 截至該日止年度之綜合收益表；
- 截至該日止年度之綜合全面收入報表；
- 截至該日止年度之綜合權益變動表；
- 截至該日止年度的綜合現金流量表；及
- 綜合財務報表附註，包括主要會計政策概要。

Our opinion

我們的意見

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

我們認為，該等綜合財務報表已根據香港會計師公會頒佈的「香港財務報告準則」真實而中肯地反映了貴集團於二零一九年十二月三十一日的綜合財務狀況及其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。

Independent Auditor's Report (Continued)

獨立核數師報告(續)

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31st December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Recoverability of prepayments for acquisition of land
- Recoverability of properties under development for sale and completed properties for sale

意見的基礎

我們已根據香港會計師公會頒佈的「香港審計準則」進行審計。我們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」部分中作進一步闡述。

我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

獨立性

根據香港會計師公會頒佈的「專業會計師道德守則」(以下簡稱「守則」)，我們獨立於貴集團，並已履行守則中的其他專業道德責任。

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對截至二零一九年十二月三十一日止年度綜合財務報表的審計最為重要的事項。這些事項是在我們審計整體綜合財務報表及出具意見時處理的。我們不會對這些事項提供單獨的意見。

我們在審計中識別的關鍵審計事項概述如下：

- 投資物業的估值
- 收購土地預付款項的可收回性
- 可供出售之發展中物業及可供出售之已落成物業的可收回性

Key Audit Matter**關鍵審計事項**

Valuation of investment properties
投資物業的估值

Refer to Notes 4.1(a) and 8 to the consolidated financial statements

茲提述綜合財務報表附註4.1(a)及8

Management has estimated the fair value of the Group's investment properties to be HK\$56,962 million at 31st December 2019, with a revaluation gain for the year ended 31st December 2019 of HK\$8,176 million recorded in the consolidated income statement. External valuations were obtained for all the investment properties in order to support management's estimates. Fair values of completed investment properties are derived using the income capitalisation method, and fair values of investment properties under development are derived using the residual method. The valuations are dependent on certain key assumptions that require significant judgement, including capitalisation rates and prevailing market rents. The valuations of investment properties under development are also dependent upon the estimated costs to completion and estimated developer's profit.

管理層已估計貴集團於二零一九年十二月三十一日的投資物業公平值為56,962百萬港元，而於綜合收益表確認之截至二零一九年十二月三十一日止年度之重估收益則為8,176百萬港元。所有投資物業經已獲取外部估值，藉以支持管理層之估計。已落成投資物業的公平值乃以收入資本化法得出，而發展中投資物業的公平值則以剩餘法得出。估值乃取決於若干需要重大判斷的重要假設，包括資本化比率及現行市場租金。發展中投資物業的估值亦取決於估計落成成本及估計發展商利潤。

Due to the existence of significant judgement in making assumptions used in the valuation of investment properties, we considered it a key audit matter.

由於作出投資物業估值所用之假設存在重大判斷，故我們將其視為關鍵審計事項。

How our audit addressed the Key Audit Matter**我們的審計如何處理關鍵審計事項**

Our procedures in relation to management's valuation of investment properties included:

就管理層進行投資物業的估值而言，我們的程序包括：

- Evaluating the external independent valuers' competence, capabilities and objectivity;
- 評估獨立外部估值師的才幹、能力及客觀程度；
- Reviewing valuation reports and meeting with the independent valuers to discuss valuation methodologies;
- 審視估值報告並與獨立估值師會面，以討論估值方法；
- Assessing the valuation methodologies used and the appropriateness of the key underlying assumptions, including capitalisation rates, estimated developer's profit and prevailing market rents, based on our knowledge of the property industry, comparing to available market information for comparable properties and using our internal valuation experts; and
- 基於我們對物業行業的認識，比較市場上可供使用的可比較物業資料並使用我們的內部估值專家，以評估所用估值方法及重要相關假設是否恰當，包括資本化比率、估計發展商利潤及現行市場租金；及
- Checking on a sample basis, the data provided by the Group to the independent external valuers, including agreeing the rental information to the underlying lease contracts and/or market rental information of comparable properties as applicable, agreeing the costs incurred and the budgeted costs to the construction contracts and/or the supporting documentation.
- 按抽樣方式基準，檢查貴集團提供予獨立外部估值師的數據，包括協定相關租賃合約的租金資料及／或可資比較物業市場租金資料(按適用者)，協定工程合約所涉及成本及預算成本及／或證明文件。

We found the key assumptions were supported by the available audit evidence.

我們發現重要假設乃由可得審計憑證所支持。

Key Audit Matter

關鍵審計事項

Recoverability of prepayments for acquisition of land
收購土地預付款項的可收回性

Refer to Notes 4.1(b), 17, 42(e) and 42(f) to the consolidated financial statements

茲提述綜合財務報表附註4.1(b)、17、42(e)及42(f)

The Group had prepayments for acquisition of land of HK\$10,886 million as at 31st December 2019. Prepayments for acquisition of land represent advances made for the acquisitions of land use rights, for which the formal land use right certificates have not yet been obtained.

貴集團於二零一九年十二月三十一日有收購土地預付款項為10,886百萬港元。收購土地預付款項乃用於收購土地使用權的墊款，而相關正式土地使用權證尚未取得。

The balance includes an amount of approximately HK\$4,186 million for the land situated in Chaoyang District, Beijing, Mainland China, through the acquisition of a company from Mr. Chu Mang Yee ("Mr. Chu"), the controlling shareholder of the Company, in 2007, which possesses the right to develop the project on the land. Mr. Chu has undertaken to the Group to be responsible for the excess amount, if any, payable by the project company in respect of any increase in plot ratio as the government may approve.

結餘包括約為4,186百萬港元的款項，用於一塊位於中國內地北京朝陽區的土地，其乃透過收購一家貴公司控股股東朱孟依先生(「朱先生」)擁有的公司所得，其於二零零七年具有在該土地發展項目的權利。朱先生已向貴集團承諾承擔項目公司因政府可能批准增加任何容積率產生之額外款項(如有)。

How our audit addressed the Key Audit Matter

我們的審計如何處理關鍵審計事項

Our procedures in relation to management's assessment of the recoverability of prepayments for the acquisition of land included:

就管理層評估收購土地預付款項的可收回性而言，我們的程序包括：

- Discussing with management on the latest status and development plans of the underlying property projects, such as expected dates in obtaining the formal land use right certificates and expected completion dates of the projects;
- 與管理層討論相關物業項目的最新狀態及發展計劃，如取得正式土地使用權證的預期日期及預期項目竣工日期；
- Reading the Group's correspondence with the relevant government authorities and Hanjiang;
- 閱讀貴集團與相關政府機關及韓江的通訊；
- Obtaining the opinions received by management from independent legal counsels and discussing with them on the legality of the land transfer contracts and the undertakings provided by Mr. Chu, and whether any idle land penalties have been imposed by the relevant government authorities; and
- 獲取管理層從獨立法律顧問收取的意見，及與彼等討論土地轉讓合約的合法性，以及朱先生作出的承諾及相關政府機關有否施加任何閒置土地罰款；及
- Evaluating management's assessment by comparing, on a sample basis, the estimated market value of the land with the recent market transaction prices of land parcels with comparable locations.
- 藉按抽樣方式比較土地估計市場價值與可比位置的地塊的近期市場交易價格進，以評核管理層的評估。

We found that management's assessment on recoverability of prepayments for acquisition of land is supported by the available evidence.

我們發現管理層就收購土地的預付款項的可收回性的評估乃由可得證據所支持。

Key Audit Matter**關鍵審計事項****How our audit addressed the Key Audit Matter****我們的審計如何處理關鍵審計事項**

The balance also includes an amount of approximately HK\$3,797 million for the land situated in Panyu District, Guangdong, Mainland China, which the Group has obtained the right to develop the land through the acquisition of a wholly owned subsidiary from Guangdong Hanjiang Construction Installation Project Limited ("Hanjiang"), a related company, in 2010. Hanjiang agreed to perform and complete all necessary demolition and preparation work to obtain the land use right certificate at its own expense. Mr. Chu has undertaken to the Group to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the land (subject to a maximum amount of RMB3,600 million).

結餘亦包括有關一塊位於中國大陸廣東番禺區的土地的款項約3,797百萬港元。貴集團乃透過於二零一零年向關連公司廣東韓江建築安裝工程有限公司(「韓江」)收購一間全資附屬公司而取得該土地的發展權。韓江同意自費處理並完成全部所需的拆除及準備工作以獲得土地使用權證。朱先生已向貴集團保證韓江妥善如期履行其有關土地的責任(最高款項為人民幣3,600百萬元)。

Management assessed the likelihood of obtaining the related land use rights by reference to the latest discussions with the relevant government authorities and Hanjiang. Management took into consideration opinions from independent legal counsels on the legality of the land transfer contracts and the undertakings provided by Mr. Chu, and whether any idle land penalties have been imposed by the relevant government authorities.

管理層評估了取得相關土地使用權的可能性，其乃參照近期與相關政府機關及韓江的討論而定。管理層考慮了獨立法律顧問對土地轉讓合約及朱先生提供的承諾的合法性的意見，以及相關政府機關有否施加任何閒置土地罰款。

Management also assessed the recoverability of prepayments for acquisition of land, taking into account the estimated market value of the land, and concluded that no provision for impairment is necessary. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

管理層亦於評估收購土地預付款項的可收回性時，將土地預計市值併入考慮，並總結毋須作出減值撥備。倘發生事件或情況變動顯示賬面值不一定可收回時，則會作出撥備。

Due to the existence of significant management judgement in making assumptions used in the recoverability of prepayments for acquisition of land, we considered it a key audit matter.

由於作出收購土地預付款項的可收回性所用之假設存在管理層的重大判斷，我們將其視為關鍵審計事項。

Key Audit Matter

關鍵審計事項

Recoverability of properties under development for sale and completed properties for sale
可供出售之發展中物業及可供出售之已落成物業的可收回性

Refer to Notes 4.1(c) and 9 to the consolidated financial statements

茲提述綜合財務報表附註4.1(c)及9

The Group had properties under development for sale and completed properties for sale of HK\$57,047 million and HK\$31,261 million respectively as at 31st December 2019. Management assessed the recoverability of the properties under development for sale and completed properties for sale, taking into account the estimated costs to completion and estimated net sales value under prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

貴集團於二零一九年十二月三十一日有可供出售之發展中物業及可供出售之已落成物業分別為57,047百萬港元及31,261百萬港元。管理層於評估可供出售之發展中物業及可供出售之已落成物業的可收回性時，將現行市況下的估計竣工成本及估計銷售淨額列入考慮。倘發生事件或情況變動顯示賬面值可能無法收回時，則會作出撥備。

Due to the existence of significant management judgement in making assumptions used in the recoverability of properties under development for sale and completed properties for sale, we considered it a key audit matter.

由於作出可供出售之發展中物業及可供出售之已落成物業的可收回性所用之假設存在管理層的重大判斷，我們將其視為關鍵審計事項。

How our audit addressed the Key Audit Matter

我們的審計如何處理關鍵審計事項

Our procedures in relation to management's assessment of the recoverability of completed properties for sale included: 就管理層評估可供出售之已落成物業的可收回性而言，我們的程序包括：

- Evaluating management's assessment by comparing, on a sample basis, the estimated selling price used in the assessment with the recent price or market prices of properties with comparable locations and conditions.
- 藉按抽樣方式比較近期價格評估所用的估計售價或相若地點及狀況物業的市價，以評核管理層的評估。

Our procedures in relation to management's assessment of the recoverability of properties under development for sale included:

就管理層評估可供出售之發展中物業的可收回性而言，我們的程序包括：

- Testing the key controls around the property construction cycle with particular focus on, but not limited to, control over cost budgeting for estimated costs to completion; and
- 測試物業工程週期的主要監控，尤其專注於(但不限於)就估計竣工成本的成本預算監控；及
- Evaluating management's assessment by comparing, on a sample basis, the estimated selling price and the estimated cost to completion used in the assessment with the recent market price of properties with comparable locations and conditions and latest approved budgets on total construction costs by checking to supporting documentation such as quantity surveyor reports and signed contracts.
- 藉按抽樣方式比較評估估計的售價及估計竣工成本與所用相若地點及狀況物業的近期市價及藉檢查工料測量報告和已簽訂合約等證明文件所得有關總建築成本的最新經批准預算，以評核管理層的評估。

We found that management's assessment on recoverability of properties under development for sale and completed properties for sale is supported by the available evidence. 我們發現管理層就可供出售之發展中物業及可供出售之已落成物業的可收回性的評估乃由可得證據所支持。

Other Information

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

其他信息

貴公司董事須對其他信息負責。其他信息包括年報內的所有信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事及審核委員會就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的「香港財務報告準則」及香港「公司條例」之披露規定擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會須負責監督貴集團的財務報告過程。

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們僅向閣下(作為整體)按照百慕達一九八一年「公司法」第90條報告，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。合理保證是高水平的保證，但不能保證按照「香港審計準則」進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據「香港審計準則」進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於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這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 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。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。果我們認為存在重大不確定性，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。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。

- 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.
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表中是否中肯反映相關交易和事項。
- 就貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

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.

除其他事項外，我們與審核委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

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.

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

From the matters communicated with those charged with governance, 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.

從與治理層溝通的事項中，我們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。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

The engagement partner on the audit resulting in this independent auditor's report is Chan Chui Man.

出具本獨立核數師報告的審計項目合夥人為陳翠敏。

PricewaterhouseCoopers
Certified Public Accountants

羅兵咸永道會計師事務所
執業會計師

Hong Kong, 24 March 2020

香港，二零二零年三月二十四日

Consolidated Balance Sheet

綜合資產負債表

As at 31st December 2019 於二零一九年十二月三十一日

			2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
		Note 附註		
ASSETS	資產			
Non-current assets	非流動資產			
Land costs	土地成本		—	1,675,097
Prepayments for acquisition of land	收購土地預付款項	17	118,758	121,411
Prepayments for construction work	建設工程預付款項	17	244,107	—
Loan receivables	應收貸款	16	170,801	743,201
Properties and equipment	物業及設備	7	4,976,880	4,571,452
Investment properties	投資物業	8	56,961,529	46,856,835
Goodwill	商譽	10	34,534	35,249
Investments in associates	於聯營公司之投資	11	364,855	147,668
Investments in joint ventures	於合營公司之投資	12	5,059,567	7,514,062
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	14	3,337,773	3,144,258
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	15	—	35,000
Finance lease receivables	融資租賃應收款項	13	344,656	159,828
Right-of-use assets	使用權資產	6	1,634,045	—
Deferred tax assets	遞延稅項資產	26	1,309,259	784,147
			74,556,764	65,788,208
Current assets	流動資產			
Prepayments for acquisition of land	收購土地預付款項	17	10,767,194	9,403,647
Properties under development for sale	可供出售之發展中物業	9	57,047,059	41,237,995
Completed properties for sale	可供出售之已落成物業		31,260,655	30,299,744
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	15	788,403	775,943
Accounts receivable	應收賬款	18	1,058,081	784,882
Loan receivables	應收貸款	16	2,520,879	1,983,693
Prepayments, deposits and other current assets	預付款項、按金及其他流動資產	17	8,060,451	5,370,900
Due from a joint venture	應收一間合營公司款項	42	48,845	45,112
Due from associates	應收聯營公司款項	42	58,964	201
Due from related companies	應收關連公司款項	42	8,318	7,149
Contract assets	合約資產	19	982,860	473,606
Pledged/charged bank deposits	已抵押/押記銀行存款	20	1,466,913	483,182
Cash and cash equivalents	現金及現金等價物	20	12,635,125	7,456,708
			126,703,747	98,322,762
Assets classified as held for sale	分類為持作銷售之資產	21	2,843,132	—
			129,546,879	98,322,762
Total assets	總資產		204,103,643	164,110,970

Consolidated Balance Sheet (Continued)

綜合資產負債表(續)

As at 31st December 2019 於二零一九年十二月三十一日

		Note 附註	2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
EQUITY	權益			
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔股本及儲備			
Share capital	股本	28	222,556	222,556
Reserves	儲備	30	72,358,121	65,472,354
			72,580,677	65,694,910
Non-controlling interests	非控制性權益	29	2,434,725	2,078,725
Total equity	權益總額		75,015,402	67,773,635
LIABILITIES	負債			
Non-current liabilities	非流動負債			
Land cost payable	應付土地成本		91,043	88,310
Borrowings	借貸	25	50,700,558	41,656,532
Lease liabilities	租賃負債	22	676,246	—
Due to non-controlling interests	應付非控制性權益之款項	42	2,126,867	514,605
Deferred tax liabilities	遞延稅項負債	26	9,957,093	8,323,506
			63,551,807	50,582,953
Current liabilities	流動負債			
Accounts payable, accruals and other payables	應付賬款、應計款項及其他應付款項	23	22,970,848	13,942,503
Land cost payable	應付土地成本		359,201	4,996
Borrowings	借貸	25	12,689,322	13,444,611
Contract liabilities	合約負債	24	19,505,008	10,304,371
Lease liabilities	租賃負債	22	8,419	—
Due to an associate	應付一間聯營公司之款項	42	5,964	6,299
Due to related companies	應付關連公司之款項	42	366,248	260,654
Due to joint ventures	應付合營公司之款項	42	3,011,241	2,773,349
Current tax liabilities	本期稅項負債	27	6,620,183	5,017,599
			65,536,434	45,754,382
Total liabilities	負債總額		129,088,241	96,337,335
Total equity and liabilities	權益及負債總額		204,103,643	164,110,970

Chu Kut Yung
朱桔榕
Chairman
主席

Xi Ronggui
席榮貴
Chief Executive Officer
行政總裁

The accompanying notes are an integral part of the consolidated financial statements.

隨附之附註乃綜合財務報表的組成部份。

Consolidated Income Statement

綜合收益表

For the Year ended 31st December 2019 截至二零一九年十二月三十一日止年度

		Note 附註	2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Revenues	收益	5	18,600,580	13,293,532
Cost of sales	銷售成本		(9,237,436)	(6,765,596)
Gross profit	毛利		9,363,144	6,527,936
Fair value gain on investment properties	投資物業公平值收益	8	8,175,781	4,673,345
Other gains, net	其他收益·淨額	31	285,329	161,935
Selling and marketing expenses	銷售及市場推廣費用		(736,887)	(378,153)
General and administrative expenses	一般及行政費用		(1,831,815)	(1,581,856)
Finance income	財務收入	35	394,311	173,949
Finance costs	財務成本	35	(1,002,439)	(578,319)
Share of (loss)/profit of associates	分佔聯營公司(虧損)/溢利	11	(4,562)	1,637
Share of profit/(loss) of joint ventures	分佔合營公司溢利/(虧損)	12	119,113	(6,152)
Profit before taxation	除稅前溢利		14,761,975	8,994,322
Taxation	稅項	36	(5,111,585)	(3,171,723)
Profit for the year	年度溢利		9,650,390	5,822,599
Attributable to:	應佔：			
Equity holders of the Company	本公司股權持有人		9,486,000	5,775,467
Non-controlling interests	非控制性權益		164,390	47,132
			9,650,390	5,822,599
Earnings per share for profit attributable to equity holders of the Company during the year (in HK\$ per share)	按年內本公司股權持有人應佔溢利計算之每股盈利(每股港元)			
— basic and diluted	— 基本及攤薄	37	4.26	2.60

The accompanying notes are an integral part of the consolidated financial statements. 隨附之附註乃綜合財務報表的組成部份。

Consolidated Statement of Comprehensive Income

綜合全面收入報表

For the Year ended 31st December 2019 截至二零一九年十二月三十一日止年度

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Profit for the year	年度溢利	9,650,390	5,822,599
Other comprehensive income:	其他全面收入：		
<i>Items that may be reclassified subsequently to profit or loss:</i>	<i>其後可重新分類至損益之項目：</i>		
Assets revaluation reserve realised upon disposal of completed properties held for sale	出售持作出售已落成物業時變現之資產重估儲備	(87,079)	(87,746)
Deferred tax	遞延稅項	40,341	33,081
Currency translation differences	貨幣匯兌差額	(1,535,553)	(3,205,050)
<i>Item that will not be reclassified subsequently to profit or loss:</i>	<i>其後不會重新分類至損益之項目：</i>		
Fair value loss on financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產之公平值虧損	(539,540)	(273,347)
Deferred tax	遞延稅項	139,392	68,337
	14		
Other comprehensive loss for the year, net of tax	年度其他全面虧損，扣除稅項後	(1,982,439)	(3,464,725)
Total comprehensive income for the year	年度全面收入總額	7,667,951	2,357,874
Attributable to:	應佔：		
Equity holders of the Company	本公司股權持有人	7,553,435	2,410,104
Non-controlling interests	非控制性權益	114,516	(52,230)
		7,667,951	2,357,874

The accompanying notes are an integral part of the consolidated financial statements.

隨附之附註乃綜合財務報表的組成部份。

Consolidated Cash Flow Statement

綜合現金流量表

For the Year ended 31st December 2019 截至二零一九年十二月三十一日止年度

			2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
		Note 附註		
Cash flows from operating activities	經營活動之現金流量			
Cash generated from operations	經營產生之現金	39(a)	4,617,269	7,282,084
Interest received	已收利息		389,540	169,124
Hong Kong profits tax paid	已付香港利得稅		(4,228)	(268)
Mainland China corporate income tax paid	已付中國大陸企業所得稅		(1,222,690)	(1,072,591)
Mainland China land appreciation tax paid	已付中國大陸土地增值稅		(686,305)	(841,872)
Net cash generated from operating activities	經營活動產生之現金淨額		3,093,586	5,536,477
Cash flows from investing activities	投資活動之現金流量			
Dividend income from financial assets measured at fair value	按公平值計量之財務資產股息收入		155,841	149,184
Dividend income from a joint venture	一間合營公司股息收入		—	181,817
Additions of properties and equipment	新增物業及設備		(723,799)	(165,671)
Additions of investment properties	新增投資物業		(1,106,193)	(967,512)
Additions of loan receivables	新增應收貸款		(36,333)	(783,898)
Additions of financial assets at fair value through profit or loss	新增按公平值透過損益列賬之財務資產		(1,548,931)	(386,178)
Additions of financial assets at fair value through other comprehensive income	新增按公平值透過其他全面收入列賬之財務資產		(774,245)	—
Proceeds from disposal of financial assets at fair value through profit or loss	處置按公平值透過損益列賬之財務資產所得款項		1,639,425	113,224
Capital injection in an associate and joint ventures	注資予一間聯營公司及合營企業		(738,935)	(32,883)
Acquisition of a subsidiary, net of cash acquired	收購一間附屬公司，扣除已獲得現金	39(b)	—	(1,108,602)
Proceeds from disposal of an associate and a joint venture, net of cash disposed	出售一間聯營公司及一間合營企業所得款項，扣除處置現金		62,596	—
Proceeds from disposal of subsidiaries, net of cash disposed	出售附屬公司所得款項，扣除處置現金		2,910	—
Increase in pledged/charged bank deposits	已抵押／押記銀行存款增加		(1,005,279)	(98,261)
Net cash used in investing activities	投資活動所用之現金淨額		(4,072,943)	(3,098,780)

Consolidated Cash Flow Statement (Continued)

綜合現金流量表(續)

For the Year ended 31st December 2019 截至二零一九年十二月三十一日止年度

		Note 附註	2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Cash flows from financing activities	融資活動之現金財務	39(c)		
Interest paid	已付利息		(3,781,041)	(3,290,999)
Additions of short-term bank and financial institution borrowings	新增短期銀行及財務機構貸款		3,423,530	2,554,616
Additions of long-term bank and financial institution borrowings	新增長期銀行及財務機構貸款		14,397,087	12,667,451
Additions of commercial mortgage backed securities	新增商業抵押擔保證券		2,507,173	5,803,599
Additions of senior notes	新增優先票據		3,829,694	—
Repayment of bank and financial institution borrowings	償還銀行及財務機構貸款		(10,734,596)	(15,043,466)
Repayment of commercial mortgage backed securities	償還商業抵押擔保證券		(42,393)	—
Repayment of asset-backed securities	償還資產支持證券		(1,670,448)	(376,144)
Redemption and repayment of corporate bonds	贖回及償還公司債券		(2,257,362)	(1,284,964)
Capital contribution by non-controlling interests	非控制性權益出資		453,112	20,647
Acquisition of additional interest in a subsidiary	收購一間附屬公司之額外權益		(211,628)	—
Increase in due to non-controlling interests	應付非控制性權益之款項的增加		870,211	—
Advances from related companies	關連公司墊款		111,181	91,277
Advances from/(repayment to) a joint venture	一間合營公司墊款／(償還予)一間合營公司		192,966	(294,068)
Dividend paid to Company's equity holders	已付本公司股權持有人股息		(667,668)	(890,224)
Dividend paid to non-controlling interests	已付非控制性權益之股息		—	(33,225)
Payments of principal of lease payments	租約付款本金部分		(40,034)	—
Net cash generated from/(used in) financing activities	融資活動產生／(所用)之現金淨額		6,379,784	(75,500)
Net increase in cash and cash equivalents	現金及現金等價物之增加淨額		5,400,427	2,362,197
Cash and cash equivalents at 1st January	於一月一日之現金及現金等價物		7,456,708	5,396,990
Exchange difference on cash and cash equivalents	現金及現金等價物之匯兌差額		(222,010)	(302,479)
Cash and cash equivalents at 31st December	於十二月三十一日之現金及現金等價物		12,635,125	7,456,708

The accompanying notes are an integral part of the consolidated financial statements.

