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

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



Sunshine 100 China Holdings Ltd

陽光100中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2608)

**U.S.\$219,600,000 13.0 per cent. Senior Green Notes due 2022 (the “Notes”)
(Stock Code: 40749)**

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

Please refer to the offering memorandum dated 29 June 2021 (the “**Offering Memorandum**”) appended herein in relation to the issuance of the Notes. As disclosed in the Offering Memorandum, the Notes were intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and have been listed on the Hong Kong Stock Exchange on that basis.

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

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

Hong Kong, 2 July 2021

As at the date of this announcement, the executive directors of the Issuer are Mr. Yi Xiaodi and Mr. Fan Xiaochong, the non-executive directors of the Issuer are Ms. Fan Xiaohua and Mr. Wang Gongquan, and the independent non-executive directors of the Issuer are Mr. Gu Yunchang, Mr. Ng Fook Ai, Victor and Mr. Wang Bo.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES UNDER REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering memorandum (the “Offering Memorandum”) following this notice, 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.

The Offering Memorandum has been prepared in connection with the offer and sale of the Notes described therein. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

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 SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

Confirmation of Your Representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the Notes, you must comply with the following provisions. By accepting this e-mail and accessing the Offering Memorandum, you shall be deemed to have represented to us and to Haitong International Securities Company Limited (the “Sole Bookrunner and Sole Lead Manager”), that:

- you and any persons you represent are persons outside the United States (within the meaning of Regulation S under the Securities Act) and, to the extent you purchase the notes, you will be doing so pursuant to Regulation S under the Securities Act;
- the e-mail address that you gave us and to which the Offering Memorandum has been delivered is not located in the United States (within the meaning of Regulation S under the Securities Act); and
- you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Sole Bookrunner and Sole Lead Manager or its respective affiliates are licensed brokers or dealers in that jurisdiction, the offering shall be deemed to be made by such Sole Bookrunner and Sole Lead Manager or its respective affiliates, as applicable, on behalf of the Company in such jurisdiction.

Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRIIPs REGULATION / 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.

UK 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 (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.

The Notes are only available to, and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on the Offering Memorandum or any of its contents.

The 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 Sole Bookrunner and Sole Lead Manager or any of its respective directors, officers, employees or agents 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 Sole Bookrunner and Sole Lead Manager.



Sunshine 100 China Holdings Ltd

(Incorporated in the Cayman Islands with limited liability)

US\$219,600,000

13.0 per cent. Senior Green Notes due 2022

Issue Price: 100 per cent.

The 13.0% Senior Green Notes due 2022 (the “Notes”) will bear interest from June 30, 2021 at 13.0% per annum payable on December 30, 2021 and June 29, 2022. The Notes will mature on June 29, 2022.

The Notes are senior obligations of Sunshine 100 China Holdings Ltd (the “Company”) guaranteed by its existing subsidiaries (the “Subsidiary Guarantors”) other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “Description of the Notes.” We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (a “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

We may, at any time and from time to time prior to June 29, 2022, redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price of 113.0% of the principal amount, plus accrued and unpaid interest, if any, to (but not including) the redemption date using the net cash proceeds from sales of certain kinds of capital stock of the Company. We may, at any time prior to June 29, 2022, redeem the Notes, in whole but not in part, at a price equal to 100% of the principal amount of the applicable Notes plus (i) accrued and unpaid interest (if any) to (but not including) the redemption date and (ii) a premium as set forth in this Offering Memorandum. Upon the occurrence of a Change of Control (as defined under “Description of the Notes” beginning on page 212 of this Offering Memorandum), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. The Notes will (1) rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) at least *pari passu* in right of payment against the Company with the 2021 Convertible Bonds, the 2021 December Notes, the 2021 Notes and the 2023 Notes (each as defined below) and all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law), (3) be effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantor and the JV Subsidiary Guarantor (if any), to the extent of the value of the assets serving as security therefor and (4) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries as defined in “Description of the Notes”.

For a more detailed description of the Notes, see “Description of the Notes” beginning on page 212. The Notes are being issued as “Green Financing Instruments” under our Green Finance Framework. See the section entitled “Green Finance Framework”.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 26.

Investing in the Notes involves risks. Furthermore, investors should be aware that the Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See the section entitled “Risk Factors” beginning on page 26 of the Offering Memorandum for risks relating to the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees.

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

Notice to Hong Kong investors: Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirms that the Notes are intended for purchase by Professional Investors only and have been listed on HKSE on that basis. Accordingly, each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

None of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold by the Initial Purchaser only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see “Transfer Restrictions” beginning on page 306.

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 depositary 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 account holders. It is expected that delivery of the Notes will be made on or about June 30, 2021 through the book-entry facilities of Euroclear and Clearstream against payment therefor in immediately available funds.

Sole Global Coordinator, Sole Lead Manager and Sole Bookrunner

Haitong International

Sole Green Finance Structuring Advisor

Haitong International

The date of the Offering Memorandum is June 29, 2021

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This Offering Memorandum includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and the Notes. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) accepts full responsibility for the accuracy of the information contained in this Offering Memorandum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

THIS CONFIDENTIAL OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY NOTE OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF OUR COMPANY OR OUR SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

IN CONNECTION WITH THIS OFFERING, HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED AS STABILIZING MANAGER OR ANY PERSON ACTING ON ITS 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, STABILIZATION TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER ACTING ON BEHALF OF THE INITIAL PURCHASER, AND NOT FOR OR ON BEHALF OF THE COMPANY.

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

PRIIPs REGULATION / 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.

UK 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 (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.

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

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

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

You should rely only on the information contained in this Offering Memorandum. We have not authorized anyone to provide you with information that is different from that contained in this Offering Memorandum. We are offering to sell, and seeking offers to buy, the Notes only in jurisdictions where offers and sales are permitted. The information contained in this Offering Memorandum is accurate only as of the date of this Offering Memorandum, regardless of the time of delivery of this Offering Memorandum or any sale of the Notes. Our business, financial condition, results of operations and prospects may have changed since that date.