隨附之附註乃綜合財務報表的組成部份。

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31st December 2019 截至二零一九年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔			
		Share capital 股本 HK\$'000 千港元	Reserves 儲備 HK\$'000 千港元	Non- controlling interests 非控制性權益 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Balance at 1st January 2019	於二零一九年一月一日之結餘	222,556	65,472,354	2,078,725	67,773,635
Profit for the year	年度溢利	—	9,486,000	164,390	9,650,390
Other comprehensive (loss)/ income:	其他全面(虧損)/收入:				
Fair value loss on financial assets at fair value through other comprehensive income	按公平值透過其他全面收入 列賬之財務資產之公平值 虧損	—	(539,540)	—	(539,540)
Assets revaluation reserve realised upon disposal of completed properties held for sale	出售持作出售已落成物業時 變現之資產重估儲備	—	(87,079)	—	(87,079)
Deferred tax	遞延稅項	—	179,733	—	179,733
Currency translation differences	貨幣匯兌差額	—	(1,485,679)	(49,874)	(1,535,553)
Other comprehensive loss for the year, net of tax	年度其他全面虧損，扣除稅項	—	(1,932,565)	(49,874)	(1,982,439)
Total comprehensive income for the year	年度全面收入總額	—	7,553,435	114,516	7,667,951
Transactions with owners:	與持有者交易:				
Dividends paid	已付股息	—	(667,668)	—	(667,668)
Capital contributions by non- controlling interests of subsidiaries	附屬公司之非控制性權益 出資	—	—	453,112	453,112
Acquisition of additional interest in a subsidiary	收購一間附屬公司之額外 權益	—	—	(211,628)	(211,628)
		—	(667,668)	241,484	(426,184)
Balance at 31st December 2019	於二零一九年十二月三十一日 之結餘	222,556	72,358,121	2,434,725	75,015,402

Consolidated Statement of Changes in Equity (Continued)

綜合權益變動表(續)

For the year ended 31st December 2019 截至二零一九年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔			Total 總計
		Share capital 股本 HK\$'000 千港元	Reserves 儲備 HK\$'000 千港元	Non- controlling interests 非控制性權益 HK\$'000 千港元	HK\$'000 千港元
Balance at 31st December 2017, as previously stated	於二零一七年十二月三十一日 之結餘(過往呈列)	222,556	63,871,569	2,143,533	66,237,658
Changes in accounting policies	會計政策變動	—	80,905	—	80,905
Balance at 1st January 2018, as restated	於二零一八年一月一日之結餘 (經重列)	222,556	63,952,474	2,143,533	66,318,563
Profit for the year	年度溢利	—	5,775,467	47,132	5,822,599
Other comprehensive (loss)/income:	其他全面(虧損)/收入:				
Fair value loss on financial assets at fair value through other comprehensive income	按公平值透過其他全面收入 列賬之財務資產之公平值 虧損	—	(273,347)	—	(273,347)
Assets revaluation reserve realised upon disposal of completed properties held for sale	出售持作出售已落成物業時 變現之資產重估儲備	—	(87,746)	—	(87,746)
Deferred tax	遞延稅項	—	101,418	—	101,418
Currency translation differences	貨幣匯兌差額	—	(3,105,688)	(99,362)	(3,205,050)
Other comprehensive loss for the year, net of tax	年度其他全面虧損·扣除稅項	—	(3,365,363)	(99,362)	(3,464,725)
Total comprehensive income/(loss) for the year	年度全面收入/(虧損)總額	—	2,410,104	(52,230)	2,357,874
Transactions with owners:	與持有者交易:				
Dividends paid	已付股息	—	(890,224)	—	(890,224)
Dividends to non-controlling interests	支付非控制性權益之股息	—	—	(33,225)	(33,225)
Capital contribution by non- controlling interests of a subsidiary	一間附屬公司之非控制性 權益出資	—	—	20,647	20,647
		—	(890,224)	(12,578)	(902,802)
Balance at 31st December 2018	於二零一八年十二月三十一日 之結餘	222,556	65,472,354	2,078,725	67,773,635

The accompanying notes are an integral part of these consolidated financial statements. 隨附之附註乃綜合財務報表的組成部份。

Notes to the Consolidated Financial Statements

綜合財務報表附註

1 General Information

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are mainly engaged in the development of residential properties in Mainland China. The Group is also involved in commercial properties investment, property management and infrastructure businesses.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements have been approved for issue by the Board of Directors on 24th March 2020.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the two years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

1 一般資料

合生創展集團有限公司(「本公司」)及其附屬公司(統稱「本集團」)主要於中國大陸從事住宅物業發展。本集團亦參與商業地產投資、物業管理及基建業務。

本公司為於百慕達註冊成立的有限責任公司，其註冊辦事處地址為Clarendon House，2 Church Street, Hamilton HM11，Bermuda。

本公司於香港聯合交易所有限公司(「聯交所」)上市。

本綜合財務報表已於二零二零年三月二十四日經董事會批准刊發。

2 主要會計政策概要

編製本綜合財務報表採用之主要會計政策載列如下。除另有說明外，該等政策已於兩個呈報年度內獲貫徹應用。

2.1 編製基準

本公司之綜合財務報表乃根據香港財務報告準則(「香港財務報告準則」)編製。綜合財務報表乃採用歷史成本慣例，並經按公平值計量的重估投資物業、按公平值透過其他全面收入列賬之財務資產及按公平值透過損益列賬之財務資產而予以修訂。

按香港財務報告準則編製財務報表時需採用若干重要之會計估計，亦要求管理層於採用本集團會計政策之過程中作出判斷。涉及較多判斷或複雜性之方面，或對本綜合財務報表而言屬重要之假設及估計，已在附註4內披露。

2 Summary of Significant Accounting Policies
(Continued)

2.1 Basis of preparation (Continued)

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for their annual reporting period commencing 1st January 2019:

HKAS 19 (Amendment)
香港會計準則第19號(修訂本)

Plan Amendment, Curtailment or Settlement
計劃修訂、縮減或清償

HKAS 28 (Amendment)
香港會計準則第28號(修訂本)

Long-term Interest in Associates and Joint ventures
於聯營公司及合營公司的長期權益

HKFRS 3, HKFRS 11, HKAS 12 and
HKAS 23 (Amendment)
香港財務報告準則第3號、香港財務
報告準則第11號、香港會計準則
第12號及香港會計準則第23號
(修訂本)

Annual Improvements to HKFRS Standards 2015–2017 Cycle
對香港財務報告準則二零一五年至二零一七年週期的年度改進

HKFRS 9 (Amendment)
香港財務報告準則第9號(修訂本)

Prepayment Features with Negative Compensation
提早還款特性及負補償

HKFRS 16
香港財務報告準則第16號

Leases
租賃

HK (IFRIC) 23
香港(國際財務報告詮釋委員會)第
23號

Uncertainty over Income Tax Treatments
所得稅處理的不確定性

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this year. The Group had to change its accounting policies as a result of adopting HKFRS 16.

The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed in Note 2.2. The other new amendments to existing standards did not have any material impact on the Group's accounting policies.

2 主要會計政策概要(續)

2.1 編製基準(續)

(i) 本集團已採納之新訂及經修訂準則

本集團於二零一九年一月一日開始的年度報告期間採納以下準則及修訂：

Plan Amendment, Curtailment or Settlement
計劃修訂、縮減或清償

Long-term Interest in Associates and Joint ventures
於聯營公司及合營公司的長期權益

Annual Improvements to HKFRS Standards 2015–2017 Cycle
對香港財務報告準則二零一五年至二零一七年週期的年度改進

Prepayment Features with Negative Compensation
提早還款特性及負補償

Leases
租賃

Uncertainty over Income Tax Treatments
所得稅處理的不確定性

本集團已評估採納該等首次於本年生效的新訂及修訂準則之影響。本集團因採納香港財務報告準則第16號而必須更改會計政策。

採納香港財務報告準則第16號及新會計政策之影響於附註2.2披露。現有準則的修訂本對本集團之會計政策並無任何重大影響。

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

- (ii) New standards and amendments to existing standards that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31st December 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

2 主要會計政策概要(續)

2.1 編製基準(續)

- (ii) 尚未生效之新訂準則及現有準則之修訂

若干已頒佈的新會計準則及詮釋，但並未於二零一九年十二月三十一日報告期間為強制性，且本集團並未提早採納。本集團對該等新準則及詮釋的影響的評估載於下文。

		Effective for accounting periods beginning on or after 於以下日期或 之後開始的 會計期間生效
HKFRS 3 (Amendment) 香港財務報告準則第3號(修訂本)	Definition of a Business 業務的定義	1st January 2020 二零二零年一月一日
HKAS 1 and HKAS 8 (Amendments) 香港會計準則第1號及香港會計準則第8號(修訂本)	Definition of Material 對重要性的定義	1st January 2020 二零二零年一月一日
Conceptual Framework for Financial Reporting 2018 二零一八年財務報告之概念框架	Revised Conceptual Framework for Financial Reporting 財務報告之經修訂概念框架	1st January 2020 二零二零年一月一日
HKFRS 17 香港財務報告準則第17號	Insurance Contracts 保險合約	1st January 2021 二零二一年一月一日
HKFRS 10 and HKAS 28 (Amendments) 香港財務報告準則第10號及香港會計準則第28號(修訂本)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 投資者及其聯營公司或合營公司之間的資產出售或注資	To be determined 待釐定

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1st January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

以上新訂準則、現有準則的修訂本及詮釋於二零二零年一月一日或之後開始的年度期間生效，且於編製該等綜合財務報表時並未應用。該等準則及詮釋預期不會對本集團的合併財務報表有重大影響。

2 Summary of Significant Accounting Policies (Continued)

2.2 Effect on Adoption of HKFRS 16

The Group's right-of-use assets relate to (i) land leases for prepaid operating lease payments in respect of hotel properties and buildings which are held for self-use; and (ii) land and property leases with lease terms ranging from 1 to 40 years which were classified as operating leases prior to the adoption of HKFRS 16. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. The accounting policy of leases are disclosed in note 2.22.

The Group has adopted HKFRS 16 retrospectively from 1st January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1st January 2019.

On adoption of HKFRS 16, land leases for prepaid operating lease payments in respect of hotel properties and buildings which are held for self-use are reclassified from land costs to right-of-use assets, while operating leases for land and properties are initially recognised as right-of-use assets and lease liabilities at the date of which the leased assets are available for use.

(i) Practical expedients applied

The Group has used the practical expedient as permitted by the standard that the accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 are treated as short-term leases. Payments for short-term leases and low-value leases are recognised on a straight-line basis as an expense. The right-of-use assets for other leases were measured on a retrospective basis as if the new rules had always been applied. Right-of-use assets are measured at cost comprised of the amount of the initial measurement of lease liabilities; any lease payments made at or before the commencement date, less any lease incentive received; any initial direct costs; and restoration costs. It is depreciated over the lease terms on a straight-line basis.

Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable. The lease liabilities were discounted at an incremental borrowing rate at 1st January 2019 of 2.23% to 6.89%. Payments associated with short-term leases with lease terms less than a year are expensed on a straight-line basis in the consolidated income statement.

2 主要會計政策概要(續)

2.2 採納香港財務報告準則第16號之影響

本集團的使用權資產涉及(i)為自用而持有的酒店物業和建築物的預付經營租賃款項的土地租賃；(ii)於採用香港財務報告準則第16號前已分類為經營租賃之租賃期為1至40年的土地及物業租賃。根據經營租賃支付的款項(扣除出租人的任何激勵措施後)按直線法在租賃期內計入損益。租賃的會計政策在附註2.22中披露。

本集團自二零一九年一月一日起追溯採用香港財務報告準則第16號，但並未根據該準則的具體過渡規定重述二零一八年報告期的比較數據。因此，新租賃規則產生的重新分類和調整在二零一九年一月一日的期初資產負債表中確認。

在採納香港財務報告準則第16號後，為自用而持有的酒店物業和建築物的預付經營租賃款項的土地租賃由土地成本重新分類為使用權資產，而土地及房地產的經營租賃則於租賃資產可使用之日初始確認為使用權資產和租賃負債。

(i) 應用的實際權宜之計

本集團已採用該準則所允許之實際權宜之計，於二零一九年一月一日之剩餘租賃期少於12個月之經營租賃按會計處理為短期租賃。短期租賃及低價值租賃之付款以直線法確認為開支。其他租賃之使用權資產按追溯基準計量，猶如新規則一直獲應用。使用權資產按成本計量，包括租賃負債之初始計量金額及在生效日期或之前作出的任何租賃付款，減所收取的任何租賃獎勵、任何初始直接成本及恢復成本。其在租賃期內按直線法折舊。

租賃負債包括固定付款(包括實質固定付款)的淨現值減任何應收租賃獎勵。租賃負債於二零一九年一月一日按增量借款利率2.23%至6.89%進行貼現。與租賃期少於一年的短期租賃相關的付款在綜合收益表中以直線法支銷。

2 Summary of Significant Accounting Policies
(Continued)

2 主要會計政策概要(續)

2.2 Effect on Adoption of HKFRS 16 (Continued)

2.2 採納香港財務報告準則第16號之影響(續)

(ii) Measurement of lease liabilities

(ii) 租賃負債的計量

		2019 二零一九年 HK\$'000 千港元
Operating lease commitments disclosed as at 31st December 2018	於二零一八年十二月三十一日披露的經營租賃承擔	52,965
Discounted using the lessee's incremental borrowing rate of at the date of initial application	於首次應用日期使用承租人增量借款利率進行貼現	(20,007)
Short-term and low-value leases recognised on a straight-line basis as expenses	以直線法確認為開支的短期及低價值租賃	(11,234)
Lease liabilities recognised as at 1st January 2019	於二零一九年一月一日確認的租賃負債	21,724
Of which are	其中：	
Current liabilities	流動負債	4,459
Non-current liabilities	非流動負債	17,265
Lease liabilities recognised as at 1st January 2019	於二零一九年一月一日確認的租賃負債	21,724

(iii) Adjustments recognised in the consolidated balance sheet on 1st January 2019

(iii) 於二零一九年一月一日綜合資產負債表確認的調整

- Right-of-use assets — increase by HK\$1,704,990,000;
 - Land costs — decrease by HK\$1,675,097,000;
 - Prepayments, deposits and other current assets — decrease by HK\$8,169,000;
 - Lease liabilities (current) — increase by HK\$4,459,000;
 - Lease liabilities (non-current) — increase by HK\$17,265,000.
- 使用權資產 — 增加1,704,990,000港元；
 - 土地成本 — 減少1,675,097,000港元；
 - 預付款項、按金及其他流動資產 — 減少8,169,000港元；
 - 租賃負債(流動) — 增加4,459,000港元；
 - 租賃負債(非流動) — 增加17,265,000港元。

2 Summary of Significant Accounting Policies (Continued)

2.3 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December 2019.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 主要會計政策概要(續)

2.3 綜合賬目

綜合財務報表包括本公司及其所有附屬公司截至二零一九年十二月三十一日止的財務報表。

(a) 附屬公司

附屬公司乃本集團擁有控制權的所有實體(包括結構化實體)。倘本集團享有或有權擁有參與實體所得之可變回報，且有能透過其對實體之權力影響該等回報，則本集團控制該實體。附屬公司自控制權轉移至本集團當日起綜合入賬。附屬公司自控制權終止當日起停止綜合入賬。

本集團利用購買法將業務合併入賬。收購附屬公司所轉讓的代價根據本集團所給予的資產、所產生的負債及所發行的股本權益的公平值計算。所轉讓的代價包括或有代價安排所產生的任何資產或負債的公平值。購買相關成本在產生時支銷。在業務合併中所購買可識別的資產以及所承擔的負債及或有負債，首先以彼等於購買日期的公平值計量。就個別收購基準，本集團可按公平值或按非控制性權益應佔被購買方淨資產的比例，確認被收購方的非控制性權益。

轉讓的代價、被購買方任何非控制性權益的款項，以及被收購方任何之前權益在購買日期的公平值，超過所購買可識別淨資產公平值，列為商譽。就廉價購買而言，若該數額低於所購入附屬公司淨資產的公平值，該差額直接在全面收入表中確認。收購相關成本於產生時予以支銷。

集團內公司之間的交易、交易的結餘及未實現收益予以對銷。除非交易提供所轉讓資產減值之憑證，否則未變現損失亦予以對銷。必要時，附屬公司申報的款項已獲調整，以與本集團的會計政策一致。

2 Summary of Significant Accounting Policies (Continued)

2.3 Consolidation (Continued)

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 主要會計政策概要(續)

2.3 綜合賬目(續)

(b) 與非控制性權益之交易

倘與非控制性權益之交易並未造成失去控制權的情況，則入賬為權益交易——即與擁有人以其作為擁有人的身份進行的交易。任何已付代價之公平值與相關應佔收購附屬公司淨資產之賬面值的差額入賬為權益。出售非控制性權益之損益亦入賬為權益。

當本集團不再持有控制權或重大影響力，在實體之任何保留權益重新計量至公平值，賬面值之變動於損益中確認。公平值為就保留作為聯營、合營公司或金融資產權益之後續入賬而言之初始賬面值。此外，之前於其他全面收入中確認之任何數額猶如本集團已直接處置相關資產及負債。這可能意味著之前在其他全面收入中確認之數額重新分類至損益。

(c) 聯營公司

聯營公司是指凡本集團對其有重大影響力而無控制權的所有實體，通常附帶有20%至50%投票權的股權。於聯營公司之投資以權益會計法入賬，初始以成本確認。

如於聯營公司的擁有人權益被削減但仍保留重大影響力，僅按比例將之前在其他全面收入中確認的數額重新分類至損益(如適用)。

本集團應佔收購後聯營公司的溢利或虧損於綜合收益表內確認，而應佔收購後其他全面收入的變動則於其他全面收入內確認。投資賬面值會根據累計之收購後變動而作出調整。如本集團應佔一間聯營公司之虧損等於或超過其在該聯營公司之權益，包括任何其他無抵押應收款項，本集團不會確認進一步虧損，除非本集團已代聯營公司承擔責任或作出付款。

2 Summary of Significant Accounting Policies (Continued)

2.3 Consolidation (Continued)

(c) Associates (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint arrangements

The Group applies HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements. Joint ventures are accounted for using the equity method. The assets that the Group controls and liabilities that the Group incurs in relation to the joint operations are recognised in the consolidated balance sheets on an accrual basis and classified according to the nature of the item. The expenses that the Group incurs and its share of revenue that it earns from the joint operations are included in the consolidated income statement.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 主要會計政策概要(續)

2.3 綜合賬目(續)

(c) 聯營公司(續)

本集團與其聯營公司之間交易的未變現收益按本集團在聯營公司權益的數額對銷。除非交易提供所轉讓資產減值之憑證，否則未變現虧損亦予以對銷。聯營公司的會計政策已按需要作出改變，以確保與本集團採用的政策一致。

(d) 合營安排

本集團對所有合營安排應用香港財務報告準則第11號。根據香港財務報告準則第11號，在合營安排之投資可分類為共同經營或合營公司，視乎每個投資者之合約權益和義務而定。本集團已評估其合營安排之性質。合營公司按權益法入賬。本集團就共同經營所控制之資產及所產生之負債已於綜合資產負債表中以應計基準確認及因應項目之性質分類。本集團自共同經營所產生之費用及賺取之應佔收入已計入綜合收益表。

根據權益法，合營公司之權益初步以成本確認，其後經調整以確認本集團應佔之收購後溢利或虧損以及其他全面收入變動。當本集團應佔某一合營公司之虧損等於或超過在該等合營公司之權益(包括任何實質上構成本集團在該等合營公司淨投資的長期權益)，則本集團不會確認進一步虧損，除非本集團已產生義務或已代合營公司付款。

本集團與其合營公司之間交易的未變現收益按本集團在該等合營公司的權益予以對銷。未變現虧損也予以對銷，除非交易提供證據證明所轉讓的資產出現減值。合營公司之會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

2 Summary of Significant Accounting Policies (Continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Executive Directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the chief operating decision-makers who make strategic and operational decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured in Renminbi ("RMB"), which is the currency of the primary economic environment in which the Company and its subsidiaries operate (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2 主要會計政策概要(續)

2.4 分部報告

經營分部乃按向主要營運決策人提供之內部報告一致之方式呈報。負責分配資源及評估經營分部表現之執行董事，已獲確定為作出策略及經營決策之主要營運決策人。

2.5 外幣換算

(a) 功能和呈列貨幣

本集團每個實體的財務報表所列項目均以人民幣(「人民幣」，即本公司及其附屬公司營運所在的主要經濟環境的貨幣)(「功能貨幣」)計量。綜合財務報表以港元呈報，港元為本公司的呈列貨幣。

(b) 交易及結餘

外幣交易採用交易日的匯率換算為功能貨幣。結算此等交易產生的匯兌損益以及將外幣計值的貨幣資產和負債以年終匯率換算產生的匯兌損益在綜合收益表確認。

2 Summary of Significant Accounting Policies (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 主要會計政策概要(續)

2.5 外幣換算(續)

(c) 集團公司

所有功能貨幣與呈列貨幣不同之集團實體(概無擁有惡性通貨膨脹經濟體系之貨幣)之業績及財務狀況均按以下方法換算為呈列貨幣：

- (i) 各資產負債表呈列之資產及負債均以該資產負債表結算日之收市匯率換算；
- (ii) 各綜合收益表之收入及開支均按平均匯率換算(除非該平均值並非於交易日通行匯率累計影響之合理近似值，在此情況下收入及開支乃按交易日之匯率換算)；及
- (iii) 所有匯兌差額將確認為權益內之獨立項目。

收購境外實體時產生之商譽及公平值調整乃作為該境外實體之資產及負債處理，並以期終匯率換算。

(d) 出售海外業務及部份出售

於出售海外業務(即出售本集團於海外業務之全部權益、或出售涉及失去包括海外業務的附屬公司的控制權、出售涉及失去對包括海外業務的合營公司的共同控制權、或出售涉及失去對包括海外業務的聯營公司的重大影響力)，於本公司權益持有人應佔之業務之權益累計之全部匯兌差額被重新分類為損益。

倘部份出售並未導致本集團失去對包括海外業務的附屬公司的控制權，則按比例分佔累計匯兌差額的部份被重新分配至非控制性權益及不會確認為損益。就所有其他部份出售(即本集團於聯營公司或合營公司之擁有權權益減少而並未令本集團失去重大影響力或共同控制權)而言，按比例分佔累計匯兌差額的部份被重新分類為損益。

2 Summary of Significant Accounting Policies (Continued)

2.6 Properties and equipment

Properties and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the period in which they are incurred.

Depreciation of properties and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Hotel properties (superstructure)	28 to 30 years
Buildings	Shorter of useful life of 50 years or lease term
Furniture and office equipment	5 years
Vehicles	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Construction-in-progress is investments in buildings on which construction work has not been completed and which, upon completion, management intends to hold for providing goods or services in the ordinary course of business. These properties are carried at cost which includes construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs, less any impairment losses. On completion, the properties are transferred to the appropriate categories of properties and equipment at cost less accumulated impairment losses. No depreciation is provided for construction-in-progress until they are completed and put into commercial use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

2 主要會計政策概要(續)

2.6 物業及設備

物業及設備(在建工程除外)按歷史成本減累計折舊和減值虧損列賬。歷史成本包括收購該項目直接應佔的開支。

其後成本只有在與該項目有關的未來經濟利益有可能流入本集團，而該項目的成本能可靠計量時，才包括在資產的賬面值或確認為獨立資產(視乎適用情況)。所有其他維修及保養在產生的期間內於綜合收益表支銷。

物業及設備的折舊採用以下的估計可使用年期將成本按直線法分攤至剩餘價值計算：

酒店物業(結構)	28至30年
樓宇	50年可使用年期或 租期的較短者
傢俬及辦公室設備	5年
交通工具	3至10年

資產的剩餘價值及可使用年期在每個結算日進行檢討，及在適當時調整。若資產的賬面值高於其估計可收回金額，其賬面值即時撇減至可收回金額(附註2.11)。

在建工程指於建設工程尚未完工，而於完工後，管理層擬因在日常業務過程中提供貨品或服務而持有之樓宇之投資。該等物業按成本列賬，當中包括就建設該等物業直接應計的建設開支、借貸成本及其他直接成本減去任何減值虧損。物業於完工後轉撥至適當的物業及設備分項，按成本減累計減值虧損列賬。在建工程直至完工及投入作商業用途前不作折舊。

出售之收益及虧損乃按所得款項與賬面值之差額釐定，並列入綜合收益表中。

2 Summary of Significant Accounting Policies (Continued)

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs.

After initial recognition, investment property is carried at fair value. The valuation processes and techniques of the fair values of investment properties are described in Note 8.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement.

2 主要會計政策概要(續)

2.7 投資物業

為獲得長期租金收益或資本增值或兩者兼備而持有，且並非由本集團佔用的物業分類為投資物業。投資物業亦包括屬於在建或發展作未來用途之投資物業。

投資物業包括以經營租賃持有的土地及以融資租賃持有的樓宇。以經營租賃持有的土地，如符合投資物業其餘定義，按投資物業分類及記賬。經營租賃猶如其為融資租賃而記賬。

投資物業初始按其成本計量，包括相關交易成本及借貸成本。

於初始確認後，投資物業按公平值列賬。投資物業的公平值估值流程及方法詳載於附註8。

投資物業的公平值反映(其中包括)來自現有租賃的租金收入及在現時市場情況下未來租賃的租金收入假設。公平值亦反映在類似基準下物業預期的任何現金流出。此等現金流出部份確認為負債，包括列為投資物業的土地有關的融資租賃負債；而其他(包括或然租金款項)則不在財務報表列賬。

其後支出只有在與該項目有關的未來經濟利益有可能流入本集團，而該項目的成本能可靠衡量時，才計入在資產的賬面值中。所有其他維修及保養成本在產生的財政期間內於收益表支銷。

投資物業公平值變動於綜合收益表中確認。

2 Summary of Significant Accounting Policies (Continued)

2.7 Investment properties (Continued)

If an investment property becomes owner-occupied, it is reclassified as properties and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of properties and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and taken directly to equity as a valuation of properties and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

Where a property for sale undergoes a change in use, evidenced by commencement of an operating lease to another party, the property is transferred to investment property.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2.8 Properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties under development for sale and completed properties for sale consist of land costs, construction expenditures, borrowing costs capitalised and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2 主要會計政策概要(續)

2.7 投資物業(續)

倘投資物業成為業主自用，則重新分類為物業及設備，而就會計而言，其於重新分類當日之公平值成為其成本。

倘物業及設備項目因其用途改變而成為投資物業，根據香港會計準則第16號，該項目於轉讓當日之賬面值與公平值間之差額將於其他全面收入內確認，並作為物業及設備估值直接計入權益。然而，倘公平值收益導致過往之減值虧損出現轉回，有關收益將於綜合收益表內確認。

若某項出售物業更改用途(以給予另一方經營租賃開始為證明)，則該物業會撥入投資物業。

若某項投資物業更改用途(以開始發展以作出售用途為證明)，則該物業會撥入存貨。有關物業於更改用途日期之公平值將被視為其存貨日後會計之成本。

2.8 可供出售之發展中物業及可供出售之已落成物業

可供出售之發展中物業及可供出售之已落成物業乃按成本值及可變現淨值兩者中的較低者列入流動資產內。

可供出售之發展中物業及可供出售之已落成物業之成本包括土地成本、建造開支、已資本化之借貸成本及其他直接成本。變現淨值乃於日常業務過程中管理層參照當時市況釐定的估計售價，減去預期至完工時產生的其他成本以及銷售及市場推廣費用計算。

2 Summary of Significant Accounting Policies (Continued)

2.9 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

2 主要會計政策概要(續)

2.9 持作出售的非流動資產

倘非流動資產的賬面金額將主要透過出售交易而非持續使用收回，而出售的可能性被視為相當高時，非流動資產會分類為持作出售。非流動資產按其賬面金額與公平值減出售成本的較低者列賬，惟按公平值列賬的資產(例如遞延稅項資產、僱員福利產生的資產、金融資產及投資物業)及保險合約下的合約權利獲特別豁免此規定。

本集團就初始或其後撇減資產(或出售組別)至公平值減銷售成本確認減值虧損。當資產(或出售組別)公平值減銷售成本其後上升時，本集團會就此確認收益，惟金額不會超出過往確認的任何累計減值虧損。於非流動資產(或出售組別)出售當日前未經確認的收益或虧損於終止確認之日確認。

列入持作出售的非流動資產(包括屬於出售組別一部分的非流動資產)不作折舊或攤銷。列入持作出售的出售組別負債應佔的利息及其他開支繼續確認。

列入持作出售的非流動資產及列入持作出售的出售組別的資產與資產負債表內的其他資產分開呈列。列入持作出售的出售組別的負債與綜合資產負債表內的其他負債分開呈列。

2 Summary of Significant Accounting Policies (Continued)

2.10 Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.11 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 主要會計政策概要(續)

2.10 商譽

商譽於收購附屬公司時產生，代表轉讓代價、於被購買方的任何非控股權益金額及於收購日期於被購買方的先前股權公平值超出本公司於已收購可識別資產淨值中之公平值。

就減值測試而言，於業務合併中收購的商譽被分配至預期受惠於合併之協同效應之各現金產生單位（「現金產生單位」）或一組現金產生單位。獲分配商譽之各單位或一組單位代表就內部管理目的而言，商譽被監察之實體之最低層面。商譽於營運分部層面被監察。

商譽減值審閱每年或倘出現事件或變動顯著出現潛在減值的情況下更頻密地進行。商譽的賬面值與可收回金額（即使用價值與公平值減銷售成本之較高者）比較。任何減值即時確認為開支，其後不會被撥回。

2.11 資產減值

擁有無限可用年期之資產毋須攤銷，並於每年進行減值測試及每當出現事件或情況轉變顯示不可收回賬面值時檢討有否減值。受攤銷所限之資產在每當出現事件或情況轉變顯示賬面值不可收回時檢討有否減值。減值虧損按資產賬面值超出其可收回金額之金額確認。可收回金額為資產之公平值減銷售成本與使用價值之較高者。於評估減值時，資產將按可單獨識別現金流量之最低水平（現金產生單位）集中歸類。出現減值之非財務資產（商譽除外）將於各個呈報日期就減值是否有機會撥回進行檢討。

2 Summary of Significant Accounting Policies (Continued)

2.12 Financial assets

(a) Classification

From 1st January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 主要會計政策概要(續)

2.12 財務資產

(a) 分類

自二零一八年一月一日起，本集團將其財務資產分類為以下計量類別：

- 其後按公平值透過其他全面收入（「其他全面收入」）或損益列賬的財務資產；及
- 按攤銷成本計量的財務資產。

分類視乎實體管理財務資產及現金流量合約條款之業務模式而定。

就按公平值計量之資產而言，收益及虧損將計入損益或其他全面收入。就並非持作買賣之股本工具投資而言，其將取決於本集團在初始確認時是否不可撤銷地選擇將股權投資按公平值透過其他全面收入列賬。

當且僅當管理該等資產的業務模式發生變化時，本集團才會對債務投資進行重新分類。

(b) 確認及終止確認

常規購買及出售之財務資產均於交易日（即本集團承諾購入或出售該等資產當日）確認。當從財務資產收取現金流量之權利已到期或已轉讓，而本集團已將擁有權之絕大部份風險和回報實際轉移時，財務資產即終止確認。

(c) 計量

在初始確認時，本集團按公平值加上（若非按公平值透過損益列賬之財務資產）直接歸屬於購買財務資產之交易成本對財務資產進行計量。按公平值透過損益列賬之財務資產之交易成本乃於損益中支銷。

內含衍生工具之財務資產於釐定其現金流量是否純粹為支付本金及利息時會整體予以考慮。

2 Summary of Significant Accounting Policies (Continued)

2.12 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 主要會計政策概要(續)

2.12 財務資產(續)

(c) 計量(續)

債務工具

債務工具的后續計量視乎本集團管理資產之業務模式以及資產之現金流量特徵而定。集團將其債務工具分為以下三種計量類別：

- **攤銷成本：**為收取合約現金流量而持有，且其現金流量純粹為支付本金及利息的資產按攤銷成本計量。有關財務資產的利息收入採用實際利率法計入財務收入。終止確認時產生的任何收益或虧損直接於損益確認，並與匯兌損益一同呈列於其他收益／(虧損)。減值虧損於收益表作為單獨項目呈列。
- **按公平值透過其他全面收入列賬：**為收取合約現金流量及出售財務資產而持有，且資產的現金流量純粹為支付本金及利息的資產按公平值透過其他全面收入列賬。賬面值變動計入其他全面收入，惟確認於損益的減值損益、利息收入及匯兌損益除外。在財務資產終止確認時，先前於其他全面收入確認的累計損益由權益重新分類至損益，並於其他收益／(虧損)中確認。來自有關財務資產的利息收入採用實際利率法計入財務收入。匯兌損益於其他收益／(虧損)呈列，減值開支則於收益表作為單獨項目呈列。
- **按公平值透過損益列賬：**不符合按攤銷成本及按公平值透過其他全面收入列賬的標準的資產按公平值透過損益列賬。於後續計量時按公平值透過損益列賬的債務投資的損益在其產生期間於損益確認，淨值於其他收益／(虧損)項下呈列。

2 Summary of Significant Accounting Policies (Continued)

2.12 Financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in "other gains, net" in the statement of profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains, net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1st January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 18 for further details.

2.13 Accounts receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 18 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the group's impairment policies.

2 主要會計政策概要(續)

2.12 財務資產(續)

(c) 計量(續)

股本工具

本集團其後按公平值計量所有股本投資。倘本集團管理層選擇於其他全面收入呈列股本投資之公平值收益及虧損，則於終止確認投資後不會將公平值收益及虧損重新分類至損益。來自有關投資之股息會於本集團之收款權利獲確立時繼續於損益表的「其他收益，淨額」內確認。

按公平值透過損益列賬之財務資產公平值變動於損益表的「其他收益，淨額」內確認(倘適用)。按公平值透過其他全面收入列賬之股本工具減值虧損(及減值虧損的撥回)與其他公平值變動一同列報，而非作單獨項目列報。

(d) 減值

自二零一八年一月一日起，本集團以前瞻性的基準評估按攤銷成本和按公平值透過其他全面收入列賬的債務工具的預期信貸虧損，並根據信貸風險是否出現重大增幅選用減值方法。

就貿易應收賬款而言，本集團應用香港財務報告準則第9號允許之簡易法，當中要求自初始確認應收款項起確認預期全期虧損。有關更多詳情，請參閱附註18。

2.13 應收賬款

貿易應收賬款乃日常業務過程中就已售商品或已履行服務應收客戶的款項，一般於30天內到期結付，因此全部分類為流動。

貿易應收賬款初始確認為無條件的代價金額，除非該筆款項含有重大融資部分，於此情況下則按公平值確認。本集團持有貿易應收賬款以收取合約現金流，故於其後採用實際利率法按攤銷成本計量。有關本集團就貿易應收賬款採用的會計方法詳情，請參閱附註18；有關本集團減值政策的描述，請參閱附註2.11。

2 Summary of Significant Accounting Policies (Continued)

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 主要會計政策概要(續)

2.14 現金及現金等價物

現金及現金等價物包括手頭現金、銀行通知存款及其他原到期時間不超過三個月(含三個月)的短期高流動性投資。

2.15 股本

普通股份類為股本。發行新股或購股權直接應佔之新增成本乃於股本內列作所得款項(扣除稅項)之扣減。

倘任何集團成員公司購買本公司之權益股本，則所支付之代價(包括任何直接應佔之新增成本減去所得稅)乃從本公司股權持有人應佔股本中扣除，直至該等股份被註銷。

2.16 借貸

借貸初始按公平值(扣除已產生之交易成本)確認。交易成本為收購、發行或出售財務資產或財務負債直接應佔之新增成本，包括向代理、顧問、經紀及交易商支付之費用及佣金、監管代理機構及證券交易所徵收之款項及過戶登記稅項及稅款。借貸其後按已攤銷成本列賬；所得款項(扣除交易成本)與贖回價值間之任何差額於借貸期使用實際利率法於綜合收益表內確認。

2.17 借貸成本

可直接歸屬且需經較長時間的收購、建造或生產活動方能達至預定可使用或出售狀態的合資格資產的一般及特定借貸成本，計入該等資產的成本，直至達至其預定可使用或出售狀況為止。

尚未使用於合資格資產的特定借貸作短期投資賺取的投資收入，於合資格資本化的借貸成本中扣除。

所有其他借貸成本於其產生期間於損益確認。

2 Summary of Significant Accounting Policies (Continued)

2.17 Borrowing costs (Continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the aforesaid functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years are included in other gains, net and are not capitalised in subsequent years.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

2.18 Current and deferred income tax

The tax expense for the year comprises current tax and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 主要會計政策概要(續)

2.17 借貸成本(續)

借貸成本包括利息費用、融資租賃的融資費用和被視為對利息費用的調整的外幣借款匯兌差額。作為利息費用的調整項目的匯兌損益和損失包括主體以功能貨幣借入資金本應發生的借貸成本與外幣借貸實際發生的借貸成本之間的利率差額。該等金額根據貸款開始日的遠期貨幣匯率估計。

如果合資格資產的建造期跨越一個以上會計期間，符合資本化條件的匯兌差額在每一年度期間確定，且該金額以上述功能貨幣借貸的虛擬利息金額與外幣借貸實際發生的利息之間的差額為限。以前年度不符合資本化條件的匯兌差額已包含於其他收益，淨額內，且在後續年度不得予以資本化。

終止確認財務負債賬面值或將其轉移至另一方與已支付代價(包括任何非現金資產轉讓或負債承擔)之間的差額於損益中確認。

2.18 即期及遞延所得稅

年內稅項費用包括即期稅項及遞延稅項。稅項均於綜合收益表確認，惟如有關稅項與其他全面收入確認或直接於權益內確認之項目相關之情況則除外。在此情況下，稅項亦分別於其他全面收入確認或直接於權益中確認。

即期所得稅開支乃按結算日本公司及其附屬公司、聯營公司及合營公司經營業務及產生應課稅收入所在國家已頒佈或實質已頒佈之稅法計算。管理層定期評估適用稅法須受到相關詮釋規限情況下之納稅申報狀況，並在適當情況下按預期將支付稅務機關的款項基準計提撥備。

2 Summary of Significant Accounting Policies (Continued)

2.18 Current and deferred income tax (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

Group companies operate defined contribution plans only. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 主要會計政策概要(續)

2.18 即期及遞延所得稅(續)

遞延所得稅乃利用負債法就資產與負債之稅基與彼等在綜合財務報表之賬面值兩者之暫時差額作全數撥備。然而，若遞延所得稅來自在交易(不包括業務合併)中對資產或負債的初始確認，而在交易時不影響會計損益或應課稅損益，則不作記賬。遞延所得稅採用在結算日前已頒佈或實質頒佈，並在有關之遞延所得稅資產變現或遞延所得稅負債結算時預期將會適用之稅率及法例而釐定。

遞延所得稅資產乃就有可能將未來應課稅溢利與可動用之暫時差額抵銷而確認。

遞延所得稅會就有關在附屬公司、聯營公司及合營公司之投資所產生之暫時差額而撥備，但假若本集團可控制暫時差額之撥回，並有可能在可預見未來不會撥回則除外。

當存在法律上可執行權利以將本期稅項資產抵銷本期稅項負債，以及當遞延收入稅項資產及負債乃關於同一稅務機關對應課稅實體或不同應課稅實體(而其有意按淨額基準償付餘款)所徵收之所得稅時，遞延所得稅資產可抵銷負債。

2.19 僱員福利

本集團屬下公司僅設有界定供款計劃。本集團向公營或私人管理退休保險計劃作出強制或合約性質供款。作出供款後，本集團毋須作進一步供款承擔。該等供款會於到期支付時確認為僱員福利開支。可提供現金退還或扣減未來付款之預付供款會確認為資產。

2 Summary of Significant Accounting Policies (Continued)

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services rendered in the ordinary course of the Group's activities. Revenue is recognised as follows:

(a) 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 be transferred over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

2 主要會計政策概要(續)

2.20 撥備

在出現以下情況時作出撥備：本集團因已發生的事件而產生現有的法律或推定責任；可能需要有資源流出以償付責任；金額已經可靠估計。未來經營虧損概不作撥備。

如有多項類似責任，其需要在償付中流出資源的可能性是根據責任的類別作整體考慮。即使在同一責任類別所包含的任何一個項目相關的資源流出的可能性極低，仍須確認撥備。

2.21 收益確認

收益包括於本集團一般業務中出售物業及提供服務已收或應收之代價之公平值。收益確認如下：

(a) 物業銷售

收益於資產控制權轉移予客戶時確認。視乎合約條款及適用於合約的法律，資產的控制權可能於一段時間或某一時間點轉移。倘物業在本集團的履約過程中沒有其他用途，且本集團有可強制執行的權利就累計至今已完成的履約部份收取款項，本集團將根據計量進度之投入法，按整個合約期間已完成履約義務的進度確認收益。否則，收益會在當客戶獲得已完成物業的控制權時在某一時點確認。

完成履約義務的進度的計量乃基於本集團為完成履約義務而付出的努力或投入，並參考截至報告期末產生的合約成本佔各項合約估計總成本的比例。

對於在某一時點轉移物業控制權的物業開發銷售合約而言，收益於客戶實際持有已落成物業或擁有已落成物業的法定擁有權、且本集團已獲得現時的付款請求權並很可能收回代價時確認。

在確定交易價格時，若融資成份重大，本集團將根據融資成份的影響來調整承諾代價金額。

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition (Continued)

(b) Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(c) Property management fees

Property management fees are recognised when the services are rendered.

(d) Hotel operations

Revenue from hotel operations is recognised upon provision of services.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Infrastructure income

Infrastructure income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(g) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate. Grants relating to the purchase of properties and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets. Amounts received for which the earning process has not been completed are accounted for as deferred revenue.

(h) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 主要會計政策概要(續)

2.21 收益確認(續)

(b) 租金收入

租金收入按有關租賃期限以直線法確認。

(c) 物業管理費

物業管理費於提供服務時確認。

(d) 酒店營運

酒店營運收益於提供服務時確認。

(e) 利息收入

利息收入採用實際利率法按時間比例確認。

(f) 基建收入

基建收入在提供服務的會計期間內確認，並參考根據以提供的實際服務佔提供的總服務的比例評估的特定交易的完成。

(g) 政府補助

政府補助於可合理地確定將會收取而本集團符合所有相關條件時確認入賬。

有關收入之補助均會於符合擬彌償成本所需之期間遞延並在綜合收益表確認入賬。有關購入物業及設備之補助計入非流動負債為遞延收入，在相關資產之預計年期內以直線基準計入綜合收益表內。賺取收益過程尚未完成的已收款項入賬列作遞延收入。

(h) 股息收入

股息收入在收取款項的權利確定時確認。

2 Summary of Significant Accounting Policies (Continued)

2.22 Leases

As explained in note 2.2 above, the group has changed its accounting policy for leases where the group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the group under residual value guarantees;
- (d) the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- (e) payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 主要會計政策概要(續)

2.22 租賃

如上述附註2.2的解釋，本集團已變更其作為承租人的租賃會計政策。新政策於下文載述，而有關變動的影響載於附註2.2。

擁有權之絕大部分風險和回報並未轉讓至本集團(作為承租人)之租賃分類為經營租賃。根據經營租賃作出之付款(扣除任何自出租人獲取之優惠)於租賃期內按直線法自損益扣除。

自2019年1月1日起，租賃確認為使用權資產，並在租賃資產可供本集團使用之日確認相應負債。

租賃產生的資產及負債初步按現值基準計量。租賃負債包括以下租賃付款的現值淨額：

- (a) 固定付款(包括實質固定付款)減任何應收租賃獎勵；
- (b) 基於指數或利率的可變租賃付款，於開始日期使用指數或利率初步計量；
- (c) 剩餘價值擔保下的本集團預期應付款項
- (d) 採購權的行使價格(倘本集團合理地確定行使該權利)，及
- (e) 支付終止租賃的罰款(倘租賃條款反映本集團行使該權利)。

根據合理確定延續選擇權支付的租賃付款亦計入負債計量之內。

租賃付款採用租賃所隱含的利率予以貼現。倘無法輕易釐定該利率，而通常為本集團租賃，則使用承租人的增量借款利率，即個別承租人在類似條款、抵押和條件的類似經濟環境中借入獲得與使用權資產具類似價值資產所需資金所必須支付的利率。

2 Summary of Significant Accounting Policies (Continued)

2.22 Leases (Continued)

To determine the incremental borrowing rate, the group:

- (a) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- (b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- (c) makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- (a) the amount of the initial measurement of lease liability;
- (b) any lease payments made at or before the commencement date less any lease incentives received;
- (c) any initial direct costs, and
- (d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 主要會計政策概要(續)

2.22 租賃(續)

為釐定增量借款利率，本集團：

- (a) 在可能情況下，使用個別承租人最近獲得的第三方融資為出發點作出調整，以反映自獲得第三方融資以來融資條件的變動；
- (b) 使用累加法，首先就本公司所持有租賃的信貸風險（最近並無第三方融資）調整無風險利率，及
- (c) 進行特定於租約的調整，例如期限、國家、貨幣及抵押。

租賃付款於本金及財務成本之間作出分配。財務成本在租賃期間於損益扣除，藉以令各期間的負債餘額達致常數定期利率。

使用權資產按成本計量，包括以下各項：

- (a) 租賃負債的初步計量金額；
- (b) 於開始日期或之前所作的任何租賃付款，減去已收的任何租賃獎勵；
- (c) 任何初始直接成本，及
- (d) 修復成本。

使用權資產一般於資產可使用年期或租賃期（以較短者為準）按直線法計算折舊。倘本集團合理確定行使購買選擇權，則使用權資產於相關資產的可使用年期內予以折舊。本集團在對其土地及樓宇（於物業、廠房及設備內呈列）重新估值時，已選擇不就本集團所持有的使用權樓宇行使有關權利。

與設備及交通工具短期租賃相關的付款及所有低價值資產的租賃以直線法於損益中確認為開支。短期租賃指租賃期限為12個月或以下的租賃。

2 Summary of Significant Accounting Policies (Continued)

2.22 Leases (Continued)

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.23 Insurance contracts

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to its joint ventures and subsidiaries as insurance contracts.

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Foreign exchange risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

2 主要會計政策概要(續)

2.22 租賃(續)

本集團作為出租人的經營租賃的租賃收入按直線法於租賃期內確認為收入。獲取經營租賃產生的初始直接成本計入相關資產的賬面值，並於租賃期內以確認租賃收入的相同基準確認為開支。個別租賃資產按其性質計入資產負債表。採納新租賃準則後，本集團無需對作為出租人所持有資產的會計處理作任何調整。

2.23 保險合約

本集團將有關給予若干物業買家之按揭信貸及給予其合營公司及附屬公司之擔保之財務擔保合約視為保險合約。

本集團會於各結算日利用現時對未來現金流量之估計評估其於保險合約下之責任。此等保險責任之賬面值變動會於綜合收益表確認。

2.24 股息分派

向本公司股東分派的股息在股息獲本公司股東批准的期間內於本集團及本公司的財務報表內列為負債。

3 財務風險管理

3.1 財務風險因素

本集團之業務令其承受多種財務風險：外匯風險、信貸風險、流動資金風險及現金流及公平值利率風險。本集團的整體風險管理政策專注於金融市場的不可預測性，並力求減低對本集團財務表現的潛在不利影響。本集團定期監察其承受風險情況，並認為至目前為止無須為任何此等財務風險進行對沖。

(a) 外匯風險

香港財務報告準則第7號所界定之外匯風險乃因以功能貨幣以外之貨幣計值之貨幣資產及負債而產生；但並無計及因將財務賬目換算為本集團之呈列貨幣所產生之匯兌差額。

3 Financial Risk Management (Continued)**3.1 Financial risk factors (Continued)****(a) Foreign exchange risk (Continued)**

Majority of the Group's subsidiaries operate in Mainland China, with most of the transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against US dollar and Hong Kong dollar. It has not hedged its foreign exchange rate risk.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

At 31st December 2019, if RMB had weakened/strengthened by one percentage-point against US dollar with all other variables held constant (assuming no capitalisation of exchange difference), post-tax profit for the year would have been HK\$30.7 million lower/higher (2018: HK\$1.9 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits and borrowings.

At 31st December 2019, if RMB had weakened/strengthened by one percentage-point against Hong Kong dollar with all other variables held constant (assuming no capitalisation of exchange difference), post-tax profit for the year would have been HK\$21.8 million lower/higher (2018: HK\$29.6 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of HK dollar denominated bank deposits and borrowings.

(b) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and financial institutions and credit exposures to customers. The Group has credit policies in place and exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions by monitoring credit ratings. At 31st December 2019, deposits with banks amounted to HK\$14,101 million (2018: HK\$7,939 million) were placed with a number of international/national/provincial/municipal financial institutions with sound credit ratings.

3 財務風險管理(續)**3.1 財務風險因素(續)****(a) 外匯風險(續)**

本集團大部份附屬公司均於中國大陸經營，而大部份交易均以人民幣計值。本集團須承受之外匯風險由人民幣兌美元及港元匯率引致。本集團並無就外幣匯率風險作出對沖。

此外，將人民幣換算為外幣須受中國大陸政府所頒佈之外匯管制規則及規例監管。

於二零一九年十二月三十一日，倘人民幣兌美元下跌／上升1個百分點，而所有其他變數保持不變(假設概無資本化匯兌差額)，則年度除稅後溢利將減少／增加30.7百萬港元(二零一八年：增加／減少1.9百萬港元)，主要是由於換算以美元計值之銀行存款及借貸而產生外匯收益／虧損所致。

於二零一九年十二月三十一日，倘人民幣兌港元下跌／上升1個百分點，而所有其他變數保持不變(假設概無資本化匯兌差額)，則年度除稅後溢利將減少／增加21.8百萬港元(二零一八年：減少／增加29.6百萬港元)，主要是由於換算以港元計值之銀行存款及借貸而產生外匯虧損／收益所致。

(b) 信貸風險

本集團之信貸風險主要是由銀行及財務機構存款及客戶的信貸風險所引致。本集團已制定信貸政策並持續監控該等信貸風險。

本集團透過監控信貸評級管理其銀行及財務機構之存款。於二零一九年十二月三十一日，銀行存款14,101百萬港元(二零一八年：7,939百萬港元)乃存置於具良好信貸評級之多家國際／全國性／省級／市級財務機構。

3 Financial Risk Management (Continued)**3.1 Financial risk factors (Continued)****(b) Credit risk (Continued)**

In respect of credit exposures to customers, the Group normally receives deposits or progress payments from sales of residential properties prior to completion of the sales transactions, and bills customers in advance for property management service.

The Group has arranged bank financing for certain purchasers of property units and has provided guarantees to secure the purchasers' obligations for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors of the Company consider that the Group's credit risk is minimal.

The Group monitors the exposure to credit risk in respect of amounts due from joint ventures through jointly controlling their financial and operating policy decisions and reviewing their financial positions on a regular basis.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset (other than equity securities included in financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss) in the balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from accounts receivable is set out in Note 18.

(c) Liquidity risk

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group's operations and to maintain sufficient cash to meet its business development requirements.

Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group's business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in global/Mainland China economic conditions. The Company's directors consider that the Group will be able to maintain sufficient financial resources to meet its needs.

3 財務風險管理(續)**3.1 財務風險因素(續)****(b) 信貸風險(續)**

就客戶之信貸風險而言，本集團通常於完成有關交易前就出售住宅物業銷售而收取按金或進度款項，並於提供物業管理服務前向客戶開立賬單。

本集團已為若干物業單位之買家安排銀行融資，並提供擔保以確保買家承擔還款之責任。倘買家於擔保期限內違反按揭還款責任，則持有按揭之銀行可能會要求本集團償還貸款之未償還款項及其任何應計利息。在該等情況下，本集團可保留自客戶收取之物業銷售所得款項並出售物業以收回任何本集團支付予銀行之款項。就此而言，本公司董事認為，本集團之信貸風險已降至最低。

本集團通過共同控制其財務和經營政策的決定，並定期審查其財務狀況，監控應收合營公司款項的信用風險。

信貸風險的最大風險來自扣除任何減值撥備後，資產負債表中各項財務資產(除按公平值透過其他全面收入列賬之財務資產中的股本證券及按公平值透過損益列賬之財務資產)的賬面值，以及向第三方提供的擔保。本集團因應收賬款而產生的信貸風險載於附註18。

(c) 流動資金風險

管理流動資金風險時，本集團定期並密切監控其現時及預期流動資金需求，以維持其滾存現金流量在本集團認為足夠之水平，以為本集團業務運作提供資金，以及維持足夠現金應付其業務發展所需。

管理層定期編製現金流量預測，且本集團備有多個不同方案，一旦全球/中國大陸經濟出現突變而對預期的現金流產生影響，該等方案可抵銷事件對本集團業務發展及目前經營的影響。本公司董事認為本集團將能維持足夠的財務資源，應付其營運所需。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities by relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Less than 1 year 1年內 HK\$'000 千港元	Between 1 and 2 years 1至2年 HK\$'000 千港元	Between 2 and 5 years 2至5年 HK\$'000 千港元	Over 5 years 超過5年 HK\$'000 千港元
At 31st December 2019	於二零一九年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	16,885,152	18,991,161	38,268,663	9,076,573
Accounts payable, accruals and other payables (Note)	應付賬款、應計款項及其他應付款項(附註)	21,138,261	—	—	—
Land cost payable	應付土地成本	359,201	91,043	—	—
Lease liabilities	租賃負債	24,548	26,109	113,033	520,975
Due to an associate	應付一間聯營公司之款項	5,964	—	—	—
Due to related companies	應付關連公司之款項	366,248	—	—	—
Due to joint ventures	應付合營公司之款項	3,011,241	—	—	—
Due to non-controlling interests	應付非控制性權益之款項	—	—	—	2,162,867
		41,790,615	19,108,313	38,381,696	11,760,415
At 31st December 2018	於二零一八年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	16,142,328	15,526,219	27,200,663	3,868,439
Accounts payable, accruals and other payables (Note)	應付賬款、應計款項及其他應付款項(附註)	13,650,378	—	—	—
Land cost payable	應付土地成本	4,996	88,310	—	—
Due to an associate	應付一間聯營公司之款項	6,299	—	—	—
Due to related companies	應付關連公司之款項	260,654	—	—	—
Due to joint ventures	應付合營公司之款項	2,773,349	—	—	—
Due to non-controlling interests	應付非控制性權益之款項	—	—	—	514,605
		32,838,004	15,614,529	27,200,663	4,383,044

Note: Excluding other taxes payable and accrued salaries.

The table above excludes guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties (Note 40) as management considers the likely crystallisation of the guarantees to be as minimal.

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險(續)

下表顯示按相關到期組別劃分之本集團財務負債，根據由結算日至合約到期日之剩餘期間進行分析。表內所披露之金額為合約性未貼現現金流量。

		Less than 1 year 1年內 HK\$'000 千港元	Between 1 and 2 years 1至2年 HK\$'000 千港元	Between 2 and 5 years 2至5年 HK\$'000 千港元	Over 5 years 超過5年 HK\$'000 千港元
At 31st December 2019	於二零一九年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	16,885,152	18,991,161	38,268,663	9,076,573
Accounts payable, accruals and other payables (Note)	應付賬款、應計款項及其他應付款項(附註)	21,138,261	—	—	—
Land cost payable	應付土地成本	359,201	91,043	—	—
Lease liabilities	租賃負債	24,548	26,109	113,033	520,975
Due to an associate	應付一間聯營公司之款項	5,964	—	—	—
Due to related companies	應付關連公司之款項	366,248	—	—	—
Due to joint ventures	應付合營公司之款項	3,011,241	—	—	—
Due to non-controlling interests	應付非控制性權益之款項	—	—	—	2,162,867
		41,790,615	19,108,313	38,381,696	11,760,415
At 31st December 2018	於二零一八年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	16,142,328	15,526,219	27,200,663	3,868,439
Accounts payable, accruals and other payables (Note)	應付賬款、應計款項及其他應付款項(附註)	13,650,378	—	—	—
Land cost payable	應付土地成本	4,996	88,310	—	—
Due to an associate	應付一間聯營公司之款項	6,299	—	—	—
Due to related companies	應付關連公司之款項	260,654	—	—	—
Due to joint ventures	應付合營公司之款項	2,773,349	—	—	—
Due to non-controlling interests	應付非控制性權益之款項	—	—	—	514,605
		32,838,004	15,614,529	27,200,663	4,383,044

附註：不包括其他應付稅項及應計薪金。

上表不包括就授予本集團物業之若干買家之按揭貸款而向銀行作出之擔保(附註40)，因為管理層認為有關履行擔保之可能性已降至最低。

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest-rate risk

The Group's interest-rate risk arises from interest bearing bank deposits/balances, borrowings and advances from/to joint ventures. Bank deposits/balances and borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest-rate risk.

At 31st December 2019, if interest rates had increased/decreased by one percentage-point and all other variables were held constant, the net finance income (after taking into account the interest expenses capitalised in the properties under development, investment properties and construction-in-progress) would increase/decrease the Group's post-tax profit by approximately HK\$92 million (2018: HK\$53 million).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

The Group monitors capital based on gearing ratio. Gearing ratio is calculated as net debt divided by total equity as shown in the consolidated balance sheet. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less pledged/charged bank deposits and cash and cash equivalents.

3 財務風險管理(續)

3.1 財務風險因素(續)

(d) 現金流及公平值利率風險

本集團之利率風險乃由有息銀行存款／結餘、借貸及應收／應付合營公司墊款產生。銀行存款／結餘及以浮動利率發放之借貸令本集團承受現金流利率風險。而以固定利率發放之借貸則令本集團承受公平值利率風險。本集團並無就其現金流及公平值利率風險作出對沖。

於二零一九年十二月三十一日，倘利率上升／下降1個百分點，而所有其他變數保持不變，則財務收入淨額(計入發展中物業、投資物業及在建工程中已資本化之利息開支)將會使本集團之稅後溢利上升／下降約92百萬港元(二零一八年：53百萬港元)。

3.2 資金風險管理

本集團管理資本之目標乃保障本集團能夠繼續根據持續基準經營，從而為股權持有人創造回報並使其他利益相關者受惠，以及維持最佳資本架構以降低資本成本。

本集團可透過調整派付予股權持有人之股息數額、發行新股或出售資產減少債務，藉以維持或調整資本架構。

本集團按資本負債比率基準監控資本。資本負債比率乃以負債淨額除以於綜合資產負債表所示的權益總額計算。負債淨額乃以總借貸(包括綜合資產負債表所示之流動及非流動借貸)減已抵押／押記銀行存款及現金及現金等價物計算。

3 Financial Risk Management (Continued)**3.2 Capital risk management (Continued)**

The gearing ratios at 31st December 2019 and 2018 were as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Total borrowings	總借貸	63,389,880	55,101,143
Less: pledged/charged bank deposits and cash and cash equivalents	減：已抵押／押記銀行存款及現金及現金等價物	(14,102,038)	(7,939,890)
Net debt	負債淨額	49,287,842	47,161,253
Total equity	權益總額	75,015,402	67,773,635
Gearing ratio	資本負債比率	66%	70%

The decrease in the gearing ratio was mainly attributable to the increase in bank deposits.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 財務風險管理(續)**3.2 資金風險管理(續)**

於二零一九年及二零一八年十二月三十一日之資本負債比率如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Total borrowings	總借貸	63,389,880	55,101,143
Less: pledged/charged bank deposits and cash and cash equivalents	減：已抵押／押記銀行存款及現金及現金等價物	(14,102,038)	(7,939,890)
Net debt	負債淨額	49,287,842	47,161,253
Total equity	權益總額	75,015,402	67,773,635
Gearing ratio	資本負債比率	66%	70%

資本負債比率下降主要由於銀行存款增加所致。

3.3 公平值估算

下表以估值法分析按公平值計量之金融工具。不同級別之定義如下：

- 就相同資產或負債於活躍市場之報價(未調整)(第1級)。
- 就資產或負債可觀察之直接輸入數據(即如價格)或間接輸入數據(即自價格所計算者)(包括於第1級內的報價除外)(第2級)。
- 就資產或負債而言並非根據可觀察市場數據之輸入數據(即不可觀察數據)(第3級)。

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31st December 2019 and 2018. See Note 8 for disclosure relating to the investment properties which are measured at fair value.