This Offering Memorandum is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Notes. We reserve the right to withdraw the offering of the Notes at any time. We and the Initial Purchaser also reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby.

This Offering Memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Distribution of this Offering Memorandum by you to any person other than those persons, if any, retained to advise you with respect to this Offering Memorandum is unauthorized, and any disclosure of any of the contents of this Offering Memorandum, without our prior written consent, is prohibited. By accepting delivery of this Offering Memorandum, each offeree agrees to the foregoing and to make no photocopies or other reproductions of this Offering Memorandum.

Each person receiving this Offering Memorandum acknowledges to us and the Initial Purchaser that (i) such person has been afforded an opportunity to request from us and to review, and have received, all additional information considered by such person to be necessary to verify the accuracy of, or to supplement, the information contained in this Offering Memorandum, (ii) such person has not relied on the Initial Purchaser, the Trustee or the Agents (each as defined herein) or any person affiliated with the Initial Purchaser or the Trustee or the Agents in connection with such person's investigation of the accuracy of such information or such person's investment decision, and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries or the Notes (other than as contained in this Offering Memorandum) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchaser, the Trustee or the Agents.

Laws in certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the Notes. Persons into whose possession this Offering Memorandum or any of the Notes are delivered must inform themselves about, and observe, any such restrictions. Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchaser, the Trustee or the Agents shall have any responsibility therefor.

This Offering Memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Company, the Initial Purchaser, the Trustee or the Agents that any recipient of this Offering Memorandum should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Initial Purchaser, the Trustee or the Agents or any person affiliated with the Initial Purchaser, the Trustee or the Agents in connection with his investigation of the accuracy of such information or his investment decision.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF OUR BUSINESS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR

REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE U.S. SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS OR EXEMPTION THEREFROM. YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. SEE “TRANSFER RESTRICTIONS.”

THE INITIAL PURCHASER HAS NOT INDEPENDENTLY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, THE INITIAL PURCHASER, THE TRUSTEE AND THE AGENTS ARE NOT MAKING ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THIS OFFERING MEMORANDUM, AND NOTHING CONTAINED IN THIS OFFERING MEMORANDUM IS, OR MAY BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST, THE PRESENT OR THE FUTURE. THE INITIAL PURCHASER, THE TRUSTEE AND THE AGENTS DO NOT ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM.

Neither we nor the Initial Purchaser, the Trustee or the Agents nor any of our or their respective representatives are making any representation to you regarding the legality of an investment in the Notes by you under applicable legal investment or similar laws. You should not consider any information in this Offering Memorandum to be legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of the purchase of the Notes.

CERTAIN CONVENTIONS AND CURRENCY PRESENTATION

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 or the Initial Purchaser or our or its directors and advisors, and neither we, the Initial Purchaser nor our or its directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and Notes, including the merits and risks involved.

The statistics set forth in this Offering Memorandum relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. Neither we nor the Initial Purchaser 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 herein may be inaccurate and should not be unduly relied upon.

In this Offering Memorandum, references to “**China**” or the “**PRC**” are to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan except where the context requires otherwise; references to “**US\$**” or “**U.S. dollars**” are to the lawful currency of the United States; and references to “**RMB**” or “**Renminbi**” are to the lawful currency of China. We record and publish our financial statements in Renminbi. Solely for your convenience, certain Renminbi amounts in this Offering Memorandum have been converted into U.S. dollars and certain U.S. dollar amounts have been converted into Renminbi, based on the exchange rate of RMB6.5250 = US\$1.00, which was the noon buying rate as certified for customs purposes by the H.10 weekly statistical release of the Federal Reserve Board for cable transfers for Renminbi on December 31, 2020. No representation is made that the Renminbi amounts could have been, or could be, converted into U.S. dollars at that rate or at any other rate.

In this Offering Memorandum, the terms “**we**,” “**us**,” “**Group**” and “**our**” refer to Sunshine 100 China Holdings Ltd and its subsidiaries, the term “**Company**” refers to Sunshine 100 China Holdings Ltd individually, in each case unless the context otherwise requires, the term “**Director(s)**” refers to the director(s) of our Company, the term “**Original Shareholders**” refers to Yi Xiaodi, Fan Xiaochong, Fan Xiaohua, Jin Xiangfei, Liao Chimei, Tian Feng, Liu Chaohui and Li Mingqiang, the term “**Controlling Shareholders**” refers to Yi Xiaodi, Fan Xiaochong, Fan Xiaohua, Jin Xiangfei, Liu Chaohui, Tian Feng and Li Mingqiang and the term “**Initial Purchaser**” refers to Haitong International Securities Company Limited.

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.

Unless the context otherwise requires, references to “**2018**,” “**2019**” and “**2020**” in this Offering Memorandum are to our financial years ended December 31, 2018, 2019 and 2020, respectively.

References to “**BVI**” are to British Virgin Islands.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area (“**GFA**”) information presented in this Offering Memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies. References to “**sq.m.**” are to the measurement unit of square meters. The total GFA of a project comprises saleable GFA and non-saleable GFA and refers to (i) total GFA completed for completed property developments and (ii) total GFA under development for properties under development. Saleable GFA refers to (i) the internal floor areas, exclusive of non-saleable GFA (which refers to certain communal facilities, including, among others, schools), allocated to the residential units and other properties that we develop for sale and (ii) GFA that is held for investment only (including office buildings for rent, retail shop units, hotels, schools and kindergartens and certain car park spaces).