		Level 1 第1級 HK\$'000 千港元	Level 3 第3級 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 31st December 2019	於二零一九年 十二月三十一日			
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	692,251	96,152	788,403
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	714,224	2,623,549	3,337,773
		1,406,475	2,719,701	4,126,176
At 31st December 2018	於二零一八年 十二月三十一日			
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	246,813	564,130	810,943
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	—	3,144,258	3,144,258
		246,813	3,708,388	3,955,201

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments in Mainland China and Hong Kong classified as trading securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. There was no instrument included in Level 2 at 31st December 2018 and 2019.

3 財務風險管理(續)

3.3 公平值估算(續)

下表呈列於二零一九年及二零一八年十二月三十一日按公平值計量之本集團財務資產。有關按公平值計量的投資物業的披露見附註8。

		Level 1 第1級 HK\$'000 千港元	Level 3 第3級 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 31st December 2019	於二零一九年 十二月三十一日			
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	692,251	96,152	788,403
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	714,224	2,623,549	3,337,773
		1,406,475	2,719,701	4,126,176
At 31st December 2018	於二零一八年 十二月三十一日			
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產	246,813	564,130	810,943
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入列賬之財務資產	—	3,144,258	3,144,258
		246,813	3,708,388	3,955,201

於活躍市場所買賣金融工具之公平值乃根據於結算日之所報市場價格計算。倘即時及定時透過交易所、交易商、經紀、業界組別、報價服務或監管機構獲得報價，且該等價格屬實際及定期按公平基準進行之市場交易，則市場可視為活躍。本集團所持財務資產所用之市場報價為目前之買入價。此等工具已計入第1級。第1級計入之工具主要包括分類為貿易證券的中國大陸及香港的股權投資。

未有在活躍市場買賣之金融工具(如場外衍生工具)之公平值乃採用估值法釐定。此等估值方法盡量運用所得之可觀察市場數據，並盡可能減少依賴實體特定估計。倘所有計算一項工具之公平值所需重大輸入數據屬可觀察時，有關工具會計入第2級。截至二零一八年及二零一九年十二月三十一日止並無工具計入第2級。

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Instruments included in Level 3 represent unlisted equity securities, which are primarily classified as FVOCI.

Fair values of FVOCI were derived using the income approach. Under the income approach, the net present value of the forecast dividend is estimated by applying an appropriate discount rate which reflects the risk profile of the investments. The Directors considered that the income approach reflects the long-term investment purpose of the FVOCI, and the stage of development of the investees' businesses.

The following unobservable inputs were used to determine the fair value of the FVOCI.

Fair value at 31st December 於十二月三十一日之公平值		Unobservable inputs 不可觀察數據	Range of unobservable inputs 不可觀察數據範圍	Relationship of unobservable inputs to fair value 不可觀察數據與公平值的關係
2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元			
Equity securities 股本證券				
2,524,057	3,144,258	Dividend growth rate for the year 2020 to 2024 (2018: 2019 to 2023) 二零二零年至二零二四年的股息增長率(二零一八年：二零一九年至二零二三年)	8%–22% (2018: 11%–38%) 8%–22% (二零一八年：11%–38%)	The higher the growth rate, the higher the fair value. 增長率越高，公平值越高。
		Terminal growth rate 長期增長率	3% p.a. (2018: 3% p.a.) 每年3%。(二零一八年：每年3%)	The higher the growth rate, the higher the fair value. 增長率越高，公平值越高。
		Discount rate 貼現率	11% p.a. (2018: 11% p.a.) 每年11%(二零一八年：每年11%)	The higher the discount rate, the lower the fair value. 貼現率越高，公平值越低。
		Lack of marketability discount 市場流通性貼現率	16% (2018: 16%) 16%(二零一八年：16%)	The higher the discount, the lower the fair value. 貼現率越高，公平值越低。

The remaining balance of unlisted investment of approximately HK\$99 million is stated at fair value which is estimated using other prices observed in recent transactions or valuation techniques when the market prices are not readily available.

3 財務風險管理(續)

3.3 公平值估算(續)

倘一個或多個重大輸入數據並非根據可觀察市場數據計算，有關工具會計入第3級。計入第3級之工具指主要分類為按公平值透過其他全面收入列賬之財務資產之非上市股本證券。

按公平值透過其他全面收入列賬之財務資產之公平值乃以收入法得出。根據收入法，預測股息的淨現值乃透過應用反映投資風險情況的合適貼現率估計。董事認為收入法反映按公平值透過其他全面收入列賬之財務資產之長期投資目的以及被投資方業務的發展階段。

以下不可觀察數據乃用以釐定按公平值透過其他全面收入列賬之財務資產之公平值。

未上市投資的餘額約99百萬港元，投資按公允值入賬，其公允值乃根據近期之成交價估算，倘市場交投疏落，則以估值技術作出估算。

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The nominal value less estimated credit adjustments of accounts receivable, accounts payable, balances with related parties, amounts due to minority shareholders of subsidiaries and land cost payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments or based on the current bid price in the market.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations relating to future events which are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated fair value of investment properties

The fair value of each investment property is individually determined at each reporting date by independent external valuers based on a market value assessment. Fair values of completed investment properties are derived using the income capitalisation method, and fair value of investment properties under development are derived using the residual method. The valuations are dependent on certain key assumptions that require significant judgement, including capitalisation rates and prevailing market rents. The valuations of investment properties under development are also dependent upon the estimated costs to completion and estimated developer's profit. Details of the valuation techniques and key assumptions used in the valuation of the investment properties which are measured at fair value are set out in Note 8.

3 財務風險管理(續)

3.3 公平值估算(續)

應收賬款、應付賬款、與關連人士之結餘、應付附屬公司少數股東款項及應付土地成本之面值減去估計信貸調整後，乃假設與其公平值相若。就披露而言，財務負債之公平值乃按本集團可取得之類似金融工具之現行市場利率或根據市場現時之買入價，把未來合約現金流量貼現作出估算。

4 重要會計推算及判斷

推算及判斷乃持續進行之評估，並以過往經驗及其他因素作為基礎，包括在目前情況下關於未來事件之合理預期。

4.1 重要會計推算及假設

本集團就未來作出推算及假設。在定義上，由此而生之會計推算極少與相關之實際結果相同。具相當風險導致下個財政年度之資產與負債賬面值作重大調整之推算及假設將於下文論述。

(a) 投資物業之公平值估值

每項投資物業於每個報告日期由獨立外部估值師按其市場價值獨立評估。已落成之投資物業之公平值乃採用收入資本化方法計算，而發展中之投資物業之公平值乃採用餘值估價法計算。重估乃依賴需要重大判斷(包括資本化比率及當前市場租金)的若干關鍵假設。發展中之投資物業之估值亦依賴估計完工成本及估計發展商盈利。有關投資物業計量公平值之估值所採用之估值方法及關鍵假設之詳情，載於附註8。

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(b) Recoverability of prepayments for acquisition of land

Prepayments for acquisition of land represent advances made for the acquisitions of land use rights, for which the land use right certificates have not yet been obtained. Management assesses the likelihood of obtaining the related land use rights by reference to the latest discussions with the relevant government authorities and other relevant parties. Management also takes into consideration opinions from independent legal counsels on the legality of the land transfer contracts and undertakings provided by related parties, if any. The Group assesses the recoverability of the land parcels by comparing their respective carrying amounts to the estimated market value of the land. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The assessment requires the use of judgement and estimates. Details of prepayments for acquisition of land are set out in Notes 17, 42(e) and 42(f).

(c) Recoverability of properties under development for sale and completed properties for sale

The Group assesses the carrying amounts of properties under development and completed properties for sale based on their net realisable value, taking into account estimated costs to completion based on past experience and estimated net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(d) Recoverability of properties and equipment

Properties and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of properties and equipment have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculation require the use of judgements and estimates.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(b) 收購土地預付款項之可收回性

收購土地預付款項指購買土地使用權，並於取得該土地使用權憑證前所作出之預付款項。管理層估定取得相關土地使用權的可能性乃經參考與相關政府機關及其他相關人士最近的討論得出。管理層亦考慮來自獨立法律顧問就土地轉讓合約及相關人士作出保證(如有)的合法性的意見。本集團估定有關土地之可收回性乃經比較彼等各自有關土地之估計市值賬面值得出。當事件或情況變化表明賬面值為不可收回時，將會作出撥備。該估計須作出判斷及估計。有關收購土地預付款項之詳情，載於附註17、42(e)及42(f)。

(c) 可供出售之發展中物業及可供出售之已落成物業之可收回性

本集團根據可供出售之發展中物業及已落成物業(計及基於過往經驗而釐定之估計完工成本以及基於當前及預期市況而釐定之估計銷售淨值)估定其賬面值。當事件或情況變化表明賬面值為不可收回時，將會作出撥備。該估計須作出判斷及估計。

(d) 物業及設備之可收回性

物業及設備在事件或情況變化表明賬面值為不可收回時，將會考慮作出減值。物業及設備之可收回金額乃根據計算使用價值(計及最新市場資料及過往經驗)而釐定。該等計算須作出判斷及估計。

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

- (e) Estimated fair value of financial assets at fair value through other comprehensive income

The fair value of financial assets at fair value through other comprehensive income that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select the income approach and evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and business outlook for the investee. The key assumptions adopted on the valuation methodologies as set out in Note 3.3 are based on management's best estimates.

- (f) Current taxation and deferred taxation

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

The Group is subject to land appreciation taxes in Mainland China. However, the implementation and settlement of these taxes varies among various tax jurisdictions in provinces/cities of Mainland China, and the Group has not finalised most of its land appreciation taxes clearance and payments with the local tax authorities in Mainland China. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognises its obligation to land appreciation taxes based on management's best estimates according to the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

- (e) 按公平值透過其他全面收入列賬之財務資產之公平值估計

未有在活躍市場買賣之按公平值透過其他全面收入列賬之財務資產之公平值乃採用估值法釐定。本集團通過判斷選擇收入法並評估(包括其他因素)投資之公平值低於其成本的時間及程度；及被投資公司的財務穩健狀況以及業務前景。載於附註3.3之估值方法採用的主要假設乃根據管理層的最佳估計作出。

- (f) 本期稅項及遞延稅項

本集團須繳納中國內地及香港稅項。於釐訂相關稅項之稅項撥備金額及支付時間時須作出判斷。於日常業務過程中有頗多未能確定最終稅項之交易及計算。倘該等事宜之最終稅務結果與初始記錄之金額不同，有關差異將影響作出釐定之期間內之所得稅及遞延稅項撥備。

倘管理層認為未來應課稅溢利可用作對消暫時性差異或稅項虧損可予動用時，則會確認與若干暫時性差異及稅項虧損有關之遞延稅項資產。倘預期結果與原先之估算不同，有關差異會對有關估算出現變動之期間內遞延稅項資產及稅項之確認構成影響。

本集團須於中國大陸繳納土地增值稅。然而，該等稅項的執行及支付因應中國大陸各省份/城市的不同稅務司法權區而有異，而本集團尚未與中國大陸地方稅務機關落實大部份土地增值稅的結算及付款方法。因此，須作出重大判斷以釐定土地增值及其相關稅項的金額。本集團根據管理層就稅務規則作出的最佳估計，確認其就此等土地增值稅所負之責任。最終稅務結果可能與最初記錄的金額不同，而因當地稅務機關落實該等稅項而出現的有關差異將影響期間內的稅項及稅項撥備。

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(f) Current taxation and deferred taxation (Continued)

Deferred income tax is provided on temporary difference arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(g) Recoverability of loan receivables

The loss allowances for loan receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the existing market conditions as well as forward-looking estimates at the end of each reporting period.

4.2 Critical accounting judgements

(a) Revenue recognition

The Group has recognised revenue from the sale of properties in the ordinary course of business, as disclosed in Note 2.21. The assessment of when an entity has transferred the control to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of control coincides with the date when the equitable interest in the property vests with the buyer upon handover of the respective property to the buyer.

As disclosed in Note 40, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when the relevant property ownership certificates are lodged with the various banks. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with the related PRC regulations upon delivery of the properties. The Directors are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour their contractual obligations of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in execution of the bank guarantees. Accordingly, the Directors believe that control of the properties have been transferred to the purchasers.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(f) 本期稅項及遞延稅項(續)

遞延所得稅就附屬公司投資產生之暫時差異而撥備，但假若本集團可以控制暫時差異之撥回時間，而暫時差異在可預見將來有可能不會撥回則除外。

(g) 應收貸款的可收回性

應收貸款損失撥備是基於有關違約風險和預期損失率的假設。本集團根據現有市場情況以及每個報告期末的前瞻性估計，在做出這些假設時選擇判斷，並選擇減值計算的輸入。

4.2 重要會計推算及判斷

(a) 收入確認

誠如附註2.21所披露，本集團已確認來自一般業務中出售物業的收益。對於實體何時將控制權轉移至買家須對交易狀況進行審查。大多數情況下，在各物業交付予買家之後，控制權的轉移時間會與物業的衡平權益轉歸買家的時間相一致。

誠如附註40所披露本集團就有關為本集團物業若干買家安排按揭貸款並由若干銀行授出的按揭融資提供擔保。當相關物業所有權證交予各銀行時，該等擔保將告到期。根據中國有關法規，為取得按揭，買家在物業交吉之前，需已交付合約總金額的一定比例。董事認為，該等付款為買家履行銀行貸款的合約責任提供了充分證據。再者，根據過往經驗，買家並無重大按揭貸款拖欠事件，以致進行銀行擔保賠付。因此，董事認為，物業的控制權已被轉移至買家。

**4 Critical Accounting Estimates and Judgements
(Continued)**

4.2 Critical accounting judgements (Continued)

(b) Financial implication of regulations of idle land

Under the PRC laws and regulations, if a property developer fails to develop land according to the terms of a land grant contract, including the designated use of the land and the time of commencement and completion of the property development, the Mainland China government may regard the land as idle and issue a warning or impose a penalty on the developer or reclaim the land. The Group has certain tracts of land for which development has not commenced according to the specified terms of the respective land grant contracts. Judgement is required in assessing whether these tracts of land will be subject to the penalty of idle land or may be reclaimed by the Government and thereby resulting in any adverse financial impact to the Group. In making this judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

4 重要會計推算及判斷(續)

4.2 重要會計判斷(續)

(b) 閒置土地法規之財務涵義

根據中國法例及法規，倘物業發展商未能根據土地批授合約之條款發展土地，包括土地指定用途以及物業發展之施工及完工時限，則中國大陸政府可能視土地為閒置，並向該發展商發出警告或徵收罰款或收回土地。本集團有若干土地並無按照各自之土地批授合約特定條款進行發展。本集團在評估該等土地會否面臨閒置土地之懲罰或遭政府收回而帶來任何不利財務影響時須作出判斷。在作出此判斷時，本集團將評估土地整體之發展程度，以及就延長施工時限或修訂發展規劃與政府機關進行磋商之狀況。

5 Segment Information

Executive Directors of the Company (the “Executive Directors”) are regarded as the chief operating decision makers of the Group. The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business from both business and geographic perspectives. Reportable business segments identified are property development, commercial properties investment, property management and infrastructure business. Geographically, the property development segment and commercial properties investment segment are further segregated into three main geographical areas, namely Southern China (SC) (including Guangzhou, Huizhou, Zhongshan and Hong Kong), Northern China (NC) (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and Eastern China (EC) (including Shanghai, Hangzhou, Kunshan, Ningbo, Cixi and Taicang).

During the year, management reassessed and changed the Group’s reportable operating segments in accordance with their economic characteristics. The previously reported property investment and hotel operations segments are combined as commercial properties investment segment, while the infrastructure business which was previously included within the property development segment, is now separately reported. Infrastructure business represents design services and construction services provided to property buyers. The corresponding segment information for the year ended 31st December 2018 has been represented accordingly.

The Executive Directors assess the performance of the operating segments based on the segment results. Corporate income/ expenses, finance income and costs, dividend income, interest income and gain on disposal of financial assets at fair value through profit or loss are not included in the results for each operating segment that is reviewed by the Executive Directors.

5 分部資料

本公司的執行董事(「執行董事」)被視為本集團之最高營運決策者。執行董事審閱本集團內部報告，以評估表現及分配資源。管理層已根據該等報告釐定營運分部。

執行董事會從商業及地理角度考慮業務。已識別之可呈報業務分部包括物業發展、商業地產投資、物業管理及基建業務。就地理方面而言，物業發展分部及商業地產投資分部進一步劃分為三個主要地區，即華南(包括廣州、惠州、中山及香港)、華北(包括北京、天津、大連、太原及秦皇島)及華東(包括上海、杭州、昆山、寧波、慈溪及太倉)。

年內，管理層已根據本集團各經營分類之經濟特點重新審視並更改本集團之可呈報經營分類。先前呈報之物業投資與酒店營運分部合併為商業地產投資分部，而先前包含在物業發展分部之基建業務則單獨呈報。基建業務指提供給物業買家的設計服務及建築服務。截至二零一八年十二月三十一日年度之相關分部資料已相應重新呈列。

執行董事根據分部業績評估營運分部之表現。公司收入／開支、財務收入及成本、股息收入、利息收入及處置按公平值透過損益列賬之財務資產收益並無計入執行董事所審閱之各營運分部業績。

5 Segment Information (Continued)

Segment assets consist of all operating assets and exclude financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and certain loan receivables, which are managed on a central basis, and deferred tax assets.

The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

Revenues comprise turnover which included revenue from property development, revenue from commercial properties investment, property management income and infrastructure income.

The following tables present revenue and profit information regarding to the Group's operating segments for the year ended 31st December 2019 and 2018 respectively.

5 分部資料(續)

分部資產包括所有經營資產，且並不包括集中管理之按公平值透過其他全面收入列賬之財務資產、按公平值透過損益列賬之財務資產及若干應收貸款以及遞延稅項資產。

向執行董事呈報之外來收益按與綜合收益表一致之方式計量。

收益由物業發展收益、商業地產投資收益、物業管理收入及基建收入組成。

下表呈列本集團營運分部截至二零一九年及二零一八年十二月三十一日止年度收益與溢利之資料。

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Revenue from property development	物業發展之收益	12,848,239	8,639,708
Revenue from commercial properties investment	商業地產投資之收益	3,154,385	2,434,941
Property management income	物業管理收入	1,183,147	1,136,282
Infrastructure income	基建收入	1,414,809	1,082,601
		18,600,580	13,293,532

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

5 Segment Information (Continued)

The segment results by business lines and where applicable by geographical areas for the year ended 31st December 2019 are as follows:

5 分部資料(續)

截至二零一九年十二月三十一日止年度按業務及適用地區劃分之分部業績如下：

		Property development 物業發展			Commercial properties investment 商業地產投資			Property management 物業管理	Infrastructure 基建	Group 集團
		SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北			
		HKS'000 千港元	HKS'000 千港元	HKS'000 千港元	HKS'000 千港元	HKS'000 千港元	HKS'000 千港元	HKS'000 千港元	HKS'000 千港元	HKS'000 千港元
Year ended 31st December 2019	截至二零一九年十二月三十一日止年度									
Total revenues	總收益	6,701,846	3,369,153	2,939,920	651,565	1,209,869	1,510,866	1,719,509	6,407,400	24,510,128
Intra/inter-segment revenues	分部內/間收益	(114,255)	(46,830)	(1,595)	(26,708)	(35,401)	(155,806)	(536,362)	(4,992,591)	(5,909,548)
Revenues	收益	6,587,591	3,322,323	2,938,325	624,857	1,174,468	1,355,060	1,183,147	1,414,809	18,600,580
Revenue from contracts with customers:	客戶合約收益：									
Recognised at a point in time	於某個時間點確認	6,587,591	3,322,323	2,938,325	—	—	—	—	—	12,848,239
Recognised over time	隨著時間確認	—	—	—	38,904	249,247	100,563	1,183,147	1,414,809	2,986,670
Revenue from other sources:	其他收益來源：									
Rental income	租金收入	—	—	—	585,953	925,221	1,254,497	—	—	2,765,671
Revenues	收益	6,587,591	3,322,323	2,938,325	624,857	1,174,468	1,355,060	1,183,147	1,414,809	18,600,580
Segment results (Note)	分部業績(附註)	3,200,416	1,234,954	125,482	772,470	3,735,560	5,277,272	117,836	698,541	15,162,531
Depreciation of properties and equipment	物業及設備折舊	(84,558)	(470)	(19,656)	(1,362)	(18,034)	(67,975)	(3,620)	(781)	(196,456)
Depreciation of right-of-use assets	使用權資產折舊	(5,072)	(716)	—	(36,808)	(18,295)	(15,696)	—	—	(76,587)
Provision for impairment of accounts receivable	應收賬款減值撥備	—	—	—	—	—	—	(7,960)	—	(7,960)
Fair value gain on investment properties	投資物業之公平值收益	—	—	—	382,117	3,076,964	4,716,700	—	—	8,175,781
Share of profit/(loss) of associates	分佔聯營公司溢利/(虧損)	1,016	—	(5,578)	—	—	—	—	—	(4,562)
Share of profit/(loss) of joint ventures	分佔合營公司溢利/(虧損)	84,128	39	(742)	—	—	35,688	—	—	119,113

Note: Segment results for the infrastructure business before intra/inter-segment eliminations were approximately HK\$870,066,000.

附註：基建業務於抵銷分部內/間收益前之分部業績約為870,066,000港元。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

5 Segment Information (Continued)

The segment results by business lines and where applicable by geographical areas for the year ended 31st December 2018 are as follows:

5 分部資料(續)

截至二零一八年十二月三十日止年度按業務及地區劃分之分部業績如下：

		Property development 物業發展			Commercial properties investment 商業地產投資			Property management 物業管理	Infrastructure 基建	Group 集團
		SC	EC	NC	SC	EC	NC			
		華南	華東	華北	華南	華東	華北			
		HK\$'000 千港元 (Restated) (經重列)	HK\$'000 千港元 (Restated) (經重列)	HK\$'000 千港元 (Restated) (經重列)	HK\$'000 千港元 (Restated) (經重列)	HK\$'000 千港元 (Restated) (經重列)	HK\$'000 千港元 (Restated) (經重列)	HK\$'000 千港元	HK\$'000 千港元 (Restated) (經重列)	HK\$'000 千港元
Year ended 31st December 2018	截至二零一八年 十二月三十一日 止年度									
Total revenues	總收益	3,528,081	3,012,882	2,111,112	399,602	1,026,102	1,174,711	1,324,977	4,333,207	16,910,674
Intra/inter-segment revenues	分部內/間收益	(12,367)	—	—	(26,436)	(16,265)	(122,773)	(188,695)	(3,250,606)	(3,617,142)
Revenues	收益	3,515,714	3,012,882	2,111,112	373,166	1,009,837	1,051,938	1,136,282	1,082,601	13,293,532
Revenue from contracts with customers:	客戶合約收益：									
Recognised at a point in time	於某個時間點確認	3,515,714	3,012,882	2,111,112	—	—	—	—	—	8,639,708
Recognised over time	隨著時間確認	—	—	—	46,498	260,226	125,433	1,136,282	1,082,601	2,651,040
Revenue from other sources:	其他收益來源：									
Rental income	租金收入	—	—	—	326,668	749,611	926,505	—	—	2,002,784
Revenues	收益	3,515,714	3,012,882	2,111,112	373,166	1,009,837	1,051,938	1,136,282	1,082,601	13,293,532
Segment results (Note)	分部業績(附註)	1,307,845	1,436,304	483,087	456,697	1,391,558	3,928,493	111,050	273,677	9,388,711
Depreciation	折舊	(13,223)	(2,891)	(30,293)	(9,421)	(34,081)	(88,696)	(3,566)	(1,073)	(183,244)
Amortisation	攤銷	—	—	—	(16,063)	(24,672)	(16,032)	—	—	(56,767)
Provision for impairment of accounts receivable	應收賬款減值撥備	—	—	—	—	—	—	(12,623)	—	(12,623)
Fair value gain on investment properties	投資物業之 公平值收益	—	—	—	276,947	842,380	3,554,018	—	—	4,673,345
Share of profit of associates	分佔聯營公司溢利	192	—	1,445	—	—	—	—	—	1,637
Share of profit/(loss) of joint ventures	分佔合營公司溢利/ (虧損)	46,405	—	(431)	—	—	(52,126)	—	—	(6,152)

Note: Segment results for the infrastructure business before intra/inter-segment eliminations were approximately HK\$398,650,000.

附註：基建業務於抵銷分部內/間收益前之分部業績約為398,650,000港元。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

5 Segment Information (Continued)

The segment assets by business lines and where applicable by geographical areas as at 31st December 2019 are as follows:

		Property development			Commercial properties investment			Property	Infrastructure	Group
		物業發展			商業地產投資			management	基建	
		SC	EC	NC	SC	EC	NC			
		華南	華東	華北	華南	華東	華北			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
As at and for the year ended 31st December 2019	於二零一九年十二月三十一日及截至該日止年度	54,725,866	25,600,368	53,805,369	9,455,010	20,303,646	32,038,354	892,061	1,133,397	197,954,071
Segment assets include:	分部資產包括:									
Investments in associates	於聯營公司之投資	272,091	—	92,764	—	—	—	—	—	364,855
Investments in joint ventures	於合營公司之投資	4,942,038	2,823	—	114,706	—	—	—	—	5,059,567
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產 (不包括金融工具及遞延稅項資產)	575,735	45,946	4,662	528,602	186	2,637,850	3,567	3,336	3,799,884

5 分部資料(續)

於二零一九年十二月三十一日按業務及適用地區劃分之分部資產如下:

The segment assets by business lines and where applicable by geographical areas as at 31st December 2018 are as follows:

		Property development			Commercial properties investment			Property	Infrastructure	Group
		物業發展			商業地產投資			management	基建	
		SC	EC	NC	SC	EC	NC			
		華南	華東	華北	華南	華東	華北			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	
		(經重列)	(經重列)	(經重列)	(經重列)	(經重列)	(經重列)		(經重列)	
As at and for the year ended 31st December 2018	於二零一八年十二月三十一日及截至該日止年度	39,481,816	16,873,871	46,905,213	8,680,766	17,778,246	27,432,083	1,343,354	169,007	158,664,356
Segment assets include:	分部資產包括:									
Investments in associates	於聯營公司之投資	4,015	—	143,653	—	—	—	—	—	147,668
Investments in joint ventures	於合營公司之投資	4,571,172	—	1,074,599	39,443	—	1,828,848	—	—	7,514,062
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產 (不包括金融工具及遞延稅項資產)	1,171,310	17,848	6,161	40,275	23,651	1,340,378	6,014	4,140	2,609,777

於二零一八年十二月三十一日按業務及適用地區劃分之分部資產如下:

5 Segment Information (Continued)

5 分部資料(續)

Reconciliation of reportable segment profit from operations to profit before taxation is as follows:

可呈報分部之經營溢利與除稅前溢利對賬如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Reportable segment profit from operations	可呈報分部經營溢利	15,162,531	9,388,711
Unallocated corporate expenses (including exchange loss), net	未分配公司開支 (包括匯兌虧損), 淨額	(42,717)	(147,220)
Dividend income	股息收入	155,841	149,184
Gain on disposal of financial assets at fair value through profit or loss	處置按公平值透過損益列賬之 財務資產收益	88,642	8,017
Interest income from financial assets at fair value through profit or loss	來自按公平值透過損益列賬之 財務資產之利息收入	5,806	—
Finance income	財務收入	394,311	173,949
Finance costs	財務成本	(1,002,439)	(578,319)
Profit before taxation	除稅前溢利	14,761,975	8,994,322

Reconciliation of reportable segment assets to total assets is as follows:

可呈報分部之資產與總資產對賬如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Total segment assets	分部資產總值	197,954,071	158,664,356
Financial assets at fair value through profit or loss	按公平值透過損益列賬之 財務資產	788,403	810,943
Financial assets at fair value through other comprehensive income	按公平值透過其他全面收入 列賬之財務資產	3,337,773	3,144,258
Loan receivables	應收貸款	714,137	707,266
Deferred tax assets	遞延稅項資產	1,309,259	784,147
Total assets	總資產	204,103,643	164,110,970

The Group primarily operates in Mainland China. All revenues for the years ended 31st December 2019 and 2018 were from Mainland China. As at 31st December 2019 and 2018, non-current assets were mainly located in Mainland China.