In this Offering Memorandum, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

In this Offering Memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction works construction permit refers to a construction works construction permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a pre-sale permit for commodity property refers to a pre-sale permit for commodity property (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a record of acceptance after examination upon project completion refers to a record of an inspection and acceptance form of construction completion (竣工驗收備案證明); an acceptance examination upon project completion refers to a record of an acceptance examination upon project completion (竣工驗收合格證明) and a property ownership certificate refers to a property ownership certificate (房屋所有權證) (or in certain areas of the PRC, a property ownership and land use rights certificate (房地產權證)) issued by a local real estate bureau with respect to the ownership rights of the buildings on the relevant land.

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

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

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes “forward-looking statements.” All statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “would,” “may,” “anticipate,” “seek,” “should,” “estimate,” “potential” or similar expressions or the negative thereof, are forward-looking statements. 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, among others, the following:

- our business and operating strategies;
- our capital expenditure plans;
- various business opportunities that we may pursue;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- our ability to acquire land at prime locations and complete development projects successfully and according to our schedule;
- the industry outlook generally;
- future developments in the PRC property market;
- the performance of the property market in areas of the PRC in which we engage in property development;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government’s specific policies that affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our development properties and taxation;
- the timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and commitments of our joint venture partners under the existing and future joint venture agreements;

- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange control and rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this Offering Memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this Offering Memorandum. We undertake no obligation to update, 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.

ENFORCEABILITY OF CIVIL LIABILITIES

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability and operate principally in the PRC. As substantially all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. All or substantially all of our directors and officers and the experts named herein may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or such persons or to enforce against us, any of the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

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

We have been advised by our PRC legal advisors that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our directors or officers predicated upon the civil liability provisions of the U.S. federal or State securities laws or (ii) entertain original actions brought in China against us, our directors or officers predicated upon the U.S. federal or state securities laws.

We have been advised by our Cayman Islands legal advisor, Walkers (Singapore) Limited Liability Partnership, that there is uncertainty as to (i) whether the courts in the Cayman Islands would enforce judgments obtained in the United States courts against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States and (ii) whether the Cayman Islands courts would entertain actions brought in the Cayman Islands against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been further advised by our Cayman Islands legal advisor, Walkers (Singapore) Limited Liability Partnership, that a judgment obtained in a court of the United States will be recognised and enforced in the courts of the Cayman Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands, where the judgment (a) is final and conclusive; (b) is one in respect of which such United States courts had jurisdiction over the defendant according to Cayman Islands conflict of law rules; (c) is either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in personam non-money relief; and (d) was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

We have been advised by our BVI legal advisor, Walkers (Singapore) Limited Liability Partnership, that it is doubtful whether the courts in the BVI will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the BVI against us or our directors or officers under the securities laws of the United States.

We have been further advised by our BVI legal advisor, Walkers (Singapore) Limited Liability Partnership, that any final and conclusive judgment obtained in a court of the United States for either a liquidated sum (not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations), or in certain circumstances, for in personam non-money relief, such judgment will be recognised and enforced in the courts of the BVI without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the courts of the BVI, provided that (a) the judgment had not been wholly satisfied; (b) that United States court had jurisdiction in the matter and the Subsidiary Guarantors incorporated in the BVI either submitted to the jurisdiction of that United States court or was resident or carrying on business within such jurisdiction and was duly served with process; (c) in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of a court; (d) recognition or enforcement of the judgment in the BVI would not be contrary to public policy or for some other similar reason the judgment could not have been entertained by the courts of the BVI; and (e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”), which differ in certain respects from generally accepted accounting principles in certain other countries.

DEFINITIONS

In this document, unless the context requires otherwise, the following terms and expressions shall have the following meanings:

2021 December Notes	10.5% Senior Notes due 2021 issued by the Company pursuant to the indenture dated December 5, 2018, as amended and supplemented from time to time, among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch as the trustee.
2021 Notes	11.5% Senior Notes due 2021 issued by the Company pursuant to the indenture dated July 5, 2019, as amended and supplemented from time to time, among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch as the trustee
2021 Convertible Bonds	6.5% Convertible Bonds due 2021 with an aggregate principal amount of US\$200 million issued by the Company on August 11, 2016
2023 Notes	12.0% Senior Notes due 2023 issued by the Company pursuant to the indenture dated February 3, 2021, as amended and supplemented from time to time, among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch as the trustee
Beijing Trust	Beijing International Trust Co., Ltd. (北京國際信託有限公司), a trust company duly established and validly existing under the laws of PRC
Beijing Yinxin	Beijing Yinxin Guanghua Real Estate Development Co., Ltd. (北京銀信光華房地產開發有限公司), a company with limited liability established under the laws of China on October 21, 1999 and currently owned as to 49% by Hangzhou Hengxin 100 and 51% by Shandong Energy
Chang Jia	Chang Jia International Limited (長佳國際有限公司), a company incorporated in BVI with limited liability on May 5, 2011, and currently owned as to 55% by Keyasia, 24% by Shiny New and 21% by Shan Ying
Chengdu Sunshine 100	Sunshine 100 Real Estate (Chengdu) Co., Ltd. (陽光壹佰置業(成都)有限公司), a company with limited liability established under the laws of China on July 13, 2005 and currently wholly owned by the Sunshine 100 Group

Chongqing Jiadao	Chongqing Jiadao Real Estate Development Co., Ltd. (重慶嘉道房地產開發有限公司), a company with limited liability established under the laws of China on July 12, 2012 and currently owned as to 80% by the Sunshine 100 Group and 20% by Xinyu Hezhen Investment Management Centre (Limited Partnership) (新餘和禎投資管理中心(有限合夥))
Chongqing Sunshine 100	Chongqing Sunshine 100 Real Estate Development Co., Ltd. (重慶陽光壹佰房地產開發有限公司) (formerly known as Chongqing Yuneng 100 Real Estates Development Co., Ltd (重慶渝能壹佰房地產開發有限公司)), a company with limited liability established under the laws of China on January 28, 2000 and currently owned as to 16% by the Sunshine 100 Group, 4% by Liaoning Sunshine 100 , 10% by Yangpu Huadian Real Estate Co., Ltd. (洋浦華電置業有限公司) and 70% by Sunac South-West Real Estate Development (Group) Co., Ltd. (融創西南房地產開發(集團)有限公司)
Company	Sunshine 100 China Holdings Ltd (formerly known as Sunshine 100 China Holdings Limited), a company incorporated in the Cayman Islands on September 20, 2007 as an exempted limited liability company
Dongying Shengxing	Dongying Shengxing Real Estate Co., Ltd. (東營勝興置業有限公司), a company with limited liability established under the laws of China on July 1, 2005 and currently our wholly owned subsidiary
Federal Reserve	The Federal Reserve System of the United States of America
Guangxi Jingqi	Guangxi Jingqi Investment Co., Ltd. (廣西景祺投資有限公司), a company with limited liability established under the laws of China on December 22, 2010 and currently our wholly owned subsidiary
Guangxi Laomumian	Guangxi Laomumian Investment Co., Ltd. (廣西老木棉投資有限公司) (previously known as Guangxi Chengzhen Real Estate Investment Co., Ltd. (廣西誠真置業投資有限公司), a company with limited liability established under the laws of China on March 16, 2007, and currently owned as to 90% by Chen Meng, a director of a number of our subsidiaries, and 10% by Chen Yu

Guangxi Vantone	Guangxi Vantone Real Estate Co., Ltd. (廣西萬通房地產有限公司), a company with limited liability established under the laws of China on March 2, 1994 and currently our wholly owned subsidiary
Guilin Pingle Sunshine 100	Guilin Pingle Sunshine 100 Real Estate Co., Ltd. (桂林平樂陽光壹佰置業有限公司), a company with limited liability established under the laws of China on May 5, 2010 and currently owned as to 75% by Sunshine 100 Group and 25% by Guangxi Laomumian
Guilin Sunshine 100	Guilin Sunshine 100 Real Estate Co., Ltd (桂林陽光壹佰置業有限公司), a company with limited liability established under the laws of China on April 11, 2007 and currently our wholly owned subsidiary
Hangzhou Hengxin 100	Hangzhou Hengxin 100 Industrial Co., Ltd. (杭州恒信壹佰實業有限公司), a company with limited liability established under the laws of China on November 7, 2007 and currently our wholly owned subsidiary
Harvest Well	Harvest Well Holdings Limited (漢威控股有限公司), a company with limited liability incorporated in the BVI on March 9, 2007, and currently holding 60% of the total issued share capital of Joywise
Huamao Construction	Xinglong County Huamao Construction and Development Co., Ltd. (興隆縣華貿建設開發有限公司), a company with limited liability established under the laws of PRC on June 27, 2017. As of the date of the Offering Memorandum, approximately 21.0% of the equity interest of Huamao Construction is owned by Sunshine Asset Management, and approximately 79.0% by Beijing Trust
Hubei Sunshine 100	Hubei Sunshine 100 Real Estate Development Co., Ltd. (湖北陽光一百房地產開發有限公司), a company with limited liability established under the laws of China on April 21, 2009 and currently our wholly owned subsidiary
Hunan Sunshine 100	Sunshine 100 Real Estate (Hunan) Development Co., Ltd. (陽光壹佰 (湖南) 置業發展有限責任公司), a company with limited liability established under the laws of China on April 23, 2003 and currently our wholly owned subsidiary
Hong Kong Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited

Jinan Sunshine 100	Jinan Sunshine 100 Real Estate Development Co., Ltd. (濟南陽光壹佰房地產開發有限公司), a company with limited liability established under the laws of China on September 20, 2001 and currently owned as to 49% by Sunshine 100 Group and 51% by Zhongyin Real Estate Co., Ltd. (中垠地產有限公司)
Joywise	Joywise Holdings Limited (樂昇控股有限公司), a company with limited liability incorporated in the BVI on January 8, 2007, and holding approximately 57.17% of the issued share capital of our Company as of the date of this Offering Memorandum
Keyasia	Keyasia Investments Limited (基亞投資有限公司), a BVI business company with limited liability incorporated in the BVI on July 8, 2008 and currently our wholly owned subsidiary
Liaoning Sunshine 100	Sunshine 100 Real Estate (Liaoning) Co., Ltd. (陽光一百置業(遼寧)有限公司), a company with limited liability established under the laws of China on June 25, 2004 and currently our wholly owned subsidiary
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Liuzhou Sunshine 100	Liuzhou Sunshine 100 Real Estate Co., Ltd. (柳州陽光壹佰置業有限公司), a company with limited liability established under the laws of China on July 7, 2006 and currently owned as to 75% by Sunshine 100 Group and 25% by Nanning Meizhida
Liuzhou Sunshine Xinqiannian	Liuzhou Sunshine Xinqiannian Real Estate Development Co., Ltd. (柳州陽光新千年房地產開發有限公司), a company with limited liability established under the laws of China on March 15, 2011 and currently owned as to 95% by Guangxi Jingqi and 5% by Liuzhou Sunshine 100
Luen Thai	Luen Thai Land Limited (聯泰地產有限公司), a company incorporated in the BVI with limited liability and a substantial shareholder of Chang Jia
Ming Fai	Ming Fai International Limited (明輝國際有限公司), a company with limited liability incorporated in the BVI on July 4, 2006, and currently holding 40% of the total issued share capital of Joywise