本集團主要於中國大陸經營業務。截至二零一九年及二零一八年十二月三十一日止年度，所有收益均來自中國大陸。於二零一九年及二零一八年十二月三十一日，非流動資產主要均位於中國大陸。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

6 Right-of-Use Assets

Details of right-of-use assets as at 1st January 2019 and 31st December 2019 are as follow:

		As at 31st December 2019 二零一九年 十二月三十一日 HK\$'000 千港元	As at 1st January 2019 二零一九年 一月一日 HK\$'000 千港元
Right-of-use assets	使用權資產		
Properties	物業	29,909	7,694
Land leases	土地租賃	1,604,136	1,697,296
Total right-of-use assets	總使用權資產	1,634,045	1,704,990

Land costs represent prepaid operating lease payments for hotel properties and buildings which are held for self-use primarily represent land use rights of between 10 and 50 years located in Mainland China.

During the year ended 31st December 2019, the Group recognised depreciation of right-of-use assets attributable to properties and land leases of HK\$26,386,000 and HK\$50,201,000, respectively, and finance costs on lease liabilities amounted to HK\$13,475,000.

The total cash outflow for leases in 2019 was HK\$40,034,000.

6 使用權資產

截至二零一九年一月一日及二零一九年十二月三十一日的使用權資產明細如下：

		As at 31st December 2019 二零一九年 十二月三十一日 HK\$'000 千港元	As at 1st January 2019 二零一九年 一月一日 HK\$'000 千港元
Right-of-use assets	使用權資產		
Properties	物業	29,909	7,694
Land leases	土地租賃	1,604,136	1,697,296
Total right-of-use assets	總使用權資產	1,634,045	1,704,990

土地成本是指為自用而持有的酒店物業及建築物的預付經營租賃付款，主要是指位於中國大陸的10年至50年之間的土地使用權。

截至二零一九年十二月三十一日止年度，本集團確認物業及土地租賃產生的使用權資產折舊分別為26,386,000港元及50,201,000港元，而租賃負債的融資成本為13,475,000港元。

二零一九年租賃的總現金流出為40,034,000港元。

7 Properties and Equipment

7 物業及設備

		Construction- in-progress	Hotel properties	Buildings	Furniture and office equipment	Vehicles	Total
		在建工程	酒店物業	樓宇	傢俬及 辦公室設備	交通工具	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Year ended	截至二零一九年						
31st December 2019	十二月三十一日						
	止年度						
Opening net book amount	期初賬面淨值	252,338	2,426,668	1,777,736	99,537	15,173	4,571,452
Additions	新增	23,098	75,380	1,281	65,441	558,599	723,799
Depreciation	折舊	—	(99,960)	(38,529)	(21,867)	(36,100)	(196,456)
Disposals	出售	—	—	—	(1,331)	(89)	(1,420)
Exchange difference	匯兌差額	(5,753)	(62,208)	(39,774)	(6,048)	(6,712)	(120,495)
Closing net book amount	期終賬面淨值	269,683	2,339,880	1,700,714	135,732	530,871	4,976,880
At 31st December 2019	於二零一九年						
	十二月三十一日						
Cost	成本	269,683	3,450,145	1,857,207	512,077	625,357	6,714,469
Less: Accumulated depreciation	減：累計折舊	—	(1,110,265)	(156,493)	(376,345)	(94,486)	(1,737,589)
Net book amount	賬面淨值	269,683	2,339,880	1,700,714	135,732	530,871	4,976,880
Year ended	截至二零一八年						
31st December 2018	十二月三十一日						
	止年度						
Opening net book amount	期初賬面淨值	248,541	2,699,199	653,626	109,006	14,399	3,724,771
Additions	新增	15,552	25,455	77,855	41,677	5,132	165,671
Acquisition of a subsidiary	收購一間附屬公司	—	—	1,118,000	—	—	1,118,000
Depreciation	折舊	—	(110,122)	(32,474)	(37,102)	(3,546)	(183,244)
Disposals	出售	—	—	—	(2,762)	(116)	(2,878)
Exchange difference	匯兌差額	(11,755)	(187,864)	(39,271)	(11,282)	(696)	(250,868)
Closing net book amount	期終賬面淨值	252,338	2,426,668	1,777,736	99,537	15,173	4,571,452
At 31st December 2018	於二零一八年						
	十二月三十一日						
Cost	成本	252,338	3,481,183	1,921,478	505,997	74,676	6,235,672
Less: Accumulated depreciation	減：累計折舊	—	(1,054,515)	(143,742)	(406,460)	(59,503)	(1,664,220)
Net book amount	賬面淨值	252,338	2,426,668	1,777,736	99,537	15,173	4,571,452

Construction-in-progress mainly represents buildings and hotel properties, which are intended to be held for the long-term.

在建工程主要指打算長期持有之樓宇及酒店物業。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

8 Investment Properties

8 投資物業

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Completed investment properties	已落成投資物業	52,252,784	37,522,208
Investment properties under development	發展中投資物業	4,708,745	9,334,627
		56,961,529	46,856,835

		Completed properties (Level 3) 已落成物業 (第3級) HK\$'000 千港元	Properties under development (Level 3) 發展中物業 (第3級) HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1st January 2019	於二零一九年一月一日	37,522,208	9,334,627	46,856,835
Additions (including capitalisation of interest)	新增(包括資本化利息)	911,902	917,415	1,829,317
Transfer from properties under development for sale	自可供出售之發展中物業轉撥	1,246,768	—	1,246,768
Transfer from investment properties under development to completed investment properties	自發展中投資物業轉撥至已落成投資物業	5,419,926	(5,419,926)	—
Fair value gain on investment properties	投資物業公平值收益	8,143,975	31,806	8,175,781
Exchange difference	匯兌差額	(991,995)	(155,177)	(1,147,172)
At 31st December 2019	於二零一九年十二月三十一日	52,252,784	4,708,745	56,961,529
At 1st January 2018	於二零一八年一月一日	34,707,205	8,264,048	42,971,253
Additions (including capitalisation of interest)	新增(包括資本化利息)	32,185	977,447	1,009,632
Transfer from completed properties for sale	轉撥自可供出售之已落成物業	316,474	—	316,474
Fair value gain on investment properties	投資物業公平值收益	4,166,074	507,271	4,673,345
Exchange difference	匯兌差額	(1,699,730)	(414,139)	(2,113,869)
At 31st December 2018	於二零一八年十二月三十一日	37,522,208	9,334,627	46,856,835

8 Investment Properties (Continued)

Valuation processes

The Group's investment properties were valued at 31st December 2019 by DTZ Debenham Tie Leung Limited, independent qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and discuss with the valuers regarding the valuation processes and results. The finance department also verifies all major inputs to the independent valuation report and assesses property valuation movements when compared to prior year valuation report.

Valuation techniques

Fair values of completed investment properties are generally derived using the income capitalisation method and direct comparison approach. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and other comparable properties. Direct comparison approach is based on comparing the properties to be valued directly with other comparable properties which recently changed hands or leased. These premises are generally located in the surrounding areas or in another market, which is comparable to the properties.

Fair values of investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming the properties were completed as at the date of valuation. The estimated capital value of the proposed development is derived using the income capitalisation method as mentioned above.

During the year, there were no changes to the valuation techniques.

8 投資物業(續)

估值流程

本集團的投資物業於二零一九年十二月三十一日經獨立合資格估值師戴德梁行有限公司估值，該估值公司持有相關認可專業資格，並對所估值的投資物業的地點和領域擁有近期經驗。

本集團財務部門就財務報告目的審閱由獨立估值師進行的估值，並與該等估值師就估值流程及結果進行討論。財務部門亦核證獨立估值報告之全部主要輸入數據，並於與往年估值報告作比較時評估物業估值變動。

估值方法

已落成投資物業的公平值一般以收入資本化法及直接比較法得出。收入資本化法乃基於通過採用適當的資本化比率，將收入淨額及收入變化潛力予以資本化，而資本化比率乃通過對銷售交易及估值師分析當時投資者的要求或期望而得出。在估值中採用的現行市值租金乃根據該等物業及其他可比較物業的近期租務情況釐定。直接比較法是基於將要直接估價的資產與其他最近轉手或出租的可比資產進行比較。此等物業通常位於周邊地區或與物業相約的另一個市場。

發展中投資物業的公平值一般以剩餘法得出。此估值方法主要為以參考土地的發展潛力而對其進行估值的方法，方式為從擬發展項目(假設物業已於估值日落成)的估計資本值中扣除發展成本以及發展商的利潤及風險。擬發展項目的估計資本價值透過使用上述收入資本化方法計算。

估值方法於年內概無改變。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

8 Investment Properties (Continued)

8 投資物業(續)

Significant unobservable inputs used to determine fair value

釐定公平值所用的重要不可觀察數據

Description 概況	Fair value 公平值		Valuation technique 估值方法	Unobservable inputs 不可觀察數據	Range of unobservable inputs 不可觀察數據範圍	Relationship of unobservable inputs to fair value 不可觀察數據與公平值 的關係
	31st December 2019 二零一九年 十二月三十一日 HK\$'000 千港元	31st December 2018 二零一八年 十二月三十一日 HK\$'000 千港元				
Office units (completed) 辦公室單位 (已落成)	20,175,877	12,511,937	Income capitalisation and direct comparison 收入資本化及 直接比較	Prevailing market rents 現行市場租金	RMB40-300/sq.m./month (2018: RMB40-260/sq.m./ month) 每月每平方米人民幣40元至 300元(二零一八年: 每月 每平方米人民幣40元至 260元)	The higher the prevailing market rents, the higher the fair value. 現行市場租金越高, 公平值 越高。
				Capitalisation rate 資本化比率	4.0%-7.0%. p.a. (2018: 3.8%-6.0% p.a.) 每年4.0%-7.0%(二零一八 年: 每年3.8%至6.0%)	The higher the capitalisation rate, the lower the fair value. 資本化比率越高, 公平值越 低。
				Unit price 單位價格	RMB18,000/sq.m. (2018: N/A) 每平方米人民幣18,000元 (二零一八年: 不適用)	The higher the unit price, the higher the fair value. 單位價格越高, 公平值越高。
Shopping malls (completed) 購物商場(已落成)	32,076,907	25,010,271	Income capitalisation and direct comparison 收入資本化及 直接比較	Prevailing market rents 現行市場租金	RMB45-715/sq.m./month (2018: RMB90-640/sq.m./ month) 每月每平方米人民幣45元至 715元(二零一八年: 每月 每平方米人民幣90元至 640元)	The higher the prevailing market rents, the higher the fair value. 現行市場租金越高, 公平值 越高。
				Capitalisation rate 資本化比率	5.0%-7.0%. p.a. (2018: 5.0%-6.0% p.a.) 每年5.0%-7.0%(二零一八年: 每年5.0%至6.0%)	The higher the capitalisation rate, the lower the fair value. 資本化比率越高, 公平值越 低。
				Unit price 單位價格	RMB14,000-23,500/sq.m. (2018: N/A) 每平方米人民幣14,000元至 23,500元(二零一八年: 不適用)	The higher the unit price, the higher the fair value. 單位價格越高, 公平值越高。
Office units (under development) 辦公室單位 (發展中)	4,019,751	8,003,880	Residual 剩餘	Prevailing market rents 現行市場租金	RMB100-110/sq.m./month (2018: RMB100-110/sq.m./ month) 每月每平方米人民幣100元 至110元(二零一八年: 每 月每平方米人民幣100元 至110元)	The higher the prevailing market rents, the higher the fair value. 現行市場租金越高, 公平值 越高。
				Capitalisation rate 資本化比率	6.5% p.a. (2018: 6.0%-6.5% p.a.) 每年6.5%(二零一八年: 每年 6.0%至6.5%)	The higher the capitalisation rate, the lower the fair value. 資本化比率越高, 公平值越 低。
				Estimated costs to completion 估計完工成本	RMB3,700-3,800/sq.m. (2018: RMB4,100-4,200/sq.m.) 每平方米人民幣3,700元至 3,800元(二零一八年: 每平方米人民幣4,100元 至4,200元)	The higher the estimated costs to completion, the lower the fair value. 估計完工成本越高, 公平值 越低。

8 Investment Properties (Continued)

8 投資物業(續)

Significant unobservable inputs used to determine fair value (Continued)

釐定公平值所用的重要不可觀察數據(續)

Description 概況	Fair value 公平值		Valuation technique 估值方法	Unobservable inputs 不可觀察數據	Range of unobservable inputs 不可觀察數據範圍	Relationship of unobservable inputs to fair value 不可觀察數據與公平值 的關係
	31st December 2019 二零一九年 十二月三十一日 HK\$'000 千港元	31st December 2018 二零一八年 十二月三十一日 HK\$'000 千港元				
Shopping malls (under development) 購物商場(發展中)	688,994	1,330,747	Residual 剩餘	Estimated developer's profit and risk margins (depending on the progress of development) 發展商的估計利潤率 及風險率(視乎發 展進度而定)	0%-10% (2018: 0%-15%) 0%至10% (二零一八年: 0%至15%)	The higher the estimated developer's profit and risk margins, the lower the fair value. 發展商的估計利潤率及風險 率越高, 公平值越低。
				Prevailing market rents 現行市場租金	RMB80-140/sq.m./month (2018: RMB80-140/sq.m./ month) 每月每平方米人民幣80元至 140元(二零一八年: 每月 每平方米人民幣80元至 140元)	The higher the prevailing market rents, the higher the fair value. 現行市場租金越高, 公平值 越高。
				Capitalisation rate 資本化比率	7.0% p.a. (2018: 6.5%-7.0% p.a.) 每年7.0%(二零一八年: 每年 6.5%至7.0%)	The higher the capitalisation rate, the lower the fair value. 資本化比率越高, 公平值 越低。
				Estimated costs to completion 估計完工成本	RMB3,700-3,800/sq.m. (2018: RMB4,100-4,200/sq.m.) 每平方米人民幣3,700至 3,800元(二零一八年: 每平方米人民幣4,100至 4,200元)	The higher the estimated costs to completion, the lower the fair value. 估計完工成本越高, 公平值 越低。
				Estimated developer's profit and risk margins (depending on the progress of development) 發展商的估計利潤率 及風險率(視乎發 展進度而定)	0%-10% (2018: 0%-15%) 0%至10% (二零一八年: 0%至15%)	The higher the estimated developer's profit and risk margins, the lower the fair value. 發展商的估計利潤率及風險 率越高, 公平值越低。

9 Properties Under Development for Sale

9 可供出售之發展中物業

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Expected to be completed and available for sale within twelve months	預期將於十二個月內竣工及 可供出售	5,333,567	8,674,892
Expected to be completed and available for sale after more than twelve months	預期將於超過十二個月後 竣工及可供出售	51,713,492	32,563,103
		57,047,059	41,237,995

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

10 Goodwill

10 商譽

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
At 1st January	於一月一日	35,249	33,552
Additions	新增	57	3,013
Impairment	減值	(2)	(26)
Exchange difference	匯兌差額	(770)	(1,290)
At 31st December	於十二月三十一日	34,534	35,249
Cost	成本	64,906	66,298
Less: Accumulated impairment	減：累計減值	(30,372)	(31,049)
Net book amount	賬面淨值	34,534	35,249

11 Investments in Associates

11 於聯營公司之投資

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Share of net assets	分佔淨資產	364,855	147,668
Share of (loss)/profit and total comprehensive (loss)/income for the year	分佔年度(虧損)/溢利及全面(虧損)/收入總額	(4,562)	1,637

Details of the associates, which are unlisted, as at 31st December 2019 are set out in Note 46. Details of capital commitment relating to the Group's interests in associates are set out in Note 41(a).

於二零一九年十二月三十一日之聯營公司(其並無上市)詳情載於附註46。有關本集團於聯營公司權益的資本承擔之詳情載列於附註41(a)。

12 Investments in Joint Ventures

12 於合營公司之投資

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Share of net assets	分佔淨資產	4,952,576	6,784,509
Advance to joint ventures	墊款予合營公司	106,991	729,553
		5,059,567	7,514,062

Set out below is the summarised financial information for Guangzhou Diyi Dyeing Factory Company Limited (“GDDFCL”), which in the opinion of the Directors, is a material joint venture of the Group. The Group holds 65% of the issued share capital of GDDFCL, which owns a piece of land for property development in Haizhu District, Guangzhou, Guangdong Province, Mainland China.

下文載列董事認為對本集團屬重要的合營公司廣州第一染織廠有限公司(「廣州第一染織廠」)的財務資料概要。本集團持有廣州第一染織廠已發行股本的65%，而廣州第一染織廠於中國大陸廣東省廣州海珠區擁有一幅土地作物業發展之用。

Summarised balance sheet

資產負債表概要

		GDDFCL 廣州第一染織廠	
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Assets	資產		
Non-current assets	非流動資產	2,065,363	342,557
Current assets	流動資產	4,561,733	6,357,794
Total assets	資產總值	6,627,096	6,700,351
Liabilities	負債		
Current liabilities	流動負債	(24,633)	(16,237)
Total liabilities	負債總額	(24,633)	(16,237)
Net assets	淨資產	6,602,463	6,684,114

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

12 Investments in Joint Ventures (Continued)

Summarised balance sheet (Continued)

Reconciliation of the summarised financial information presented to the carrying amounts of its investments in the joint venture are as follows:

12 於合營公司之投資(續)

資產負債表概要(續)

所呈列的財務資料概要與其於合營公司的投資賬面值之對賬如下：

		GDDFCL 廣州第一染織廠
		Total 總計 HK\$'000 千港元
Year ended 31st December 2019	截至二零一九年十二月三十一日止年度	
Net assets at 1st January 2019	於二零一九年一月一日之淨資產	6,684,114
Post-acquisition results	收購後業績	65,162
Exchange difference	匯兌差額	(146,813)
Net assets at 31st December 2019	於二零一九年十二月三十一日之淨資產	6,602,463
		65%
Shared by the Group	本集團分佔	4,291,601
Other costs/differences	其他成本/差額	72,240
Investments in a joint venture	於一間合營公司之投資	4,363,841
Year ended 31st December 2018	截至二零一八年十二月三十一日止年度	
Net assets at 1st January 2018	於二零一八年一月一日之淨資產	7,351,219
Post-acquisition results	收購後業績	66,327
Interest share	分佔權益	(356,421)
Exchange difference	匯兌差額	(377,011)
Net assets at 31st December 2018	於二零一八年十二月三十一日之淨資產	6,684,114
		65%
Shared by the Group	本集團分佔	4,344,674
Other costs/differences	其他成本/差額	73,855
Investments in a joint venture	於一間合營公司之投資	4,418,529

12 Investments in Joint Ventures (Continued)

12 於合營公司之投資(續)

Summarised statement of comprehensive income

全面收益表概要

		GDDFCL 廣州第一染織廠	
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Profit before taxation	除稅前溢利	87,151	89,012
Taxation	稅項	(21,988)	(22,685)
Profit for the year and total comprehensive income for the year	年度溢利及年度全面收入總額	65,163	66,327
Share by the Group of profit for the year and total comprehensive income for the year	集團應佔年度溢利及年度全面收入總額	42,356	43,113
Dividend received from a joint venture	已收一間合營公司股息	—	181,817

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture.

上述資料反映呈列於合營公司之財務報表的金額，並已就本集團及該合營公司的會計政策的差異作出調整。

The Group's share of result of the remaining immaterial joint ventures for the year ended 31st December 2018 and 2019 is as follows:

本集團於截至二零一八年及二零一九年十二月三十一日止年度分佔仍然不重大的合營公司業績如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Share of profit/(loss) for the year and total comprehensive income/(loss) for the year	分佔年度溢利/(虧損)及年度全面收入/(虧損)總額	76,757	(49,265)

Details of the joint ventures as at 31st December 2019 and 2018 are set out in Note 47.

於二零一九年及二零一八年十二月三十一日之合營公司詳情載於附註47。

13 Finance Lease Receivables

The Group provides financial leasing services on certain motor vehicles in the PRC. These leases are classified as finance leases and have remaining lease terms ranging from one to five years with interest rate ranging from 6% to 10% (2018: 7% to 12%) per annum.

13 融資租賃應收款項

本集團於中國提供若干汽車融資租賃服務。該等租賃已分類為融資租賃，而餘租期由一年至五年不等，年息為6%至10%（二零一八年：7%至12%）不等。

	Minimum lease payments 最低應付租金		Present value of minimum lease payments 最低應付租金現值		
	2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元	
Finance lease receivables comprise: In the second to fifth year, inclusive	融資租賃應收款項 包括： 第二年至第五年 (包括首尾兩年)	409,965	203,888	344,656	159,828
		409,965	203,888	344,656	159,828
Less: unearned finance income	減：未賺取財務收入	(65,309)	(44,060)	—	—
Total net finance lease receivables	融資租賃應收款項 淨總額	344,656	159,828	344,656	159,828

The Group's finance lease receivables are denominated in RMB.

本集團之融資租賃應收款項以人民幣計值。

14 Financial Assets at Fair Value Through Other Comprehensive Income

14 按公平值透過其他全面收入列賬之財務資產

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
At 1st January	於一月一日	3,144,258	3,575,742
Additions	新增	774,245	—
Fair value loss recognised in other comprehensive income	於其他全面收入中確認之 公平值收益	(539,540)	(273,347)
Exchange difference	匯兌差額	(41,190)	(158,137)
At 31st December	於十二月三十一日	3,337,773	3,144,258
Listed securities:	上市證券		
— Equity securities, Hong Kong	— 股本證券，香港	714,224	—
Unlisted securities:	非上市證券：		
— Equity securities, Mainland China	— 股本證券，中國大陸	2,623,549	3,144,258
		3,337,773	3,144,258

Financial assets at fair value through other comprehensive income as at 31st December 2019 mainly include 3.57% and 4.32% equity interests in two financial institutions in Mainland China and 2.74% equity interests in a financial institution listed in Hong Kong.

於二零一九年十二月三十一日之透過其他全面收入列賬之財務資產指兩間中國大陸之財務機構3.57%及4.32%之股本權益及一間於香港上市之財務機構2.74%之股本權益。

15 Financial Assets at Fair Value Through Profit or Loss

15 按公平值透過損益列賬之財務資產

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

本集團將下列財務資產按公平值透過損益列賬：

- 不符合以按攤銷成本列賬或按公平值透過其他全面收入列賬計量之債務投資；
- 持作買賣之股權投資；及
- 實體並未選擇確認公平值收益及虧損計入其他全面收入之股權投資。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

15 Financial Assets at Fair Value Through Profit or Loss (Continued)

15 按公平值透過損益列賬之財務資產(續)

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Listed securities:	上市證券：		
— Equity securities, Hong Kong, at quoted market value	— 股本證券，香港，按所報市值	675,167	246,813
— Equity securities, Mainland China at quoted market value	— 股本證券，中國大陸，按所報市值	17,084	—
Unlisted securities:	非上市證券：		
— Equity securities, Mainland China	— 股本證券，中國大陸	5,917	6,048
— Debt securities, Mainland China	— 債務證券，中國大陸	50,235	521,072
— Debt securities, Hong Kong	— 債務證券，香港	40,000	37,010
		788,403	810,943
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current	非流動部分	—	35,000
Current	流動部分	788,403	775,943
		788,403	810,943

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains, net, in the consolidated income statement (Note 31).

按公平值透過損益列賬之財務資產之公平值變動乃列入綜合收益表之其他收益，淨額內(附註31)。

The Group classified financial assets at fair value through profit or loss if they were acquired principally for the purpose of selling in the short term, ie are held for trading. They were presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they were presented as non-current assets. See note 2.12 for the Group's other accounting policies for financial assets.

本集團將主要收購作短期內出售(即持作買賣)的財務資產分類為按公平值透過損益列賬。如預期該等資產將於報告期完結後12個月內售出，則以流動資產呈列，否則會以非流動資產呈列。有關本集團就金融資產的其他會計政策，請參閱附註2.12。

16 Loan Receivables

16 應收貸款

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current	非流動部分	170,801	743,201
Current	流動部分	2,520,879	1,983,693
		2,691,680	2,726,894

- (i) The balance includes an amount of approximately HK\$1,221 million (2018: HK\$1,301 million) which bears interest at 13.2% to 14.4% per annum and is repayable on demand. The loan is secured by various parcels of land and properties in Huizhou, Guangdong Province, Mainland China.
- (ii) The balance includes an amount of approximately HK\$474 million (2018: HK\$432 million), which represents a loan to a subsidiary of the non-controlling interest of the Group. The loan bears interest at 4.9% per annum, HK\$312 million (2018: HK\$114 million) is repayable on demand and HK\$162 million (2018: HK\$318 million) is repayable within 12 month.
- (iii) The balance includes an amount of approximately HK\$498 million (2018: HK\$470 million), which is unsecured, bears interest at 5.2% to 12% per annum and will mature in 1 to 3 years from the date of provision of the loans.
- (iv) The balance represents a loan to a non-controlling interest of a subsidiary of the Group amount of approximately HK\$279 million (2018: HK\$285 million). The loan bears interest at 12% per annum, repayable upon sale of properties by the subsidiary, and is secured by various properties in Hebei Province, Mainland China, and 10% equity interest in the subsidiary.

All balances are dominated in Renminbi except for an amount of HK\$220 million, which is dominated in Hong Kong dollars (2018: HK\$220 million). Loan receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a certain period of past due.

- (i) 結餘包括約1,221百萬港元(二零一八年: 1,301百萬港元)的款項, 有關款項按年利率13.2厘至14.4厘計息, 應要求償還。貸款以位於中國大陸廣東省惠州多幅土地及物業作抵押。
- (ii) 結餘包括約474百萬港元(二零一八年: 432百萬港元)的款項, 指向本集團非控制權益一間附屬公司提供的貸款。有關款項按年利率4.9厘計息, 312百萬港元(二零一八年: 114百萬港元)應要求償還, 而162百萬港元(二零一八年: 318百萬港元)於12個月內償還。
- (iii) 結餘包括約498百萬港元(二零一八年: 470百萬港元)的款項, 有關款項並無抵押、按年利率5.2厘至12厘計息, 並將於提供貸款當日起計一至三年到期。
- (iv) 結餘包括向本集團一間附屬公司非控制權益提供約279百萬港元(二零一八年: 285百萬港元)的貸款。貸款按年利率12厘計息、於附屬公司出售物業時償還, 並以位於中國大陸河北省多間物業以及於附屬公司的10%權益作抵押。

除約220百萬港元(二零一八年: 220百萬港元)之款項以港元計值外, 全部結餘均以人民幣計值。應收貸款於沒有合理預期收回的情況下撇銷。沒有合理預期收回的指標包括(其中包括)債務人未與集團簽訂還款計劃, 以及未能於期限內按合同支付款項。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

17 Prepayments for Acquisition of Land, Prepayments for Construction Work and Prepayments, Deposits and Other Current Assets

17 收購土地預付款項、建築工程之預付款項及預付款項、按金及其他流動資產

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current	非流動		
Prepayments for acquisition of land (Note (a))	收購土地預付款項(附註(a))	118,758	121,411
Prepayments for construction work (Note (d))	建築工程之預付款項 (附註(d))	244,107	—
Current	流動		
Prepayments for acquisition of land (Note (a))	收購土地預付款項(附註(a))	10,767,194	9,403,647
Other receivables (Note (b))	其他應收款項(附註(b))	2,136,017	1,484,490
Deposits for acquisition of equity interest (Note (c))	收購股本權益之按金(附註(c))	823,076	846,040
Guarantee deposits	擔保按金	65,864	67,337
Prepayments for construction work	建設工程之預付款項	347,721	89,131
Land tender deposits	土地投標按金	2,355	312,622
Prepaid sales taxes	預付銷售稅	938,973	500,602
Construction, utilities and other deposits	建設、公用設施及其他按金	1,987,088	1,375,783
Dividend and interest receivables	股息及應收利息	600,553	282,446
Others	其他	1,158,804	412,449
Prepayments, deposits and other current assets	預付款項、按金及其他流動資產	8,060,451	5,370,900

Notes:

- (a) Prepayments for acquisition of land for owner-occupied properties are classified as non-current, whereas the prepayments for acquisition of land for development for sale are classified as current.

Prepayments for acquisition of land represent advances made for the acquisitions of land use rights in Beijing, Shanghai, Guangzhou and Tianjin, Mainland China. Formal land use right certificates have not yet been obtained as at 31st December 2019.

The balance includes an amount of approximately HK\$4,186 million (2018:HK\$4,280 million) for the land situated in Chaoyang District, Beijing, Mainland China in connection with the Group's acquisition of 80% equity interest in Believe Best Investments Limited, which, through its wholly owned subsidiary, possesses the right to develop the Jing Run Project on the land (Note 42(f)).

The balance also includes an amount of approximately HK\$3,797 million (2018:HK\$3,882 million) for the land situated in Panyu District, Guangdong, Mainland China in connection with the Group's acquisition of 100% equity interest in Panyu Zhujiang Real Estate Limited, which possesses the right to develop the land (see also Note 42(e)).

附註：

- (a) 為自用物業收購土地預付款項分類為非流動，而用作開發以銷售的收購土地預付款項則分類為流動。

收購土地之預付款項指就於中國大陸北京、上海、廣州及天津收購土地使用權而作出之墊款。於二零一九年十二月三十一日，尚未取得正式土地使用權證。

結餘包括位於中國大陸北京朝陽區之地塊約4,186百萬港元(二零一八年：4,280百萬港元)，該地塊乃與本集團收購信佳投資有限公司之80%權益有關，而該公司透過其全資附屬公司持有發展京潤項目地塊之權利(附註42(f))。

結餘款項亦包括位於中國大陸廣東番禺區之地塊約3,797百萬港元(二零一八年：3,882百萬港元)，該地塊乃與本集團收購番禺珠江房地產有限公司之100%權益有關，而該公司擁有發展該土地之開發權(亦請參閱附註42(e))。

17 Prepayments for Acquisition of Land, Prepayments for Construction Work and Prepayments, Deposits and Other Current Assets (Continued)

Note: (Continued)

- (b) Other receivables relate to the Group's participation in land development projects in Beijing and Huizhou, Guangdong Province, Mainland China with returns based on a pre-determined percentage of funds invested by the Group. Other receivables are denominated in RMB. Their carrying amounts approximate fair values.
- (c) This represents deposits made to independent third parties for the acquisition of equity interests in entities whose principal activities are property holding and development. The acquisitions are not yet completed as at 31st December 2019.
- (d) Prepayments for construction work relate to construction work to be performed by a related company on a piece of land situated in Tongzhou District, Beijing, Mainland China (Note 42(g)).

18 Accounts Receivable

Accounts receivable mainly arise from sales of properties, and property management services. No credit terms were granted.

Accounts receivable relates to a number of independent customers, and are denominated in RMB. The carrying value of accounts receivable approximates their fair values.

The maximum exposure to credit risk is the carrying amount of accounts receivable mentioned above.

The ageing analysis of accounts receivable (excluding those impaired) is as follows:

17 收購土地預付款項、建築工程之預付款項及預付款項、按金及其他流動資產(續)

附註：(續)

- (b) 其他應收款項與本集團參與中國大陸北京及廣東省惠州有回報(根據本集團所投入資金預先釐訂百分比計算)之土地開發項目有關。其他應收款項以人民幣計值，賬面值與公平值相若。
- (c) 此乃指就收購實體(其主要業務為物業持有及開發)之權益而向獨立第三方作出之按金。於二零一九年十二月三十一日，收購尚未完成。
- (d) 建設工程預付款項涉及一間關聯公司將在中國大陸北京通州區的一幅地塊上進行的建設工程(附註42(g))。

18 應收賬款

應收賬款主要從物業銷售及物業管理服務產生。概無授予任何信貸條款。

應收賬款與多名獨立客戶有關並以人民幣計值。應收賬款之賬面值與其公平值相若。

本集團所面臨之最大信貸風險為上文所述應收賬款之賬面值。

此等應收賬款(不包括減值者)之賬齡分析如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
0 to 3 months	0至3個月	655,018	487,785
3 to 6 months	3至6個月	44,725	48,065
6 to 9 months	6至9個月	48,604	44,186
9 to 12 months	9至12個月	71,912	43,969
Over 12 months	超過12個月	237,822	160,877
		1,058,081	784,882

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

18 Accounts Receivable (Continued)

Movements on the provision for impairment of accounts receivable are as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
At 1st January	於一月一日	130,904	131,620
Provision recognised in profit or loss	於損益確認之撥備	7,960	12,623
Exchange difference	匯兌差額	3,896	(13,339)
At 31st December	於十二月三十一日	142,760	130,904

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

18 應收賬款(續)

應收賬款減值撥備之變動如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
At 1st January	於一月一日	130,904	131,620
Provision recognised in profit or loss	於損益確認之撥備	7,960	12,623
Exchange difference	匯兌差額	3,896	(13,339)
At 31st December	於十二月三十一日	142,760	130,904

本集團應用香港財務報告準則第9號允許之簡化方法，其規定初始確認應收款項時予以確認之預計使用年期虧損。

19 Contract Assets

The Group has recognised contract assets in relation to costs to obtain property sales contracts.

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Assets recognised from costs incurred to obtain a contract	因獲得合約所產生之成本而 確認之資產	982,860	473,606
Amortisation recognised as selling and marketing expenses during the year	年內確認為銷售及 市場推廣費用之攤銷	(250,400)	(89,795)

Management expects the incremental costs, primarily sales commission, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. During the year ended 31st December 2019, the Group recognised amortisation of approximately HK\$250,400,000 (2018: HK\$89,795,000) and capitalised commission fee of HK\$519,606,000 (2018: HK\$469,213,000).

19 合約資產

本集團已確認獲得物業銷售合約有關成本之合約資產。

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Assets recognised from costs incurred to obtain a contract	因獲得合約所產生之成本而 確認之資產	982,860	473,606
Amortisation recognised as selling and marketing expenses during the year	年內確認為銷售及 市場推廣費用之攤銷	(250,400)	(89,795)

管理層預期因獲得物業銷售合約而產生之增量成本以及主要銷售佣金屬可收回。本集團已在相關收入獲確認時將款項予以資本化及攤銷。截至二零一九年十二月三十一日止年度，本集團已確認攤銷約250,400,000港元(二零一八年：89,795,000港元)及資本化佣金519,606,000港元(二零一八年：469,213,000港元)。

20 Pledged/Charged Bank Deposits and Cash and Cash Equivalents

20 已抵押／押記銀行存款以及現金及現金等價物

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Cash at bank and on hand	銀行及手頭現金	14,101,988	7,939,840
Short-term bank deposits	短期銀行存款	50	50
		14,102,038	7,939,890
Less: pledged/charged bank deposits	減：已抵押／押記銀行存款	(1,466,913)	(483,182)
Cash and cash equivalents	現金及現金等價物	12,635,125	7,456,708

As at 31st December 2019, the Group's pledged/charged bank deposits mainly represented deposits charged by certain banks in relation to the granting of banking facilities, restricted bank balance due to pending litigations and the processing of mortgage facilities granted by the banks to buyers of the Group's properties.

As required by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties to finance the construction of the related properties. Such restricted bank deposits represent normal operating fund and are presented as part of cash and cash equivalents. As at 31st December 2019, cash and cash equivalents include pre-sale proceeds of HK\$5,035,947,000 (2018: HK\$1,713,940,000) placed in designated bank accounts.

Pledged/charged bank deposits and cash and cash equivalents are denominated in the following currencies:

於二零一九年十二月三十一日，本集團之已抵押／押記銀行存款主要代表已抵押予若干銀行，以便授出銀行信貸，由於未決訴訟的限制銀行結餘及銀行處理有關向本集團物業買家授予按揭信貸額。

根據中國國土資源局規定，本集團若干物業發展公司須向指定銀行戶口存入物業預售所得的部分款項，作為興建相關物業的資金。有關受限制存款為一般營運資金，並作為現金及現金等價物之部分列賬。於二零一九年十二月三十一日，現金及現金等價物包括存於指定銀行戶口的預售所得款項5,035,947,000港元(二零一八年：1,713,940,000港元)。

已抵押／押記銀行存款以及現金及現金等價物乃以下列貨幣列值：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
RMB	人民幣	12,675,373	7,670,131
Hong Kong dollar	港元	374,741	88,414
US dollar	美元	1,051,878	181,298
Others	其他	46	47
		14,102,038	7,939,890

21 Asset Classified as Held for Sale

On 30th November 2018, the Group has entered into a sale and purchase agreement to dispose its entire equity interests in a joint venture (the "Investment"). Certain pre-sale conditions need to be fulfilled by both before the completion of the disposal. As at 31st December 2019, management was of the view that the Investment is available for immediate sale in the present condition, subject only to terms that are usual and customary for sales and it is highly probable that the disposal will be completed within the next twelve months. Accordingly, the Investment was reclassified as assets classified as held for sale.

In accordance with the terms of the sale and purchase agreement, the Group has received a deposit amounted to approximately HK\$111,635,000, which is included in accounts payable, accruals and other payables (Note 23).

22 Lease Liabilities

The Group leases certain properties and land. Upon the adoption of HKFRS 16 (see Note 2.2), such leases are recognised as right-of-use assets and lease liabilities. As permitted under the specific transitional provisions in the standard, the standard is applied retrospectively from 1st January 2019 and comparatives are not restated. Details of lease liabilities as at 1st January 2019 and 31st December 2019 are as follow:

		As at 31st December 2019 於二零一九年 十二月三十一日 HK\$'000 千港元	As at 1st January 2019 於二零一九年 一月一日 HK\$'000 千港元
Lease liabilities	租賃負債		
Current	流動	8,419	4,459
Non-current	非流動	676,246	17,265
		684,665	21,724

21 分類為持作出售之資產

於二零一八年十一月三十日，本集團已訂立買賣協議以出售其於合營公司(「該投資」)的全部股權。於出售完成之前，兩者均須滿足若干預售條件。截至二零一九年十二月三十一日，管理層認為該投資可在當前條件下立即出售，僅受出售的慣常條款約束，且極有可能在未來十二個月內完成出售。因此，該投資被重新分類為分類為持作出售之資產。

根據買賣協議之條款，本集團已收取約111,635,000港元之按金，已計入應付賬款、應計款項及其他應付款項(附註23)。

22 租賃負債

本集團租賃若干物業及土地。採納香港財務報告準則第16號(見附註2.2)後，該等租賃確認為使用權資產及租賃負債。根據準則中特定過渡條款的允許，該準則自二零一九年一月一日起追溯應用，且未重列可比指標。於二零一九年一月一日及二零一九年十二月三十一日的租賃負債詳情如下：

23 Accounts Payable, Accruals and Other Payables

23 應付賬款、應計款項及其他應付款項

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Accounts payable (Note (a))	應付賬款(附註(a))	14,019,440	9,060,317
Accruals and other payables (Note (b))	應計款項及其他應付款項 (附註(b))	8,951,408	4,882,186
		22,970,848	13,942,503

Notes:

附註:

- (a) Ageing analysis of accounts payable (including amounts due to related companies of trading in nature) is as follows:

- (a) 應付賬款之賬齡分析(包括應付予關連公司屬於交易性質之賬款)如下:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
0 to 3 months	0至3個月	3,034,732	2,371,199
3 to 6 months	3至6個月	1,692,416	416,286
6 to 9 months	6至9個月	2,974,763	520,536
9 to 12 months	9至12個月	835,278	388,946
Over 12 months	超過12個月	5,482,251	5,363,350
		14,019,440	9,060,317

As at 31st December 2019, accounts payable of approximately HK\$829,032,000 (2018: HK\$454,670,000) were due to related companies in respect of property construction (Note 42(b)). Accounts payable are denominated in RMB. The carrying value of accounts payable approximates their fair values.

於二零一九年十二月三十一日，應付賬款中約829,032,000港元(二零一八年：454,670,000港元)為就物業建築應付若干關連公司之賬款(附註42(b))。應付賬款以人民幣計值。應付賬款之賬面值與其公平值相若。

- (b) Accruals and other payables include advances from potential investors in a subsidiary of approximately HK\$1,632,104,000. In accordance with the relevant investment agreement, in case such investment is not completed within 6 months, the amount will become repayable within 1 year from the date of agreement and bears interest at 8% per annum. The transaction is not yet completed as at 31st December 2019.

- (b) 應計款項及其他應付款項包括潛在投資者於一間附屬公司的墊款約1,632,104,000港元。根據相關的投資協議，倘該投資於6個月內未完成，則該款項將從協議日期起1年內償還，並按8厘的年利率計息。該交易於二零一九年十二月三十一日尚未完成。

24 Contract Liabilities

24 合約負債

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Contract liabilities	合約負債	19,505,008	10,304,371

Revenue recognised that was included in the contract liabilities balance at 31st December 2018 is HK\$4,603 million during the year ended 31st December 2019.

截至二零一九年十二月三十一日止年度，於二零一八年十二月三十一日計入合約負債結餘的確認收益為4,603百萬港元。

The following table shows the contract amount with an original expected duration of one year or more:

下表載列預期期限原為一年或以上的合約金額：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Expected to be recognised within one year	預計將於一年內確認	10,181,773	6,248,931
Expected to be recognised after one year	預計將於一年後確認	9,323,235	4,055,440
		19,505,008	10,304,371

25 Borrowings

25 借貸

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current	非流動		
Bank and financial institution borrowings	銀行及財務機構借貸	38,873,684	36,026,674
Commercial mortgage-backed securities (Note (a))	商業抵押擔保證券(附註(a))	7,986,349	5,629,858
Senior notes (Note (b))	優先票據(附註(b))	3,840,525	—
		50,700,558	41,656,532
Current	流動		
Bank and financial institution borrowings	銀行及財務機構借貸	12,661,692	9,436,196
Corporate bonds	公司債券	—	2,280,415
Asset-backed securities	資產支持證券	—	1,686,913
Commercial mortgage-backed securities (Note (a))	商業抵押擔保證券(附註(a))	27,630	41,087
		12,689,322	13,444,611
		63,389,880	55,101,143

Notes:

(a) In June 2018, the Group issued commercial mortgage-backed securities with an aggregate nominal value of RMB5,600,000,000 (equivalent to approximately HK\$6,251,535,000) (the "Securities"). The Securities will mature in 2039 and are repayable at their nominal value of RMB5,600,000,000. Subject to the terms and conditions specified in the offering circular, the Group has the right to redeem all of the Securities every three years (the "Redeemable Securities") from the date of issue, the investor are also entitled to sellback the Redeemable Securities to the Group on the same date. As at 31st December 2019, the Securities are secured by an investment property of approximately HK\$11,215 million (31st December 2018: HK\$7,180 million) and rental receivables of the investment property.

In June 2019, the Group issued commercial mortgage-backed securities with an aggregate nominal value of RMB2,000,000,000 (equivalent to approximately HK\$2,232,691,000) (the "Securities"). The Securities will mature in 2037 and are repayable at their nominal value of RMB2,000,000,000. Subject to the terms and conditions specified in the offering circular, the Group has the right to redeem all of the Securities every three years (the "Redeemable Securities") from the date of issue, the investor are also entitled to sell back the Redeemable Securities to the Group on the same date. As at 31st December 2019, the Securities are secured by an investment property of approximately HK\$2,900 million and rental receivables of the investment property.

附註:

(a) 於二零一八年六月，本集團發行總面值為人民幣5,600,000,000元(相等於約6,251,535,000港元)之商業抵押擔保證券(「證券」)。證券將於二零三九年到期，並將其總面值人民幣5,600,000,000元償還。根據發售通函列明之條款及條件，本集團有權於發行日期起計每三年贖回所有證券(「可贖回證券」)，而投資者亦有權於相同日期向本集團售回可贖回證券。於二零一九年十二月三十一日，證券以一項約11,215百萬港元(二零一八年十二月三十一日：7,180百萬港元)的投資物業及其應收租金作抵押。

於二零一九年六月，本集團發行總面值為人民幣2,000,000,000元(相等於約2,232,691,000港元)的商業抵押擔保證券(「該證券」)。該證券將於二零三七年到期，並按其面值人民幣2,000,000,000元償還。根據發行通函中規定的條款和條件，本集團有權自發行之日起每三年贖回所有證券(「可贖回證券」)，投資者也有權回購可贖回證券於同一日期到本集團。於二零一九年十二月三十一日，證券以約2,900百萬港元的投資物業及投資物業的應收租金作抵押。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

25 Borrowings (Continued)

Notes: (Continued)

- (b) In June 2019, the Group issued 7.5% senior notes with an aggregate nominal value of US\$500,000,000 (equivalent to approximately HK\$3,893,925,000) (the "Notes"). The Notes will mature in June 2022 and are repayable at their nominal value of US\$500,000,000. The Group may redeem all or a portion of the Notes at the redemption prices specified in the offering circular after the drawdown date, plus accrued and unpaid interests to the redemption date, subject to the terms and conditions specified in the offering circular.

The maturity analysis of the borrowings is as follows:

	Bank and financial institution borrowings				Corporate Bond		Asset-backed securities		Commercial-mortgage backed securities		Senior notes		Total	
	銀行及財務機構借貸				公司債券		資產支持證券		商業抵押擔保證券		優先票據		總計	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	
Within one year	一年內	12,661,692	9,436,196	—	2,280,415	—	1,686,913	27,630	41,087	—	—	12,689,322	13,444,611	
Between one and two years	一年至兩年	15,413,125	13,368,850	—	—	—	—	75,488	17,119	—	—	15,488,613	13,385,969	
Between two and five years	兩年至五年	15,375,516	19,460,974	—	—	—	—	7,910,861	5,612,739	3,840,525	—	27,126,902	25,073,713	
Over five years	超過五年	8,085,043	3,196,850	—	—	—	—	—	—	—	—	8,085,043	3,196,850	
		51,535,376	45,462,870	—	2,280,415	—	1,686,913	8,013,979	5,670,945	3,840,525	—	63,389,880	55,101,143	

The borrowings are denominated in the following currencies and with the following respective weighted average effective interest rates:

		2019 二零一九年		2018 二零一八年	
		HK\$'000	Effective interest rate	HK\$'000	Effective interest rate
		千港元	實際利率	千港元	實際利率
RMB	人民幣				
— Bank and financial institution borrowings	— 銀行及財務機構借貸	48,815,909	6.97%	42,484,126	5.96%
— Corporate bonds	— 公司債券	—	N/A	2,280,415	5.30%
— Asset-backed securities	— 資產支持證券	—	N/A	1,686,913	6.28%
— Commercial mortgage-backed securities	— 商業抵押擔保證券	8,013,979	6.14%	5,670,945	6.57%
HK dollar	港元				
— Bank borrowings	— 銀行借貸	2,526,095	2.55%	2,978,744	1.44%
US dollar	美元				
— Bank borrowings	— 銀行借貸	193,372	4.00%	—	N/A
— Senior notes	— 優先票據	3,840,525	8.13%	—	N/A
		63,389,880		55,101,143	

25 借貸(續)

附註：(續)

- (b) 於二零一九年六月，本集團發行總面值為500,000,000美元(相等於約3,893,925,000港元)之7.5厘優先票據(「票據」)。票據將於二零二二年六月到期，並將按其總面值500,000,000美元償還。根據發售通函列明之條款及條件，本集團可按發售通函列明之贖回價，另加截至贖回日的累計未付利息贖回全部或部分票據。

借貸之到期分析如下：

借貸以下列貨幣為單位及按下列各實際加權平均利率計息：

25 Borrowings (Continued)

25 借貸(續)

The carrying amounts and the fair values of the borrowings are as follows:

借貸之賬面值及公平值如下：

	Carrying amount 賬面值		Fair values 公平值	
	2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元	2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Bank and financial institution borrowings 銀行及財務機構借貸	51,535,376	45,462,870	51,090,608	44,483,871
Corporate bonds 公司債券	—	2,280,415	—	2,285,853
Asset-backed securities 資產支持證券	—	1,686,913	—	1,687,582
Commercial mortgage-backed securities 商業抵押擔保證券	8,013,979	5,670,945	8,020,069	5,751,389
Senior notes 優先票據	3,840,525	—	4,101,646	—
	63,389,880	55,101,143	63,212,323	54,208,695

The fair values of the bank and financial institution borrowings, corporate bonds, asset-backed securities, commercial mortgage-backed securities and senior notes are based on cash flows discounted using the market interest rate of 1.9% to 10.6% per annum as at the year end (2018: 3.2% to 11.8% per annum), depending on the currency of the borrowings.

於年結日，銀行及財務機構借貸、公司債券、資產支持證券、商業抵押擔保證券及優先票據的公平值乃根據市場年利率1.9厘至10.6厘(二零一八年：年利率3.2厘至11.8厘)(視乎借貸貨幣)計算之折算現金流釐訂。

As at 31st December 2019, the Group's bank and financial institution borrowings were secured by:

於二零一九年十二月三十一日，本集團之銀行及財務機構之借貸乃以下列抵押品擔保：

- (i) the Group's land (prepaid operating lease payments for hotel properties and self-use buildings) of approximately HK\$543,032,000 (2018: HK\$328,460,000);
- (ii) the Group's hotel properties and self-use buildings of approximately HK\$3,025,065,000 (2018: HK\$1,462,155,000);
- (iii) the Group's properties under development for sale of approximately HK\$18,574,978,000 (2018: HK\$16,948,836,000);
- (iv) the Group's completed properties for sale of approximately HK\$6,658,397,000 (2018: HK\$4,546,252,000);
- (v) the Group's investment properties of approximately HK\$47,089,281,000 (2018: HK\$23,490,014,000);

- (i) 本集團約543,032,000港元(二零一八年：328,460,000港元)之土地(酒店物業及自用樓宇之預付經營租賃款項)；
- (ii) 本集團約3,025,065,000港元(二零一八年：1,462,155,000港元)之酒店物業及自用樓宇；
- (iii) 本集團約18,574,978,000港元(二零一八年：16,948,836,000港元)之可供出售之發展中物業；
- (iv) 本集團約6,658,397,000港元(二零一八年：4,546,252,000港元)之可供出售之已落成物業；
- (v) 本集團約47,089,281,000港元(二零一八年：23,490,014,000港元)之投資物業；

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

25 Borrowings (Continued)

- (vi) the Group's financial assets at fair value through other comprehensive income of approximately HK\$2,239,567,000 (2018: HK\$2,978,952,000);
- (vii) The Group's financial assets at fair value through profit and loss of Nil (2018: HK\$224,006,000);
- (viii) the Group's bank deposits of HK\$820,514,000 (2018: HK\$385,528,000); and
- (ix) the Group's equity interests in subsidiaries of HK\$1,266,869,000 (2018: HK\$1,393,066,000).

25 借貸(續)

- (vi) 本集團約2,239,567,000港元(二零一八年: 2,978,952,000港元)之按公平值透過其他全面收入列賬之財務資產;
- (vii) 本集團之按公平值透過損益列賬之財務資產為零(二零一八年: 224,006,000港元);
- (viii) 本集團為820,514,000港元(二零一八年: 385,528,000港元)之銀行存款;及
- (ix) 本集團於附屬公司之股本權益1,266,869,000港元(二零一八年: 1,393,066,000港元)。

26 Deferred Income Tax

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

26 遞延所得稅

遞延稅項資產及遞延稅項負債僅在本期稅項資產及本期稅項負債有合法可強制執行權利互相抵銷及遞延所得稅與同一稅務機關有關，方可互相抵銷。抵銷金額如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Deferred tax assets:	遞延稅項資產：		
— Deferred tax assets to be recovered after more than twelve months	— 將於十二個月後收回之遞延稅項資產	1,228,227	721,876
— Deferred tax assets to be recovered within twelve months	— 將於十二個月內收回之遞延稅項資產	81,032	62,271
		1,309,259	784,147
Deferred tax liabilities:	遞延稅項負債：		
— Deferred tax liabilities to be realised after more than twelve months	— 將於十二個月後變現之遞延稅項負債	(9,109,084)	(8,007,141)
— Deferred tax liabilities to be realised within twelve months	— 將於十二個月內變現之遞延稅項負債	(848,009)	(316,365)
		(9,957,093)	(8,323,506)
		(8,647,834)	(7,539,359)

26 Deferred Income Tax (Continued)

26 遞延所得稅(續)

The net movements in deferred taxation are as follows:

遞延稅項淨變動如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Assets/(liabilities)	資產/(負債)		
At 1st January	於一月一日	(7,539,359)	(6,906,581)
Recognised in the consolidated income statement (Note 36)	於綜合收益表確認(附註36)	(1,467,074)	(1,037,405)
Acquisition of a subsidiary	收購一間附屬公司	—	(10,391)
Released directly from other comprehensive income (Note 30)	直接解除自其他全面收入(附註30)		
— Fair value loss on financial assets at fair value through other comprehensive income	— 按公平值透過其他全面收入列賬之財務資產之公平值虧損	139,392	68,337
— Assets revaluation reserve realised upon disposal of completed properties held for sale	— 出售持作出售已落成物業時變現之資產重估儲備	40,341	33,081
Exchange difference	匯兌差額	178,866	313,600
At 31st December	於十二月三十一日	(8,647,834)	(7,539,359)

The movements in deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

遞延稅項資產及遞延稅項負債之變動(並無考慮相同稅務司法權區內之結餘抵銷)如下：

Deferred tax assets

遞延稅項資產

		Tax losses 稅項虧損	
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
At 1st January	於一月一日	784,147	740,160
Recognised in the consolidated income statement	於綜合收益表確認	548,243	106,192
Exchange difference	匯兌差額	(23,131)	(62,205)
At 31st December	於十二月三十一日	1,309,259	784,147

26 Deferred Income Tax (Continued)

Deferred tax liabilities

		Withholding income tax on undistributed profits 來自未分派 溢利之 預扣所得稅 HK\$'000 千港元	Revaluation surplus 重估盈餘 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1st January 2018	於二零一八年一月一日	(76,324)	(7,570,417)	(7,646,741)
Recognised in the consolidated income statement	於綜合收益表確認	2,628	(1,146,225)	(1,143,597)
Acquisition of a subsidiary	收購一間附屬公司	—	(10,391)	(10,391)
Released directly from other comprehensive income, net	直接解除自其他 全面收入，淨額	—	101,418	101,418
Exchange difference	匯兌差額	3,451	372,354	375,805
At 31st December 2018	於二零一八年 十二月三十一日	(70,245)	(8,253,261)	(8,323,506)
Recognised in the consolidated income statement	於綜合收益表確認	(1,749)	(2,013,568)	(2,015,317)
Released directly from other comprehensive income, net	直接解除自其他 全面收入，淨額	—	179,733	179,733
Exchange difference	匯兌差額	1,551	200,446	201,997
At 31st December 2019	於二零一九年 十二月三十一日	(70,443)	(9,886,650)	(9,957,093)

The recognised deferred tax assets relate to tax losses amounting to approximately HK\$5,237,036,000 (2018: HK\$3,136,590,000) which are expiring from 2020 through 2024.

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2019, the Group did not recognise deferred tax assets of approximately HK\$410,185,000 (2018: HK\$392,658,000) in respect of tax losses amounting to approximately HK\$2,092,691,000 (2018: HK\$2,038,654,000).

As at 31st December 2019, deferred tax liabilities of HK\$4,276,546,000 (2018: HK\$3,464,255,000) have not been recognised for withholding tax on the unremitted earnings of certain subsidiaries in Mainland China, as these earnings are expected to be reinvested in Mainland China.

26 遞延所得稅(續)

遞延稅項負債

Withholding income tax on undistributed profits 來自未分派 溢利之 預扣所得稅 HK\$'000 千港元	Revaluation surplus 重估盈餘 HK\$'000 千港元	Total 總計 HK\$'000 千港元
--	---	--------------------------------

At 1st January 2018	於二零一八年一月一日	(76,324)	(7,570,417)	(7,646,741)
Recognised in the consolidated income statement	於綜合收益表確認	2,628	(1,146,225)	(1,143,597)
Acquisition of a subsidiary	收購一間附屬公司	—	(10,391)	(10,391)
Released directly from other comprehensive income, net	直接解除自其他 全面收入，淨額	—	101,418	101,418
Exchange difference	匯兌差額	3,451	372,354	375,805
At 31st December 2018	於二零一八年 十二月三十一日	(70,245)	(8,253,261)	(8,323,506)
Recognised in the consolidated income statement	於綜合收益表確認	(1,749)	(2,013,568)	(2,015,317)
Released directly from other comprehensive income, net	直接解除自其他 全面收入，淨額	—	179,733	179,733
Exchange difference	匯兌差額	1,551	200,446	201,997
At 31st December 2019	於二零一九年 十二月三十一日	(70,443)	(9,886,650)	(9,957,093)

約5,237,036,000港元(二零一八年：3,136,590,000港元)之已確認有關稅項虧損之遞延稅項資產將於二零二零年至二零二四年期間屆滿。

遞延稅項資產乃因應相關稅務利益可透過未來應課稅溢利變現而就所結轉之稅項虧損作確認。於二零一九年十二月三十一日，本集團並無確認遞延稅項資產約410,185,000港元(二零一八年：392,658,000港元)，涉及稅項虧損約2,092,691,000港元(二零一八年：2,038,654,000港元)。

於二零一九年十二月三十一日，本集團尚未就若干中國大陸附屬公司未匯出盈利的預扣稅確認遞延稅項負債4,276,546,000港元(二零一八年：3,464,255,000港元)，原因為此等盈利預期將於中國大陸用作再投資。

27 Current Tax Liabilities

Current tax liabilities mainly represent payable for Mainland China corporate income tax and Mainland China land appreciation tax.