Nanning Meizhida	Nanning Meizhida Residential Supporting Facilities Co., Ltd. (南寧美之達住宅配套有限公司), a company with limited liability established under the laws of China and currently owned as to 90% by Chen Meng, a director of a number of our subsidiaries, 10% by Chen Yu, a director of Liuzhou Sunshine 100
Shandong Energy	Shandong Energy Group Co., Ltd. (山東能源集團有限公司) (formerly known as Yan Kuang Group Co., Ltd. (兗礦集團有限公司)), a company with limited liability established under the laws of China, controlled by the State-Owned Assets Supervision and Administration Commission of the Shandong provincial government
Shan Ying	Shan Ying Limited (善盈有限公司), a company incorporated in the BVI, wholly owned by Luen Thai Land Limited
Shaanxi Jinyuan Napa	Shaanxi Jinyuan Napa Real Estate Development Co., Ltd. (陝西金源納帕房地產開發有限公司), a company with limited liability established under the laws of China on November 22, 2010 and currently owned as to 24.99% by Xi'an Xinqiao 100 Real Estate Co., Ltd. (西安信橋壹佰置業有限公司), 26.01% by Wuxi Suyuan and 49% by Beijing Trust
Shiny New	Shiny New Limited (耀新有限公司), a company incorporated in the BVI, wholly owned by Luen Thai Overseas Limited
Sunmode	Sunmode Limited (新進有限公司), a BVI business company with limited liability incorporated in the BVI on January 18, 2007 and currently our wholly owned subsidiary
Sunshine 100 Group	Sunshine 100 Real Estate Group Co., Ltd. (陽光壹佰置業集團有限公司) (formerly known as Beijing Sunshine 100 Real Estate Development Co., Ltd. (北京陽光壹佰房地產開發有限責任公司) and Beijing Sunshine 100 Real Estate Group Co., Ltd. (北京陽光壹佰置業集團有限公司)), a company with limited liability established under the laws of China on April 19, 2001 and currently our wholly owned subsidiary
Sunshine Asset Management	Beijing Sunshine 100 Asset Management Co., Ltd. (北京陽光壹佰資產經營有限公司), a company with limited liability established under the laws of PRC on July 25, 2008 and a wholly-owned subsidiary of the Company

Tianjin Food Group	Tianjin Food Group Company (天津食品集團有限公司), a company established under the laws of China
Tianjin Langyida	Tianjin Langyida Enterprise Management Co., Ltd. (天津琅壹達企業管理有限公司), a company incorporated in PRC with limited liability and currently held as to 80% by Sunshine 100 Group and 20% by Beijing Jinyi Consulting Co., Ltd (北京金蟻諮詢有限公司)
Tianjin Mart Time	Tianjin Mart Time Commercial Investment Management Co., Ltd. (天津瑪特時光商業投資管理有限公司), a company with limited liability established under the laws of China on May 18, 2012 and currently owned as to 86% by Sunshine 100 Group and 14% by Yangpu Zhongda Xinde
Tianjin Meidinghui	Tianjin Meidinghui Commercial Investment Management Co., Ltd. (天津美鼎惠商業投資管理有限公司), a company with limited liability established under the laws of China on May 18, 2012 and currently owned as to 86% by Sunshine 100 Group and 14% by Yangpu Zhongda Xinde
Tianjin Nongken Hongyilian	Tianjin Nongken Hongyilian Investment Co., Ltd. (天津農壘宏益聯投資有限公司), a company with limited liability established under the laws of China, and currently wholly owned by Tianjin Food Group which is a state owned enterprise ultimately controlled by Tianjin Municipal Government
Tianjin Sunshine 100	Tianjin Sunshine 100 Real Estate Development Co., Ltd. (天津陽光壹佰房地產開發有限公司), a company with limited liability established under the laws of China on June 14, 2002 and currently owned as to 86% by Sunshine 100 Group and 14% by Yangpu Zhongda Xinde
Weifang Sunshine 100	Weifang Sunshine 100 Real Estate Co., Ltd. (濰坊陽光壹佰置業有限公司), a company with limited liability established under the laws of China on April 23, 2010, and is currently owned as to 90% by Sunshine 100 Group and 10% by Dongying Shengxing
Wenzhou Zhongxin Haoyuan	Wenzhou Zhongxin Haoyuan Investment Co., Ltd. (溫州中信昊園投資有限公司), a company established under the laws of PRC on July 17, 2012 and currently owned as to 10% by the Company and 90% by Beijing Trust

Wuxi Jintao	Wuxi Jintao Real Estate Development Co., Ltd. (無錫金濤置業發展有限公司), a company with limited liability established under the laws of China on December 1, 2010, and currently owned as to 80% by Sunshine 100 Group and 20% by four individuals who are independent third parties
Wuxi Nonglin	Wuxi Wanyi Nonglin Co., Ltd. (無錫萬怡農林有限公司), a company with limited liability established under the laws of the PRC and a wholly-owned subsidiary of the Company
Wuxi Suyuan	Wuxi Suyuan Real Estate Co., Ltd (無錫蘇源置業有限公司), a company with limited liability established under the laws of China on February 28, 2003 and currently our wholly owned subsidiary
Xinglong Sunshine 100	Xinglong Sunshine 100 Real Estate Development Co., Ltd. (興隆縣陽光壹佰房地產開發有限公司), a company with limited liability established under the laws of China on November 23, 2018 and currently indirectly owned as to 51.2% by Sunshine 100 Group
Yangpu Zhongda Xinde	Yangpu Zhongda Xinde Industrial Co. Ltd. (洋浦中大信德實業有限公司), a company with limited liability established under the laws of China and currently owned as to 70% by Geng Chunlian (耿春蓮) and 30% by Ma Yiwen (馬逸雯), both of whom are independent third parties, and substantial shareholders of Tianjin Sunshine 100, Tianjin Mart Time and Tianjin Meidinghui
Yantai Shenghe	Yantai Shenghe Department Store Co., Ltd (煙台盛和百貨有限公司), a company with limited liability established under the laws of the PRC and wholly-owned by Guangxi Jiexiang Investment Management Co., Limited (廣西嘉祥投資管理有限公司)
Yantai Yindu	Yantai Yindu Real Estate Co., Ltd. (煙台銀都置業有限公司), a company with limited liability established under the laws of China on May 26, 2004 and currently our wholly owned subsidiary
Yingda Weihua	Liaoning Yingda Weihua Real Estate Development Co., Ltd. (遼寧鷹達衛華房地產開發有限公司), a company with limited liability established under the law of China on September 15, 2006, and currently owned as to 51% by Sunshine 100 Group, 19% by Wang Dawei (王大衛) and 30% by Xiong Ying (熊鷹), both being directors of Yingda Weihua