27 本期稅項負債

本期稅項負債主要指應付中國大陸企業所得稅及應付中國大陸土地增值稅。

28 Share Capital

28 股本

		Number of ordinary shares	Share capital
		普通股數目 '000 千股	股本 HK\$'000 千港元
At 1st January 2018, 31st December 2018 and 31st December 2019	於二零一八年一月一日、 二零一八年十二月三十一日及 二零一九年十二月三十一日	2,225,560	222,556

The total authorised number of ordinary shares is 3,000,000,000 shares (2018: 3,000,000,000 shares), with a par value of HK\$0.1 per share (2018: HK\$0.1 per share).

法定普通股總數為3,000,000,000股(二零一八年：3,000,000,000股)每股面值0.1港元(二零一八年：每股面值0.1港元)之股份。

All issued shares are fully paid.

所有已發行股份均已繳足股款。

29 Non-Controlling Interests

The total non-controlling interests as at 31st December 2019 is HK\$2,434,725,000 (2018: HK\$2,078,725,000), of which HK\$1,877,342,000 (2018: HK\$2,065,072,000) relates to Believe Best Investments Limited ("Believe Best Group"). Believe Best Group is 82.5% owned by the Group and is principally engaged in property development in Chaoyang District, Beijing, Mainland China. The non-controlling interests in respect of the remaining subsidiaries are not material individually.

29 非控制性權益

於二零一九年十二月三十一日，非控制性權益總額為2,434,725,000港元(二零一八年：2,078,725,000港元)，其中1,877,342,000港元(二零一八年：2,065,072,000港元)與信佳投資有限公司(「信佳集團」)有關。信佳集團由本集團擁有82.5%權益，主要於中國大陸北京朝陽區從事物業發展。有關其餘附屬公司的非控制性權益各自並不重大。

Set out below are the summarised financial information of Believe Best Group, which have included fair value adjustments resulted from the acquisition of Believe Best Group in prior years.

信佳集團的財務資料概要載列於下文，已包括過往年度之收購信佳集團所導致之公平值調整。

29 Non-Controlling Interests (Continued)

29 非控制性權益(續)

Summarised consolidated balance sheet

綜合資產負債表概要

		Believe Best Group 信佳集團	
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Assets	資產		
Non-current assets	非流動資產	162,365	553,807
Current assets	流動資產	25,831,166	24,367,948
Total assets	總資產	25,993,531	24,921,755
Liabilities	負債		
Non-current liabilities	非流動負債	(9,495,847)	(12,446,455)
Current liabilities	流動負債	(5,913,004)	(2,792,939)
Total liabilities	負債總額	(15,408,851)	(15,239,394)
Net assets	淨資產	10,584,680	9,682,361

Summarised consolidated income statement

綜合收入表概要

		Believe Best Group 信佳集團	
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Revenues	收益	1,992,785	914,893
Profit before taxation	除稅前溢利	594,283	285,848
Taxation	稅項	(250,706)	(107,495)
Profit for the year and total comprehensive income for the year	年度溢利及年度全面收入總額	343,577	178,353
Total comprehensive profit attributable to non-controlling interests	非控制性權益應佔之全面收入總額	60,126	35,671

29 Non-Controlling Interests (Continued)

29 非控制性權益(續)

Summarised consolidated cash flow statement

綜合現金流量表概要

		Believe Best Group 信佳集團	
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Cash flows from operating activities	經營活動之現金流量		
Cash generated from operations	經營產生之現金	572,416	768,552
Mainland China corporate income tax paid	已付中國大陸企業所得稅	(200,296)	(65,794)
Mainland China land appreciation tax paid	已付中國大陸土地增值稅	(19,002)	(24,758)
Net cash generated from operating activities	經營活動產生之現金淨額	353,118	678,000
Net cash generated from investing activities	投資活動產生之現金淨額	517,446	11,922
Net cash used in financing activities	融資活動所用之現金淨額	(898,822)	(808,823)
Net decrease in cash and cash equivalents	現金及現金等價物之減少淨額	(28,258)	(118,901)
Cash and cash equivalents at 1st January	於一月一日之現金及 現金等價物	74,919	199,576
Exchange loss on cash and cash equivalents	現金及現金等價物之匯兌虧損	(1,329)	(5,756)
Cash and cash equivalents at 31st December	於十二月三十一日之現金及 現金等價物	45,332	74,919

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

30 Reserves

30 儲備

		Share premium	Statutory reserve (i)	Assets revaluation reserve (ii)	Currency translation differences	Retained earnings	Total
		股份溢價	法定儲備(i)	資產重估 儲備(ii)	貨幣匯兌 差額	保留盈利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
For year ended	截至二零一九年						
31st December 2019	十二月三十一日						
	止年度						
Balance at 1st January 2019	於二零一九年 一月一日之結餘	15,800,776	161,117	1,579,907	705,929	47,224,625	65,472,354
Profit for the year	年度溢利	—	—	—	—	9,486,000	9,486,000
Currency translation differences	貨幣匯兌差額	—	—	—	(1,485,679)	—	(1,485,679)
Fair value loss on financial assets at fair value through other comprehensive income	按公平值透過 其他全面收入 列賬之財務資產 之公平值虧損	—	—	(539,540)	—	—	(539,540)
Realised upon disposal of properties held for sale	出售持作出售物業 時變現	—	—	(87,079)	—	—	(87,079)
Dividends paid	已付股息	—	—	—	—	(667,668)	(667,668)
Deferred tax	遞延稅項	—	—	179,733	—	—	179,733
Balance at 31st December 2019	於二零一九年 十二月三十一日 之結餘	15,800,776	161,117	1,133,021	(779,750)	56,042,957	72,358,121
For year ended	截至二零一八年						
31st December 2018	十二月三十一日						
	止年度						
Balance at 1st January 2018	於二零一八年 一月一日之結餘	15,800,776	161,117	1,840,646	3,808,877	42,260,153	63,871,569
Changes in accounting policy	會計政策變動	—	—	(1,064)	2,740	79,229	80,905
Balance at 1st January 2018, as restated	於二零一八年 一月一日之結餘 (經重列)	15,800,776	161,117	1,839,582	3,811,617	42,339,382	63,952,474
Profit for the year	年度溢利	—	—	—	—	5,775,467	5,775,467
Currency translation differences	貨幣匯兌差額	—	—	—	(3,105,688)	—	(3,105,688)
Fair value loss on financial assets at fair value through other comprehensive income	按公平值透過 其他全面收入 列賬之財務資產 之公平值虧損	—	—	(273,347)	—	—	(273,347)
Realised upon disposal of properties held for sale	出售持作出售物業 時變現	—	—	(87,746)	—	—	(87,746)
Dividends paid	已付股息	—	—	—	—	(890,224)	(890,224)
Deferred tax	遞延稅項	—	—	101,418	—	—	101,418
Balance at 31st December 2018	於二零一八年 十二月三十一日 之結餘	15,800,776	161,117	1,579,907	705,929	47,224,625	65,472,354

30 Reserves (Continued)

Notes:

- (i) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the statutory reserves and enterprise expansion fund, at rates determined by their respective boards of directors. The statutory reserves can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. When the statutory reserves reaches an amount equal to 50% of the registered capital of the Company's subsidiaries, further appropriation needs not be made.
- (ii) Assets revaluation reserve represents revaluation reserve of financial assets at FVOCI and the balance of fair value gain in respect of 69.5% interest in Guangzhou Zhujiang Qiaodu Real Estate Limited ("GZQREL").

Upon completion of the acquisition of Guangzhou Nonggongshang Construction and Development Company Limited in 2007, GZQREL became a subsidiary of the Group. The fair value gain in respect of the 69.5% interest in GZQREL previously held by the Group (as a joint venture) of approximately HK\$2,180,096,000, net of tax, has been credited to an asset revaluation reserve directly in other comprehensive income.

Subsequent sales of the properties developed by GZQREL are regarded as partial disposal of the business of GZQREL and accordingly the related portion of the asset revaluation reserve is released to the consolidated income statement. As at 31st December 2019, the asset revaluation reserve of GZQREL amounted to approximately HK\$645,456,000 (2018: HK\$692,194,000).

30 儲備(續)

附註：

- (i) 按照中國大陸法規所訂明，本公司於中國大陸成立及經營之附屬公司須自其除稅後溢利(經抵銷過往年度虧損後)中撥出一部分至法定儲備及企業發展基金，比率乃由各董事會釐定。法定儲備可用作抵銷過往年度虧損或用作發行紅股，而企業發展基金則可用作發展業務。當法定儲備達到相當於本公司的附屬公司註冊資本50%之金額時，將毋須進一步作出撥款。
- (ii) 資產重估儲備指按公平值透過其他全面收入列賬之財務資產之重估儲備，及廣州珠江橋都房地產有限公司(「橋都」)69.5%權益公平值收益餘額之重估儲備。

於二零零七年完成收購廣州市農工商集團建設開發公司後，橋都成為本集團之附屬公司。本集團先前持有橋都(作為一間合營公司)的69.5%權益之公平值收益約2,180,096,000港元(已扣除稅項)已直接在其他全面收入計入資產重估儲備。

往後銷售由橋都開發之物業視為出售橋都部分業務，資產重估儲備之有關部分因此撥入綜合收益表。於二零一九年十二月三十一日，橋都的資產重估儲備約645,456,000港元(二零一八年：692,194,000港元)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

31 Other Gains, Net

31 其他收益，淨額

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Dividend income from	股息收入來自		
— Financial assets at fair value through other comprehensive income	— 按公平值透過其他全面收入列賬之財務資產	155,413	143,025
— Financial assets at fair value through profit or loss	— 按公平值透過損益列賬之財務資產	428	6,159
Government grants	政府補助	44,951	65,410
Gain on disposal of financial assets at fair value through profit or loss	處置按公平值透過損益列賬之財務資產收益	88,642	8,017
Interest income from financial assets at fair value through profit or loss	來自按公平值透過損益列賬之財務資產之利息收入	5,806	—
Fair value loss on financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產之公平值虧損	(9,208)	(72,276)
Net foreign exchange gain	匯兌收益淨額		
— net foreign exchange losses	— 匯兌虧損淨額	(40,610)	(50,833)
— exchange losses relating to foreign currency borrowings capitalised	— 已資本化的外幣借貸相關匯兌虧損	25,442	62,224
Others	其他	14,465	209
		285,329	161,935

32 Expenses by Nature

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

32 按性質劃分之開支

開支包括銷售成本、銷售及市場推廣費用，以及一般及行政費用，分析如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Advertising and promotion costs	廣告及推廣開支	236,812	135,744
Amortisation of land costs	土地成本攤銷	—	56,767
Auditor's remuneration	核數師酬金	11,758	10,536
Other professional fees	其他專業費用	8,123	9,935
Cost of completed properties sold	出售已落成物業之成本	6,536,776	4,362,243
Depreciation of properties and equipment	物業及設備折舊	196,456	183,244
Depreciation of right-of-use assets	使用權資產折舊	76,587	—
Direct operating expenses arising from investment properties that	以下類別投資物業產生之直接經營開支		
— generate rental income	— 產生租金收入	324,781	421,152
— did not generate rental income	— 並無產生租金收入	8,497	6,684
Employees' benefits costs (including Directors' emoluments) (Note 33)	僱員福利成本(包括董事酬金)(附註33)	1,580,931	1,298,953
Loss on disposals of properties and equipment	出售物業及設備虧損	1,420	2,878
Lease rental in respect of premises	物業之租賃租金	—	20,447
Short-term and low-value assets lease expenses	短期及低價值資產租賃開支	20,084	—
Provision for impairment of accounts receivable	應收賬款減值撥備	7,960	12,623

33 Employees' Benefits Costs

33 僱員福利成本

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	879,071	748,141
Sales commission and bonus	銷售佣金及花紅	479,737	369,231
Pension costs	退休金成本		
— Defined contribution plans	— 定額供款計劃	222,116	181,581
— Provision for long service payment	— 長期服務金撥備	7	—
		1,580,931	1,298,953

33 Employees' Benefits Costs (Continued)**(a) Pensions — Defined contribution plans**

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and employees are subject to a cap of HK\$1,500 and thereafter contributions are voluntary.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group's employees make monthly contributions to the plans at approximately 8% of the income (comprising salaries, allowances and bonus), while the Group contributes 12% to 22% of such income and has no further obligations for the actual payment of pensions beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

No forfeited contributions (2018: Nil) were utilised during the year. There is no forfeited contributions leaving available at the year-end to reduce future contributions.

Contributions totalling HK\$19,477,000 (2018: HK\$13,944,000) were payable to the fund at the year-end.

33 僱員福利成本(續)**(a) 退休金 — 定額供款計劃**

本集團已替其香港僱員安排參與一項由一位獨立信託人管理之定額供款計劃，即強制性公積金計劃(「強積金計劃」)。根據強積金計劃，本集團(僱主)及其僱員各自須按強制性公積金法例所界定各自按該僱員收入之5%向該計劃作每月供款。僱主及僱員各自所作之每月供款之上限為1,500港元，多於上限之供款則屬自願性質。

按照中國大陸之規則及法規所規定，本集團為其於中國大陸之僱員選擇一個由國家資助之退休計劃。本集團僱員每月按其收入(包括薪金、津貼及花紅)約8%對計劃作出供款，本集團則按該等收入12%至22%作出供款。除這些供款外，本集團並無其他對實際退休金付款責任。國家資助之退休計劃負責支付退休僱員之全部退休金。

年內並無已沒收的供款(二零一八年：零)被動用。概無已沒收供款剩餘於年末可供使用以減少未來供款。

合共19,477,000港元(二零一八年：13,944,000港元)的供款於年末應付予基金。

33 Employees' Benefits Costs (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2018: one) director, whose emoluments are reflected in the analysis presented above. The emoluments for the remaining four (2018: four) individuals are as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	11,118	8,295
Employer's contribution to pension scheme	僱主對退休金計劃之供款	482	371
		11,600	8,666

The emoluments fell within the following band:

酬金介乎以下組別：

		Number of individuals 人數	
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
HK\$1,500,001 to HK\$2,000,000	1,500,001 港元至 2,000,000 港元	—	—
HK\$2,000,001 to HK\$2,500,000	2,000,001 港元至 2,500,000 港元	2	3
HK\$2,500,001 to HK\$3,000,000	2,500,001 港元至 3,000,000 港元	—	1
HK\$3,000,001 to HK\$3,500,000	3,000,001 港元至 3,500,000 港元	1	—
HK\$3,500,001 to HK\$4,000,000	3,500,001 港元至 4,000,000 港元	1	—

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

34 Benefits and Interests of Directors

The remuneration of each director for the year ended 31st December 2019 is set out below:

34 董事利益及權益

截至二零一九年十二月三十一日止年度，各董事之酬金載列如下：

Name of director	董事姓名	As director (i)	As management (ii)		Total
		作為董事(i)	作為管理層(ii)		
		Fees	Basic salaries, allowances and benefits-in-kind (iii)	Employee benefits	
		袍金	基本薪金、津貼及實物利益(iii)	僱員福利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Executive directors	執行董事				
Mr. Au Wai Kin	歐偉建先生	—	—	252	252
Mr. Bao Wenge	鮑文格先生	—	—	1,555	1,555
Ms. Chu Kut Yung	朱桔榕女士	—	—	2,270	2,270
Mr. Chu Mang Yee (resigned on 10th January 2020)	朱孟依先生 (於二零二零年一月十日辭任)	—	—	—	—
Mr. Xie Bao Xin	謝寶鑫先生	—	—	1,574	1,574
Mr. Xi Ronggui	席榮貴先生	—	—	5,519	5,519
		—	—	11,170	11,170
Independent non-executive directors	獨立非執行董事				
Mr. Lee Tsung Hei, David	李頌熹先生	330	—	—	330
Mr. Tan Leng Cheng, Aaron	陳龍清先生	330	—	—	330
Mr. Ching Yu Lung	程如龍先生	330	—	—	330
		990	—	—	990

34 Benefits and Interests of Directors (Continued)

34 董事利益及權益(續)

The remuneration of each director for the year ended 31st December 2018 is set out below:

截至二零一八年十二月三十一日止年度，各董事之酬金載列如下：

Name of director	董事姓名	As director (i) 作為董事(i)		As management (ii) 作為管理層(ii)	
		Fees 袍金 HK\$'000 千港元	Basic salaries, allowances and benefits- in-kind (iii) 基本薪金、 津貼及 實物利益(iii) HK\$'000 千港元	Employee benefits 僱員福利 HK\$'000 千港元	Total 袍金 HK\$'000 千港元
Executive directors 執行董事					
Mr. Au Wai Kin	歐偉建先生	—	—	252	252
Mr. Bao Wenge	鮑文格先生	—	—	1,609	1,609
Ms. Chu Kut Yung	朱桔榕女士	—	—	2,327	2,327
Mr. Chu Mang Yee (resigned on 10th January 2020)	朱孟依先生 (於二零二零年 一月十日辭任)	—	—	—	—
Mr. Xie Bao Xin	謝寶鑫先生	—	—	1,635	1,635
Mr. Xi Ronggui	席榮貴先生	—	—	1,906	1,906
		—	—	7,729	7,729
Independent non- executive directors 獨立非執行董事					
Mr. Lee Tsung Hei, David	李頌熹先生	320	—	—	320
Mr. Tan Leng Cheng, Aaron	陳龍清先生	320	—	—	320
Mr. Ching Yu Lung	程如龍先生	320	—	—	320
		960	—	—	960

During the year, Mr. Chu Mang Yee waived emoluments of HK\$240,000 (2018: HK\$240,000).

年內，朱孟依先生放棄酬金240,000港元(二零一八年：240,000港元)。

Notes:

附註：

- (i) The amounts represented emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.
- (ii) The amounts represented emoluments paid or payable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, allowances, discretionary bonuses and employer's contribution to a pension scheme.
- (iii) The amounts include salaries, discretionary bonus, housing allowances and employer's contribution to a pension scheme.
- (iv) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

- (i) 該款項指就相關人士提供本公司或其附屬公司董事服務的已付或應付酬金。
- (ii) 該款項指就相關人士提供管理本公司或其附屬公司事務的其他服務的已付或應付酬金，包括薪金、津貼、酌情花紅及僱主對退休金計劃的供款。
- (iii) 該款項包括薪金、酌情花紅、房屋津貼及僱主對退休金計劃的供款。
- (iv) 年內，本集團概無向董事支付酬金，以作為吸引加入或加入本集團時的獎勵或因離職而所作的補償(二零一八年：零)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

35 Finance Income and Costs

35 財務收入及成本

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Finance income	財務收入		
Interest income from banks, advance to a joint venture and loan receivables	來自銀行之利息收入、一間合營公司之墊款及應收貸款	394,311	173,949
Finance costs	財務成本		
Interest expense and other borrowing costs:	利息開支及其他借貸成本：		
— loans from banks and financial institutions	— 銀行及財務機構貸款	(3,630,521)	(2,958,316)
— corporate bonds, commercial mortgage-backed Securities, senior notes and asset-backed securities	— 公司債券、商業抵押擔保證券、優先票據及資產支持證券	(695,549)	(467,467)
Total borrowing costs incurred	所發生之總借貸成本	(4,326,070)	(3,425,783)
Less: Amount capitalised as part of the cost of properties under development	減：作為發展中物業成本一部分的資本化款項	3,323,631	2,849,906
		(1,002,439)	(575,877)
Cost on early redemption of corporate bonds	提早贖回公司債券之成本	—	(2,442)
		(1,002,439)	(578,319)
Net finance costs, net	財務成本淨額	(608,128)	(404,370)

The capitalisation rate used to determined the amount of borrowing costs eligible for capitalisation approximate the effective interest rate of the Group's borrowings (Note 25).

資本化率用於釐定符合資本化條件借款費用的金額，大約等於本集團借款的實際利率(附註25)。

36 Taxation

36 稅項

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Current tax	本期稅項		
Hong Kong profits tax (Note (a))	香港利得稅(附註(a))	33,294	2,683
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(附註(b))	1,622,239	990,069
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(附註(c))	1,988,978	1,141,566
		3,644,511	2,134,318
Deferred tax	遞延稅項		
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(附註(b))	1,481,393	1,051,398
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(附註(c))	(16,068)	(11,365)
Mainland China withholding income tax (Note (d))	中國大陸預扣所得稅(附註(d))	1,749	(2,628)
		1,467,074	1,037,405
Taxation (Note (e))	稅項(附註(e))	5,111,585	3,171,723

The Company is exempted from taxation in Bermuda until March 2035. Subsidiaries in the British Virgin Islands are incorporated under the International Business Companies Act (now the BVI Business Companies Act, 2004) of the British Virgin Islands, or the BVI Business Companies Act, 2004 of the British Virgin Islands, and are not liable to any form of taxation in the British Virgin Islands.

本公司獲豁免繳納百慕達稅項，直至二零三五年三月止。英屬處女群島附屬公司乃根據英屬處女群島國際商業公司法(現為英屬處女群島商業公司法2004)，或英屬處女群島之英屬處女群島商業公司法2004註冊成立，故毋須支付任何形式之英屬處女群島稅項。

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at 16.5% on the estimated assessable profit for the year ended 31st December 2019 (2018:16.5%).

(b) Mainland China corporate income tax

Subsidiaries established and operated in Mainland China are subject to Mainland China corporate income tax at the rate of 25% for the year ended 31st December 2019 (2018: 25%).

附註：

(a) 香港利得稅

截至二零一九年十二月三十一日止年度，香港利得稅已按年內估計應課稅溢利之16.5%計提撥備(二零一八年：16.5%)。

(b) 中國大陸企業所得稅

截至二零一九年十二月三十一日止年度，於中國大陸成立及營運之附屬公司須按25%之稅率繳納中國大陸企業所得稅(二零一八年：25%)。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

36 Taxation (Continued)

Notes: (Continued)

(c) Mainland China land appreciation tax

Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

(d) Mainland China withholding income tax

Dividend distribution made by Mainland China subsidiaries and joint ventures to shareholders outside of Mainland China in respect of their profits earned after 1st January 2008 is subject to withholding income tax at tax rates of 5% or 10%, where applicable.

(e) The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

36 稅項(續)

附註：(續)

(c) 中國大陸土地增值稅

中國大陸土地增值稅就土地增值，即出售房地產所得款項扣除可扣減開支(包括土地成本、發展及建築開支)，按累進稅率30%至60%徵收。

(d) 中國大陸預扣所得稅

中國大陸附屬公司及合營公司向中國大陸以外的股東就彼等於二零零八年一月一日後賺取之溢利所作出之股息分派須按5%或10%(如適用)之稅率繳納預扣所得稅。

(e) 本集團除稅前溢利與按照集團公司加權平均適用溢利稅率計算之理論金額之差異如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Profit before taxation	除稅前溢利	14,761,975	8,994,322
Less: Share of loss/(profit) of associates	減：分佔聯營公司虧損/(溢利)	4,562	(1,637)
Less: Share of (profit)/loss of joint ventures	減：分佔合營公司(溢利)/虧損	(119,113)	6,152
		14,647,424	8,998,837
Tax calculated at domestic tax rates applicable to profits in the respective regions	按於各地區之溢利適用國內稅率計算之稅項	3,675,190	2,278,043
Income not subject to tax	不用課稅收入	(114,425)	(25,917)
Expenses not deductible for tax	不可扣稅支出	22,550	31,428
Utilisation of previously unrecognised tax losses	動用過往未確認稅項虧損	(39,935)	(39,044)
Deferred tax asset not recognised	未確認遞延稅項資產	86,773	82,190
Land appreciation tax deductible for calculation of corporate income tax purposes	可扣減作為計算所得稅用途之土地增值稅	(493,227)	(282,550)
Withholding tax on dividend income from PRC subsidiaries and joint ventures	中國附屬公司及合營公司之股息收入之預扣稅	1,749	(2,628)
		3,138,675	2,041,522
Land appreciation tax	土地增值稅	1,972,910	1,130,201
		5,111,585	3,171,723
Taxation	稅項		

The weighted average applicable tax rate was approximately 25% (2018: 25%).

加權平均適用稅率約為25%(二零一八年：25%)。

37 Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

		2019 二零一九年	2018 二零一八年
Profit attributable to equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利(千港元)	9,486,000	5,775,467
Weighted average number of ordinary shares in issue ('000)	已發行普通股之加權平均數(千股)	2,225,560	2,225,560
Basic earnings per share (HK\$ per share)	每股基本盈利(每股港元)	4.26	2.60

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares for the years ended 31st December 2019 and 2018, diluted earnings per share is equal to basic earnings per share.

37 每股盈利

基本

每股基本盈利乃根據本公司股權持有人應佔溢利除以年內已發行普通股之加權平均數得出。

攤薄

計算每股攤薄盈利時，已對已發行在外普通股之加權平均數作出調整，以假設所有具攤薄潛力之普通股獲悉數轉換。由於截至二零一九年及二零一八年十二月三十一日止年度，並沒有具攤薄潛力之普通股，因此每股攤薄盈利與每股基本盈利一致。

38 Dividend

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Interim dividend paid of HK\$ 0.10 (2018: HK\$0.20) per ordinary share	派付中期股息每股普通股0.10港元(二零一八年：0.20港元)	222,556	445,112
Proposed final dividend of HK\$ 0.30 (2018: HK\$0.20) per ordinary share	擬派末期股息每股普通股0.30港元(二零一八年：0.20港元)	667,668	445,112
		890,224	890,224

Final dividend of HK\$0.30 per share in respect of the financial year ended 31st December 2019 (2018: HK\$0.20 per share) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The financial statements as at 31st December 2019 have not reflected this dividend payable.

38 股息

董事會已建議就截至二零一九年十二月三十一日止財政年度派付末期股息每股0.30港元(二零一八年：0.20港元)，該股息須待股東於應屆股東週年大會上批准。於二零一九年十二月三十一日的財務報表並未反映此應付股息。

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

39 Note to the Consolidated Cash Flow Statement 39 綜合現金流量表附註

(a) Cash generated from operations

(a) 經營產生之現金

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Profit before taxation	除稅前溢利	14,761,975	8,994,322
<i>Adjustments for:</i>	<i>調整：</i>		
— Finance income	— 財務收入	(394,311)	(173,949)
— Finance costs	— 財務成本	1,002,439	578,319
— Dividend income	— 股息收入	(155,841)	(149,184)
— Share of (profit)/loss of joint ventures	— 分佔合營公司(溢利)/虧損	(119,113)	6,152
— Share of loss/(profit) of associates	— 分佔聯營公司虧損/(溢利)	4,562	(1,637)
— Depreciation of properties and equipment	— 物業及設備折舊	196,456	183,244
— Depreciation of right-of-use assets	— 使用權資產折舊	76,587	—
— Loss on disposals of properties and equipment	— 出售物業及設備虧損	1,420	2,878
— Amortisation of land costs	— 土地成本攤銷	—	56,767
— Provision of impairment of accounts receivable	— 應收賬款減值撥備	7,960	12,623
— Provision of impairment of goodwill	— 商譽減值撥備	2	26
— Fair value gain on investment properties	— 投資物業公平值收益	(8,175,781)	(4,673,345)
— Fair value loss on financial assets at fair value through profit or loss	— 按公平值透過損益列賬之財務資產之公平值虧損	9,208	72,276
— Interest income from financial assets at fair value through profit or loss	— 按公平值透過損益列賬之財務資產之利息收入	(5,806)	—
— Gain on disposal of financial assets at fair value through profit or loss	— 處置按公平值透過損益列賬之財務資產收益	(88,642)	(8,017)
— Gain on disposal of subsidiaries	— 處置附屬公司	(8,688)	—
— Net gain on disposal of an associate and a joint venture	— 處置一間聯營公司及一間合營公司的收益淨額	(5,779)	—
— Net exchange loss/(gain), net	— 匯兌虧損/(收益)淨額	15,168	(11,391)
Operating profits before working capital changes	營運資金變動前經營溢利	7,121,816	4,889,084
Changes in working capital (excluding the effects of acquisition/disposal of subsidiaries and exchange differences on consolidation):	營運資金變動(不包括收購/出售附屬公司及匯兌差額對綜合賬目之影響):		
— Finance lease receivables	— 融資租賃應收款項	(190,401)	(159,828)
— Properties under development for sale and completed properties for sale	— 可供出售之發展中物業及可供出售之已落成物業	(14,245,329)	(2,200,424)
— Accounts receivable	— 應收賬款	(301,524)	(200,163)
— Prepayments for acquisition of land	— 收購土地之預付款項	(1,569,092)	(155,331)
— Prepayments, deposits and other current assets	— 預付款項、按金及其他流動資產	(2,464,326)	(1,236,832)
— Accounts payable, accruals and other payables	— 應付賬款、應計款項及其他應付款項	6,736,101	1,430,088
— Land cost payable	— 應付土地成本	—	(345)
— Contract liabilities	— 合約負債	9,530,024	4,915,835
Cash generated from operations	經營產生之現金	4,617,269	7,282,084

39 Note to the Consolidated Cash Flow Statement
(Continued)

39 綜合現金流量表附註(續)

(b) Acquisition of a subsidiary

In October 2018, the Group acquired a 100% equity interests in The Center (49) Limited for a consideration of HK\$1,108,602,000, which is identical to net cash outflow arising an acquisition.