GLOSSARY OF TECHNICAL TERMS

Arles Town	a large compound community with residential properties and various types of auxiliary facilities
CBD	central business district.
Cultural Commercial Street Complex	pedestrian streets or blocks lined with stand-alone retail shops, which the Group sells or leases to operators of various types of retail businesses.
commodity properties	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion.
GFA	gross floor area.
land grant contract	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer.
land use rights certificate	a certificate issued by a local PRC property and land resources bureau with respect to the land use rights.
LAT	land appreciation tax.
pre-sale	sale of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.
sq.m.	square meter(s).

SUMMARY

The following summary highlights information contained elsewhere in this Offering Memorandum. Because this is only a summary, it does not contain all of the information that you should consider before deciding to invest in the Notes. You should read this entire Offering Memorandum carefully, including the “Risk Factors” section and our consolidated financial statements and related notes.

OVERVIEW

We are a PRC real estate developer with a nationally recognized brand, “Sunshine 100 (陽光 100).” We commenced our business in 1994, and were among the earliest PRC real estate developers to develop large-scale mixed-use business complexes, which typically are combinations of offices, retail shops, hotels, apartments and ancillary facilities, in fast-growing second- and third-tier Chinese cities. We have also been developing multi-functional residential communities, which typically consist of a complementary mix of residential and commercial properties. We believe that second- and third-tier Chinese cities, benefiting from continuous urbanization in China, present growth potential for property development that exceeds the national average.

Since 1994, we have selectively entered over 24 cities in China, consisting of 13 second-tier cities that are China’s regional economic centers (Tianjin, Chongqing, Wuhan, Changsha, Jinan, Nanning, Shenyang, Chengdu, Wuxi, Wenzhou, Yantai, Changzhou and Xi’an) and 11 third-tier or below cities that are important high-growth cities in their respective provinces (Dongying, Liuzhou, Weifang, Guilin, Qingyuan, Yixing, Lijiang, Chengde, Putian, Yueyang and Wuzhou). We typically select second- and third-tier cities with sizeable economies that we believe possess the potential for rapid future growth in the property sector.

By developing mixed-use business complexes, we expect to become local landmarks and form new urban centers, and multi-functional residential communities in second- and third-tier Chinese cities, we hope to bring a cosmopolitan lifestyle to the affluent local population and the emerging middle class and white-collar professionals in these cities. At present, we are focusing on the development of three major product lines, the Himalayan high-end serviced apartments, cultural and commercial districts and Arles Towns. In addition, we provide property management services to our development projects and own hotels that we have developed in select locations.

As of December 31, 2020, we had a land reserve of approximately 10.47 million sq.m. in total GFA. As of the same date, we had, in terms of GFA attributable to us in our 42 projects, land reserves of 7.15 million sq.m., which included (i) completed and unsold properties and completed properties held for investment of approximately 1.55 million sq.m., (ii) properties under development of approximately 2.93 million sq.m. and (iii) properties held for future development of approximately 2.67 million sq.m., which included an aggregate planned GFA attributable to us of approximately 1.34 million sq.m. for which we had not obtained land use rights certificates. See “*Risk Factors — Risks Relating to Our Business — Our business may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, the relevant PRC governmental approvals for our property development projects.*”

We have received numerous awards in recognition of our brand reputation and high quality properties:

- In September 2020, we were awarded the “2020 TOP30 Brand of China Real Estate Companies”, the “2020 Best 100 of China Real Estate Developers Brand Value” and the “2020 Best 10 of North China Real Estate Developers Brand Value”.
- In May 2020, we were awarded the “2020 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths” by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute, ranking 87th, and were awarded the “2020 Best 5 China Real Estate Listed Companies with Strongest Innovation Capability”. In addition, we were also recognized among the “2020 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value” and “2020 Real Estate Company Worth Focusing by Capital Market” by the China Real Estate Top 10 Research Team.
- In March 2020, we were awarded the “2020 100 Best of China Real Estate Developers” and “2020 Best 10 of Cultural Tourism of China Real Estate Developers” by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute.
- In September 2019, we were recognized among “2019 TOP 30 Brand of China Real Estate Companies”.
- In June 2019, the Company was honored with the “Best Investment Value Award” at the “2019 China Financial Market Award Gala”.
- In May 2019, we were certified as the “2019 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value” and “2019 China Mainland TOP 10 Real Estate Companies Listed in Hong Kong by EVA (Economic Value Added)”.
- In September 2018, we were awarded the “2018 TOP 10 Urban Regeneration Projects – Best Urban Operator” and Sunshine 100 Himalaya was awarded “2018 TOP 10 Urban Micro-regeneration Cases – New Creation” at the 2nd China Urban Regeneration Forum.
- In May 2018, we were certified as “2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Economic Value Added” and “2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value”.
- In March 2018, we were awarded “2018 Excellent Business Model Award for China’s Real Estate Enterprises” and recognized as “Innovator of Commercial Real Estate Model in China”.

For the years ended December 31, 2018, 2019 and 2020, we recorded revenue of RMB7,579.1 million, RMB8,288.6 million and RMB5,759.7 million, respectively, and profit for the year of RMB242.8 million, RMB3,215.1 million, and RMB1,284.0 million, respectively. In terms of total contracted sales, we recorded RMB12,096.1 million, RMB10,337.6 million and RMB10,529.8 million, respectively.

RECENT DEVELOPMENTS

Redemption and cancellation of convertible bonds

As at March 1, 2021, the Company has repurchased and cancelled all of the outstanding 4.8% convertible bonds due 2023, initially issued with a total principal amount of HK\$750.0 million, in the open market.

For further details, please refer to the announcement of the Company published on the Hong Kong Stock Exchange dated March 1, 2021.

Issue of US\$120.0 million 12.0% Senior Notes due 2023

On January 29, 2021, the Company, the offshore subsidiaries of the Company providing guarantees for the notes and Haitong International Securities Company Limited (“**Haitong International**”), as the initial purchaser, entered into a purchase agreement in relation to the issue of US\$120.0 million 12.0% senior notes due 2023. Haitong International is the sole global coordinator, sole lead manager and sole bookrunner in connection with the issue of the 2023 Notes. The estimated gross proceeds from the issuance of the 2023 Notes, after deducting issue discounts in connection with the offering, amounted to approximately US\$119.9 million, which was intended to be used to repay existing indebtedness. The 2023 Notes were listed on The Singapore Exchange Securities Trading Limited on February 3, 2021.

For further details, see “Description of Other Material Indebtedness — 2023 Notes”.

OUR STRENGTHS

We believe that our strong market position is principally attributable to the following competitive strengths:

Successful key products — Cultural Commercial Street Complex, Himalaya Serviced Apartment and Arles Town

In recent years, we have developed Cultural Commercial Street Complex projects which are pedestrian streets or blocks lined with stand-alone retail shops and designed to be the cultural centers and “living rooms” of the cities where they are located. We further enhanced the projects’ market advantages by setting up the cultural campaigns combining modern, urban characteristics with the Sunshine 100 brand to bolster such project’s position as the city’s cultural center and living room.

Our Cultural Commercial Street Complexes typically have a GFA ranging from 150,000 sq.m. to 200,000 sq.m. consisting mainly of three- and four-story buildings for retail businesses. Our Cultural Commercial Street Complexes are typically developed such that the units comprising a Cultural Commercial Street Complex have similar specifications, which allows us to complete the development process at a relatively quicker pace. Our customers typically buy these commercial street units to operate businesses themselves or to rent out to retail businesses. In addition, in each of our Cultural Commercial Street Complexes, we also hold a certain number of units for investment purposes, which provide us with an additional source of revenue. By clustering retail businesses into an open yet defined space, we believe that this

format is beneficial to the value of the retail properties involved as it helps attract visitors and enhances the experience of consumers.

We believe we are one of the first property developers and one of the leading players in developing and operating Cultural Commercial Street Complexes.

In 2018, we launched our Sunshine 100 Cultural Commercial Street Complex projects and have expanded operations in Liuzhou, Yixing, Changsha and other cities. In 2019, Cultural Commercial Street Complex projects have matured. The completion of Changsha Phoenix Street and Changzhou Phoenix Street both achieved expected success. The opening of sale of Wuhan Phoenix Street was also met with popular response, with an average price of RMB44,000 per square metre. In addition, the Wuhan Phoenix Street project has obtained residential area at a low price from the government, which has significantly improved investment returns. This mode of commercial street complex with residential project is also being negotiated and implemented in other cities, which will become a new highlight for the development of Sunshine 100 in the future.

In 2020, under the COVID-19 pandemic, we placed more effort on the operation of Cultural Commercial Street Complex projects, adjusted its strategy in time, and successively commenced operation of the Putian, Wuzhou and Changsha Phoenix Commercial Street. In addition, the actual rental income received from the existing projects, Liuzhou Yaobu Old Town and Liuzhou City Plaza, increased by 5.22% in the first half of 2020 comparing to the corresponding period of the preceding year, which is contrary to the market trend.

In addition, we believe that our Himalaya projects have evolved as a leading brand of shared serviced apartments. Its mixed rental and sale model and unique ancillary services will generate high earnings and contribute to the Company's robust growth. Himalaya projects have had considerable growth in the past few years. For example, in Tianjin, our Himalaya projects recorded RMB575 million contracted sales in 2019 with a unit price of RMB49,000 per square metre, reflecting an increase in both parameters. The delivery and operation of our Himalaya projects in Chongqing and Tianjin have substantially enhanced recognition of our brand in the market. In the mean time, Himalaya projects have established their presence in Beijing, Yantai, Yueyang, Weifang and other cities, new projects are also under active negotiation.

Due to our premium brand and sophisticated experience in running Cultural Commercial Street Complexes, Arles Towns projects have seen consistent growth in sales and contribute significantly to overall contracted sales in recent years.

Nationwide, cross-region presence with large-scale, mostly low-cost land reserves with development potential tailored to our property developments

We believe that we have a nationwide, cross-region presence and large-scale land reserves with development potential. As of December 31, 2020, we had total land reserves of approximately 10.47 million sq.m. of attributable GFA located in over 24 cities across China. We believe that we benefit from our balanced regional presence as it helps reduce our reliance on any particular geographic region or type of city. Our strong reputation and solid track record have helped us secure development sites in high-growth locations, such as city centers, close suburbs and planned future city centers.

We pursue a prudent land acquisition strategy, seeking only land that we believe has development potential for the key products that we specialize in. The average land cost as of December 31, 2020 was approximately RMB1,200 per sq.m. As we entered our target cities relatively early, and as we possess a well-recognized brand and have proven execution capabilities, we have often been able to secure land at attractive prices, as local governments appreciate that our developments will help stimulate commercial activities in adjacent areas and accelerate urban development. Early land acquisition allows for greater flexibility in changing from residential to commercial, which caters to the optimization of our developments. The land parcels we acquire are often large in their respective neighborhoods, which has also contributed to our relatively low land acquisition costs as we benefit from scale and stronger bargaining power. In addition to acquisitions on our own, we also acquire land use rights through joint ventures with other developers and through primary land development.