(b) 收購一間附屬公司

於二零一八年十月，本集團收購The Center (49) Limited全部股權，代價為1,108,602,000港元，與收購產生的淨現金流出相等。

(c) Reconciliation of liabilities arising from financing activities

(c) 融資活動產生之負債對賬

		Borrowings	Interest payable	Dividend Payable	Due to related companies	Due to joint ventures	Due to an associate	Due to non-controlling interests	Total
		借貸	應付利息	應付股息	應付關連公司款項	應付合營公司款項	應付一間聯營公司款項	應付非控制權益	總計
At 1st January 2019	於二零一九年一月一日	55,101,143	365,338	—	260,654	2,773,349	6,299	514,605	59,021,388
Cash flows	現金流量								
– inflow from financing activities	– 融資活動之流入	24,157,484	—	—	111,181	192,966	—	870,211	25,331,842
– outflow from financing activities	– 融資活動之流出	(14,704,799)	(3,781,041)	(667,668)	—	—	—	—	(19,153,508)
Foreign exchange adjustment	匯兌調整	(1,163,948)	(469,641)	—	(5,587)	(63,918)	(335)	(11,248)	(1,714,677)
Other non-cash movements	其他非現金變動	—	4,326,071	667,668	—	108,844	—	753,299	5,855,882
At 31st December 2019	於二零一九年十二月三十一日	63,389,880	440,727	—	366,248	3,011,241	5,964	2,126,867	69,340,927
At 1st January 2018	於二零一八年一月一日	53,189,787	277,229	—	223,907	3,208,176	6,603	539,409	57,445,111
Cash flows	現金流量								
– inflow from financing activities	– 融資活動之流入	21,025,666	—	—	91,277	—	—	—	21,116,943
– outflow from financing activities	– 融資活動之流出	(16,704,574)	(3,290,999)	(923,449)	—	(294,068)	—	—	(21,213,090)
Foreign exchange adjustment	匯兌調整	(2,409,736)	(46,675)	—	(54,530)	(140,759)	(304)	(24,804)	(2,676,808)
Other non-cash movements	其他非現金變動	—	3,425,783	923,449	—	—	—	—	4,349,232
At 31st December 2018	於二零一八年十二月三十一日	55,101,143	365,338	—	260,654	2,773,349	6,299	514,605	59,021,388

40 Contingent Liabilities

40 或然負債

(a) Financial guarantees not provided for in the financial statements are as follows:

(a) 未於財務報表中作出撥備之財務擔保如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties	就購買本集團物業之若干買家提供按揭貸款而向銀行作出之擔保	11,846,377	8,044,655
Guarantees given to a bank for bank borrowings of a joint venture	就一間合營公司銀行借貸而向銀行作出之擔保	1,252,886	1,494,367
		13,099,263	9,539,022

40 Contingent Liabilities (Continued)

(a) (Continued)

Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees were to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within 1 year after the purchasers take possession of the relevant properties; or (ii) the full repayment of the mortgage loan by the purchasers of properties.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty (see also Note 3.1(b)).

(b) Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the consolidated financial statements for the years ended 31st December 2018 and 2019.

40 或然負債(續)

(a) (續)

就購買本集團物業之若干買家提供按揭貸款而向銀行作出之擔保代表若干銀行授出之按揭融資之擔保，乃有關為本集團物業之若干買家安排之按揭貸款。根據該擔保的條款，倘該等買家拖欠按揭付款，本集團須負責償還違約買方拖欠銀行之尚未償還按揭本金連同應計利息及罰款，而本集團有權取得相關物業之法定所有權以及佔用權。當(i)發出房地產所有權證(一般於買家佔用相關物業後一年內發出)，或(ii)該等物業的買家已悉數償清按揭貸款(以較早者為準)，該擔保將會解除。

董事認為，倘出現拖欠付款的情況，相關物業的可變現淨值足以彌補尚未償還的按揭本金連同累計利息及罰款(請同時參閱附註3.1(b))。

(b) 本集團的若干附屬公司參與其在平等業務過程中產生的訴訟。經評估未決索償及獲取法律意見後，董事認為，截至二零一八年及二零一九年十二月三十一日止年度的綜合財務報表已作出充足撥備。

41 Commitments

(a) Capital commitments

Capital expenditures at the balance sheet date but not yet incurred are as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Contracted but not provided for	已訂約但未撥備		
— Acquisition of land and equity interests in certain land holding entities	— 收購土地及若干持有土地實體之股本權益	916,545	1,265,970
— Property construction costs	— 物業建築成本	1,531,591	1,821,030
— Capital contribution to an associate	— 一間聯營公司之出資	239,211	254,158
		2,687,347	3,341,158

41 承擔

(a) 資本承擔

於結算日尚未產生之資本開支如下：

41 Commitments (Continued)

(b) Operating lease commitments

The Group has operating lease commitments in respect of premises under various non-cancellable operating lease agreements. The balance as at 31st December 2018 included all operating leases while upon the adoption of HKFRS 16 (see Note 2.2), the balance as at 31st December 2019 included commitments for low-value leases and short term leases with a lease term of less than 12 months. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Amounts payable	應付款項		
– Within one year	– 一年內	16,071	13,588
– Within two to five years	– 兩年至五年內	4,013	5,448
– After five years	– 五年後	–	33,929
		20,084	52,965

(c) Future minimum rental receivable

The Group leased out certain properties under operating leases. The future minimum rental receivable under non-cancellable operating leases is as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
– Within one year	– 一年內	1,998,347	1,836,669
– Within two to five years	– 兩年至五年內	3,493,585	3,449,284
– After five years	– 五年後	1,139,728	1,239,840
		6,631,660	6,525,793

41 承擔(續)

(b) 經營租賃承擔

本集團就多份有關租賃物業之不可註銷經營租賃協議而有經營租賃承擔。於二零一八年十二月三十一日的結餘包括於採納香港財務報告準則第16號(見附註2.2)後的經營租賃，而於二零一九年十二月三十一日的結餘則包括低值租賃及租期少於十二個月的短期租賃承擔。根據不可註銷經營租賃，於日後之最低應付租金總額如下：

(c) 未來最低應收租金

本集團根據經營租賃出租若干物業。依據不可撤銷經營租賃之未來最低應收租金如下：

42 Related Party Transactions

The Company is controlled by Mr. Chu Mang Yee, who owns approximately 55.22% of the Company's shares during the year ended 31st December 2019 (2018: 55.22%). The remaining shares are widely held.

The ultimate holding company is Sounda Properties Limited, a company incorporated in the British Virgin Islands.

(a) The following significant connected transactions were carried out with related parties:

Sales of goods and services (Note)

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Property management services to related companies	提供予關連公司之物業管理服務	33,510	30,059
Building design services to related companies	提供予關連公司之樓宇設計服務	70,014	30,325
Shop and office lease services to related companies	提供予關連公司之商舖及辦公室租賃服務	25,546	9,898
Office lease services to related companies	提供予關連公司之辦公室租賃服務	—	20,357
Hotel management services to related companies	提供予關連公司之酒店管理服務	4,965	3,843
Commercial real estate management services to related companies	提供予關連公司之商業地產管理服務	131,795	48,301
Heating services to a related company	提供予一間關連公司之供暖服務	1,458	—
Property construction services to a related company	提供予一間關連公司之物業建築服務	16,154	—
		283,442	142,783

42 關連人士交易

本公司由朱孟依先生控制，其於截至二零一九年十二月三十一日止年度內擁有約55.22% (二零一八年：55.22%) 本公司股份。餘下股份由其他人士廣泛持有。

最終控股公司為於英屬處女群島註冊成立的新達置業有限公司。

(a) 下列為與關連人士進行之重要關連交易：

銷售貨品及服務(附註)

42 Related Party Transactions (Continued)

42 關連人士交易(續)

(a) The following significant connected transactions were carried out with related parties: (Continued)

(a) 下列為與關連人士進行之重要關連交易：(續)

Purchase of goods and services (Note)

購買貨品及服務(附註)

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Property construction services from a related company	一間關連公司提供之物業建築服務	984,988	86,275
Electricity installation, low voltage system and intelligent building system installation and consultancy services on cost control for construction work from related companies	關連公司提供之電力安裝、弱電系統及智能樓宇系統安裝以及建築工程成本控制諮詢服務	11,472	26,513
Office lease services from related companies	關連公司提供之辦公室租賃服務	9,488	7,554
Information technology related services from a related company	一間關連公司提供之信息科技相關服務	13,409	49,712
Marketing services from related companies	關連公司提供之市場推廣服務	682,375	234,050
		1,701,732	404,104

Note:

Office lease services are provided to Zhujiang Life Insurance Company Limited (珠江人壽保險股份有限公司) ("Zhujiang Life"), and Beijing Zhujiang Real Estate Development Company Limited (北京珠江房地產有限公司) ("Zhujiang Real Estate").

Zhujiang Life is majority-controlled company, held indirectly, by the family members and relatives of Mr. Chu Mang Yee (the controlling shareholder of the Company) ("Mr. Chu") and Ms. Chu Kut Yung (Chairman of the Board of Directors of the Company) ("Ms. Chu") together, namely Mr. Chu Yat Hong and Mr. Chu Wai Hong (the sons of Mr. Chu and the brothers of Ms. Chu), Mr. Zhu La Yi (a brother of Mr. Chu and an uncle of Ms. Chu) and Mr. Xie Bing Zhao (the brother-in-law of Mr. Chu and an uncle of Ms. Chu). Zhujiang Real Estate is majority-controlled company, held indirectly by Mr. Chu Wai Hong (a son of Mr. Chu and a brother of Ms. Chu).

During the year ended 31st December 2019, the Group delivered residential properties of approximately HK\$389 million to Mr. Chu, Ms. Chu and their family members relating to sales contracts entered into in previous years.

Apart from the above, all other transactions were carried out with Chu's controlled entities, comprising companies which are associates of either Mr. Chu Yat Hong or Mr. Chu Wai Hong. They are sons of Mr. Chu Mang Yee (the controlling shareholder of the company) and brothers of Ms. Chu Kut Yung (Chairman of the Board of Directors of the Company).

All the services mentioned above were charged in accordance with the terms of the underlying agreements.

附註：

辦公室租賃服務是提供予珠江人壽保險股份有限公司(「珠江人壽」)及北京珠江房地產開發有限公司(「珠江房地產」)。

珠江人壽為朱孟依先生(本公司控股股東「朱先生」)及朱桔榕女士(本公司董事會主席「朱女士」)共同的家屬及親屬，即朱一航先生及朱偉航先生(均為朱先生之子及朱女士之胞兄)、朱拉依先生(朱先生之胞兄及朱女士之伯父)及謝炳釗先生(朱先生之妹夫及朱女士之姑丈)間接持有的佔多數控制權的公司。珠江房地產為朱偉航先生(為朱先生之子及朱女士之胞兄)間接持有的佔多數控制權的公司。

截至二零一九年十二月三十一止年度，本集團就有關過往年度訂立的銷售合約向朱先生、朱女士及其家族成員交付約389百萬港元的住宅物業。

除上文所述外，所有其他交易都是與朱氏控制實體進行，朱氏控制實體包括屬於朱一航先生或朱偉航先生的聯繫人的公司。他們為朱孟依先生(本公司控股股東)之子及朱桔榕女士(本公司董事會主席)之胞兄。

上述所有服務乃根據相關協議的條款收費。

42 Related Party Transactions (Continued)

(b) Amounts due from/to related parties were as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Due from a joint venture	應收一間合營公司之款項	48,845	45,112
Due from associates	應收聯營公司款項	58,964	201
Due from related companies (Note)	應收關連公司款項(附註)	8,318	7,149
Due to an associate	應付一間聯營公司之款項	5,964	6,299
Due to related companies (Note)	應付關連公司之款項(附註)	366,248	260,654
Due to joint ventures	應付合營公司之款項	3,011,241	2,773,349

Note:

As at 31st December 2019, all outstanding balances with related companies, associates and joint ventures were denominated in RMB, unsecured, non-interest bearing and without predetermined repayment terms.

As at 31st December 2019, the Group also had accounts payable of approximately HK\$829,032,000 (2018: HK\$454,670,000) due to certain related companies in respect of property construction (Note 23). These related companies are owned by the son, the brother and the brother-in-law of Mr. Chu Mang Yee (the controlling shareholder of the Company) and brother and uncles of Ms. Chu Kut Yung (Chairman of the Board of Directors of the Company).

(c) Amount due to non-controlling interests

The amount due to non-controlling interests represents shareholders' loans to subsidiaries from the non-controlling interests, which are denominated in RMB and non-interest bearing. The amount is not repayable within the next twelve months.

42 關連人士交易(續)

(b) 應收/付關連人士之款項如下:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Due from a joint venture	應收一間合營公司之款項	48,845	45,112
Due from associates	應收聯營公司款項	58,964	201
Due from related companies (Note)	應收關連公司款項(附註)	8,318	7,149
Due to an associate	應付一間聯營公司之款項	5,964	6,299
Due to related companies (Note)	應付關連公司之款項(附註)	366,248	260,654
Due to joint ventures	應付合營公司之款項	3,011,241	2,773,349

附註:

於二零一九年十二月三十一日，與關連公司、聯營公司及合營公司之全部結餘均以人民幣計值、無抵押、免息及並無預定還款期。

於二零一九年十二月三十一日，本集團亦有應付若干關連公司物業建築款項約829,032,000港元(二零一八年：454,670,000港元)(附註23)。該等關連公司由朱孟依先生(本公司控股股東)之子、胞兄及妹夫以及朱桔榕女士(本公司董事會主席)之胞兄、伯父及姑丈持有。

(c) 應付非控制性權益之款項

應付非控制性權益之款項指非控制性權益向附屬公司借出之股東貸款，有關款項為以人民幣計值及免息。有關款項不需於未來十二個月內償還。

42 Related Party Transactions (Continued)

42 關連人士交易(續)

(d) Key management compensation:

(d) 主要管理層報酬：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	16,565	13,427
Pension costs	退休金成本	695	698
		17,260	14,125

(e) Undertaking provided by Mr. Chu Mang Yee, the Chairman of the Board of Directors of the Company, to the Group in relation to the acquisition of Panyu Zhujiang Real Estate Limited*

(e) 本公司董事會主席朱孟依先生就收購番禺珠江房地產有限公司向本集團作出之承諾*

In March 2010, the Group completed the acquisition of the entire interest in Panyu Zhujiang Real Estate Limited ("Panyu Zhujiang") from Hanjiang.

於二零一零年三月，本集團完成向韓江收購番禺珠江房地產有限公司(「番禺珠江」)之全部權益。

Panyu Zhujiang possesses the right to develop a piece of land in Panyu District, Guangdong, Mainland China. Hanjiang agreed to perform and complete all necessary demolition and preparation work to obtain the land use right certificate at its own expense. In relation to the Group's acquisition of Panyu Zhujiang, Mr. Chu Mang Yee has undertaken to the Group to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the land (subject to a maximum amount of RMB3,600 million). As at 31st December 2019, Hanjiang was in the process of applying the land use right certificates.

番禺珠江擁有中國大陸廣東番禺區內一塊土地的發展權。韓江同意自費處理並完成全部所需的拆除及準備工作以獲得土地使用權證。就有關本集團收購番禺珠江而言，朱孟依先生已向本集團保證韓江如期履行其有關土地的債務(最高款項可達人民幣3,600百萬元)。於二零一九年十二月三十一日，韓江正在申請土地使用權憑證。

42 Related Party Transactions (Continued)

(f) Undertaking provided by Mr. Chu Mang Yee, the Chairman of the Board of Directors of the Company, to the Group in relation to acquisition of Believe Best Investment Limited*

In 2007, the Group completed the acquisition of 80% of the issued share capital of Believe Best Investments Limited (“Believe Best”) from Mr. Chu Mang Yee. Believe Best has, through its indirect wholly-owned subsidiary (the project company), a piece of land for property development in Chaoyang District, Beijing, Mainland China (known as the “Jing Run Project”).

In relation to the Group's interest in the Jing Run Project (through its 80% interest in Believe Best), Mr. Chu Mang Yee, has (i) fully guaranteed the bank loans which were used by the project company for the demolition and relocation of the extra public greenfield site peripheral to the Jing Run Project at the request of the local government; and (ii) undertaken to the Group to be responsible for the excess amount, if any, being the difference in the unit cost per square metre (including the demolition and relocation fees for the extra public greenfield site and the land transfer fees as compared with the original agreed valuation price of Jing Run Project) for the gross floor area to be developed, payable by the project company in respect of any increase in plot ratio as the government may approve. The demolition and relocation work on the extra public greenfield is ongoing and related costs of approximately RMB1,630 million had been incurred by the Group up to 31st December 2019 (2018: RMB1,509 million). Such additional costs may be compensated by an increase in plot ratio for the Jing Run Project, although government approval for increase in plot ratio is pending.

(g) Acquisition of Sun Excel Investments Limited*

On 3rd November 2010, the Group entered into an agreement with Farrich Investments Limited (“Farrich”), a related company, to acquire 100% equity interests in Sun Excel Investments Limited (“Sun Excel”) at a total consideration of RMB6,605,066,000. The consideration would be satisfied by (i) cash of RMB2,313,787,000, and (ii) the issuance of 523,247,000 shares of the Company for RMB4,291,279,000 (equivalent to approximately HK\$5,387,332,000), on the basis that the construction will be fully completed by Farrich at its own cost.

42 關連人士交易(續)

(f) 本公司董事會主席朱孟依先生就收購信佳投資有限公司向本集團作出之承諾*

於二零零七年，本集團完成向朱孟依先生收購信佳投資有限公司(「信佳」)已發行股本之80%權益。信佳已透過其間接全資附屬公司(項目公司)擁有一幅位於中國大陸北京市朝陽區之土地作物業發展之用(名為「京潤項目」)。

就有關本集團於京潤項目之權益(透過其於信佳之80%權益)而言，朱孟依先生已(i)全數擔保項目公司應當地政府之要求，就京潤項目周邊額外公用綠化土地之拆遷而可能需要之銀行貸款；及(ii)向本集團承諾倘當地政府就完成額外公用綠化土地之拆遷而增加批出之容積率，而每平方米之單位成本(包括較京潤項目原本議定之估價為高之額外公共綠化土地之拆遷費用及土地轉讓費)高於原本議定之估價，朱孟依先生承擔支付該項目公司可建築面積超出之金額(如有)。額外公用綠化土地之拆遷工作正在進行中，而本集團於截至二零一九年十二月三十一日已產生約人民幣1,630百萬元(二零一八年：人民幣1,509百萬元)之相關成本。額外成本或會於增加京潤項目之容積率得以補償，然而政府尚未發出增加容積率之批准。

(g) 收購日佳投資有限公司*

於二零一零年十一月三日，本集團與一間關連公司遠富投資有限公司(「遠富」)訂立協議，以總代價人民幣6,605,066,000元收購日佳投資有限公司(「日佳」)之100%股本權益。代價將以(i)現金人民幣2,313,787,000元，及(ii)就人民幣4,291,279,000元(相等於約5,387,332,000港元)發行523,247,000股本公司股份的方式支付，以上乃基於遠富自行負擔完全完成興建之費用。

42 Related Party Transactions (Continued)

(g) Acquisition of Sun Excel Investments Limited*
(Continued)

The sole asset of Sun Excel is its 100% interests in Beijing Chuanghe Fengwei Real Property Development Co. Limited (formerly known as Beijing Chuanghe Fengwei Technology Investment and Management Co. Limited) ("Project Co A") and Beijing Shengchuang Hengda Real Property Development Co. Limited (formerly known as Beijing Shengchuang Hengda Technology Investment and Management Co. Limited) ("Project Co D"). Project Co A and Project Co D hold the land use rights of a piece of land in Tongzhou District, Beijing, Mainland China (the "Project").

The acquisition of Sun Excel was completed in October 2013. As at 31st December 2019, cash consideration of RMB1,579,414,000 (31st December 2018: RMB1,324,204,000) out of the total cash consideration of RMB2,313,787,000 were paid, representing the amount of construction work completed by Farrich.

(h) Disposals of land use rights to Mr. Chu Mang Yee, the Chairman of the Board of Directors of the Company*

In May 2012, the Group entered into agreements to dispose of its land use rights of two pieces of land in Panyu District, Guangdong, Mainland China and Baodi District, Tianjin, Mainland China to Mr. Chu Mang Yee, for considerations of RMB29,258,305 and RMB2,500,000, respectively.

The transactions have not yet been completed as at 31st December 2019. It is expected that the Group will recognise gain on disposals, net of tax, of approximately RMB9,834,000 upon completion of the transactions.

* Represented connected transactions with connected persons of the Company under the Listing Rules.

42 關連人士交易(續)

(g) 收購日佳投資有限公司*(續)

日佳唯一的資產為其於北京創合豐威房地產開發有限公司(前稱北京創合豐威科技投資管理有限公司)(「項目公司A」)及北京盛創恒達房地產開發有限公司(前稱北京盛創恒達科技投資管理有限公司)(「項目公司D」)的100%權益。項目公司A及項目公司D持有中國大陸北京通州區內一幅土地之土地使用權(「項目」)。

收購日佳已於二零一三年十月完成。於二零一九年十二月三十一日，總現金代價共人民幣2,313,787,000元中的人民幣1,579,414,000元(二零一八年十二月三十一日：人民幣1,324,204,000元)現金代價已獲支付，即遠富已完成之興建工程金額。

(h) 向本公司董事會主席朱孟依先生出售土地使用權*

於二零一二年五月，本集團訂立協議，分別以人民幣29,258,305元及人民幣2,500,000元作為代價，向朱孟依先生出售其位於中國大陸廣東番禺區及中國大陸天津寶坻區的兩幅土地的土地使用權。

於二零一九年十二月三十一日，交易尚未完成。預期本集團將於交易完成時確認出售收益(扣除稅項後)約人民幣9,834,000元。

* 根據上市規則，所呈列之關聯交易乃與本公司關聯人士作出。

43 Events After the Balance Sheet Date

Since January 2020, the coronavirus epidemic ("COVID 19") has spread across China and other countries, and it has affected the business and economic activities. It may have certain impacts on the Group's business operations, including slow-down of the Group's property sales and construction activities, and temporary waivers of rentals in the Group's property rental operations. The Group will keep continuous attention on the situation, assess and react actively to its impacts on the Group's business operations. Up to the date of this report, the assessment is still in progress and the related financial impact on the Group could not be reasonably estimated at this stage, and will be reflected in the Group's 2020 interim and annual financial statements.

On 19th February 2020, Hopson Capital International Group Co Ltd 合生資本國際集團有限公司, an indirect wholly-owned subsidiary of the Company, issued 6.0% senior notes due 2021 in an aggregate principal amount of US\$500,000,000 (equivalent to approximately HK\$3,893,925,000) which are guaranteed by the Company and certain wholly-owned subsidiaries of the Company.

43 結算日後事項

自二零二零年一月以來，新型冠狀病毒肺炎〔(COVID19)〕已在中國和其他國家蔓延，並影響了商業和經濟活動。這可能會對集團的業務產生影響，包括房地產銷售和建築活動的放緩，以及物業租賃業務中暫時的租金減免。本集團將繼續關注情況，評估其對集團業務營運的影響並作出積極反應。截至本報告日期，本集團的評估仍在進行中，在此階段無法合理估計對集團的相關財務影響。這些影響將會反映在集團的二零二零年中期和年度財務報表中。

於二零二零年二月十九日，本公司之間接全資附屬公司Hopson Capital International Group Co Ltd合生資本國際集團有限公司發行於二零二一年到期本金總額500,000,000美元(相等於約3,893,925,000港元)之6.0厘優先票據，由本公司及本公司若干附屬公司擔保。

44 Company Statement of Financial Position

44 本公司財務狀況表

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Assets	資產		
Non-current assets	非流動資產		
Investments in subsidiaries	於附屬公司之投資	20,513,971	19,597,906
Current assets	流動資產		
Prepayments, deposits and other current assets	預付款項、按金及其他流動資產	2,463	7,112
Financial assets at fair value through profit and loss	按公平值透過損益列賬之財務資產	14,591	36,423
Cash and cash equivalents	現金及現金等價物	231,585	2,792
		248,639	46,327
Total assets	總資產	20,762,610	19,644,233
Equity	權益		
Share capital	股本	222,556	222,556
Reserves (Note)	儲備(附註)	16,683,507	17,060,524
Total equity	權益總額	16,906,063	17,283,080
Liabilities	負債		
Non-current liabilities	非流動負債		
Borrowings	借貸	3,840,525	—
		3,840,525	—
Current liabilities	流動負債		
Accruals and other payables	應計款項及其他應付款項	7,757	72,287
Current tax liabilities	流動稅項負債	8,265	8,450
Borrowings	借貸	—	2,280,416
		16,022	2,361,153
Total liabilities	負債總額	3,856,547	2,361,153
Total equity and liabilities	權益及負債總額	20,762,610	19,644,233

Notes to the Consolidated Financial Statements (Continued)

綜合財務報表附註(續)

44 Company Statement of Financial Position (Continued)

Note:

Reserve movement of the Company

44 本公司財務狀況表(續)

附註：

本公司之儲備變動

		Share premium 股份溢價 HK\$'000 千港元	Currency translation differences 貨幣匯兌差額 HK\$'000 千港元	Retained earnings 保留盈利 HK\$'000 千港元	Total 總計 HK\$'000 千港元
For the year ended 31st December 2019	截至二零一九年十二月三十一日 止年度				
Balance at 1st January 2019	於二零一九年一月一日之結餘	15,800,776	364,768	894,980	17,060,524
Profit for the year	年度溢利	—	—	735,520	735,520
Currency translation differences	貨幣匯兌差額	—	(444,869)	—	(444,869)
Dividend paid	已付股息	—	—	(667,668)	(667,668)
Balance at 31st December 2019	於二零一九年十二月三十一日之 結餘	15,800,776	(80,101)	962,832	16,683,507
For the year ended 31st December 2018	截至二零一八年十二月三十一日 止年度				
Balance at 1st January 2018	於二零一八年一月一日之結餘	15,800,776	1,210,127	975,675	17,986,578
Profit for the year	年度溢利	—	—	809,529	809,529
Currency translation differences	貨幣匯兌差額	—	(845,359)	—	(845,359)
Dividend paid	已付股息	—	—	(890,224)	(890,224)
Balance at 31st December 2018	於二零一八年十二月三十一日之 結餘	15,800,776	364,768	894,980	17,060,524

REGISTERED OFFICES

Registered Office	Place of Business in Hong Kong
Hopson Development Holdings Limited Clarendon House, 2 Church Street Hamilton HM11, Bermuda	Hopson Development Holdings Limited Unit 4903-10, 49/F, The Center 99 Queen's Road Central Central Hong Kong

TRUSTEE

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

PAYING AGENT, TRANSFER AGENT AND REGISTRAR

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

LEGAL ADVISERS TO THE COMPANY

<i>As to Bermuda Law and British Virgin Islands Law</i>	<i>As to U.S. Law</i>	<i>As to Hong Kong Law</i>	<i>As to PRC Law</i>
Conyers Dill & Pearman 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong	Latham & Watkins LLP 18th Floor One Exchange Square 8 Connaught Place Central Hong Kong	MinterEllison LLP Level 32 Wu Chung House 213 Queen's Road East Hong Kong	Zhong Lun Law Firm 23-31/F South Tower of CP Center 20 Jin He East Avenue Chaoyang District Beijing, PRC

LEGAL ADVISERS TO THE INITIAL PURCHASERS

<i>As to U.S. Law</i>	<i>As to PRC Law</i>
Davis Polk & Waldwell The Hong Kong Club Building 3A Chater Road Central Hong Kong	King & Wood Mallesons 17th Floor, One ICC Shanghai ICC, 999 Huaihai Road (M) Shanghai, PRC

INDEPENDENT AUDITOR

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