We further expanded our land reserves for core products and obtained quality project land via low-cost equity investment or market acquisition, in particular the land parcels with development potential in the radiation areas of core economic zones, including the Yangtze River Delta region, the Pearl River Delta region and the Capital Economic Circle, providing strong support for us to continue to promote our commercial projects and expand our business coverage. In addition, over the years, we have set up primary land development projects in the Yangtze River Delta, the Pearl River Delta, and the Greater Beijing Circle. We have primary development land reserve in Xinglong and Wenzhou Lucheng District of more than 6,000 mu and 2,000 mu respectively, while the land area of cultural tourism-oriented projects contracted and intended exceed 3,000 mu. Our primary land development in Wenzhou and Xinglong has gradually matured. In the first half of 2020, due to the appreciation of the land market in Wenzhou, our land valuation in Wenzhou city area has increased by about 30%, and market entry will be promoted in the second half of the year. The land located at Xinglong West Station on the Beijing-Shenyang high-speed railway line has continued to benefit from the high-speed rail which is expected to commence operation at the end of 2020, making it one of the contributors for the Company's future profit growth. Our first project in Xinglong entered the market in the second half of 2020, and the market response was better than anticipated. It is expected that over 2,000 mu of primary development land will be approved for listing and sales in 2020 and the next few years. It is foreseeable that within the next decade, primary land development will become a growing focus for the continued profitability of our Company.

Experienced, stable management team with vision and a strong focus on execution to ensure our long-term growth

Our senior management has on average over 10 years of experience in the PRC real estate industry. Our founder and chairman, Mr. Yi Xiaodi, was one of the early leaders in the industry throughout its transformation in the early 1990s during China's transition to the market economy. Mr. Fan Xiaochong, our executive vice president who assists Mr. Yi in overseeing our day-to-day operations, also has over 20 years' experience in the PRC real estate industry. Members of our senior management have diverse backgrounds, having worked in PRC real estate companies, international corporations or professional service firms. We believe that such diversity enriches our management's industry and business management experience and enhances its ability to execute business plans, which we believe contributes to our ability to develop property offerings demanded by consumers in the PRC real estate market and generate satisfactory returns on our investment. We put great emphasis on talent

retention and team-building, and have established a systematic training and promotion system for employees and regular training programmes for members of management, with a conscious effort to internally produce senior executives for the future. As a result, our senior management team is relatively stable, having served us for an average of approximately 10 years.

Nationwide management platform, centralized sales and marketing team and long-term relationships with business partners, which enables us to execute multiple development projects across China

We have almost 20 years of experience expanding throughout China, developing and managing properties in multiple regions nationwide. We have established a centralized, nationwide management platform, which we believe enables us to rapidly replicate our business models and effectively expand into new regions. Through this centralized management platform, our management team at the headquarters is able to closely monitor the status of our projects and promptly react to any change in the local markets. As a result, we have been able to rapidly replicate our property developments and deliver high quality properties over 24 cities nationwide.

We engage a sales and marketing team that we centrally manage and deploy nationwide. The team formulates sales strategies and coordinates marketing activities on a national basis, taking into consideration requests and recommendations from our project teams in different regions. We believe that a centralized sales and marketing team is important in ensuring high quality customer service and consistency in the execution of sale plans. For instance, before we launched the pre-sale of Qingyuan Sunshine 100 Arles (formerly know as “**Qingyuan Mango Town**”) on May 12, 2013, we organised a sales team comprised of 95 sales personnel recruited locally in Qingyuan and 140 experienced sales personnel from nine other project companies. We provided professional training and preparation for two months to further strengthen the sales team’s sales skills and knowledge of the project and the local property market.

We have established long-term partnerships with well-known architects, construction contractors and investors to support our national expansion. We have collaborated with renowned international architecture firms, such as Denton Corker Marshall, Tadao Ando and Schmidt Hammer Lassen, to help translate our architectural vision and philosophy into designs with our character. We have also cooperated with leading Chinese national or regional construction contractors, such as China State Construction Engineering Corporation. Furthermore, we have had substantial experience cooperating with large PRC enterprises, such as Yan Kuang, Tianjin Nongken Group and Guangxi Communications Investment Group Co., Ltd., which we believe enhances our ability to secure financing, project development and other opportunities. In addition, we believe the participation and support of affiliates of Warburg Pincus LLC as a financial investor enhances the efficiency and transparency of our management, which we believe is beneficial to us in the long term.

Established well-known brand widely acknowledged by the industry and across China

We focus on bringing a cosmopolitan lifestyle to the emerging middle class and white-collar professionals in China. We believe that we enjoy relatively high recognition and loyalty in China, especially among our target customers, due to our nationally recognized brand,

Sunshine 100, which we believe is associated with a young and international image, innovative architectural styles and clear customer positioning.

We have received numerous awards in recent years in recognition of our brand reputation and high quality properties:

- In September 2020, we were awarded the “2020 TOP30 Brand of China Real Estate Companies”, the “2020 Best 100 of China Real Estate Developers Brand Value” and the “2020 Best 10 of North China Real Estate Developers Brand Value”.
- In May 2020, we were awarded the “2020 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths” by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute, ranking 87th, and were awarded the “2020 Best 5 China Real Estate Listed Companies with Strongest Innovation Capability”. In addition, we were also recognized among the “2020 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value” and “2020 Real Estate Company Worth Focusing by Capital Market” by the China Real Estate Top 10 Research Team.
- In March 2020, we were awarded the “2020 100 Best of China Real Estate Developers” and “2020 Best 10 of Cultural Tourism of China Real Estate Developers” by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute.
- In September 2019, we were recognized among “2019 TOP 30 Brand of China Real Estate Companies”.
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- In September 2018, we were awarded the “2018 TOP 10 Urban Regeneration Projects – Best Urban Operator” and Sunshine 100 Himalaya was awarded “2018 TOP 10 Urban Micro-regeneration Cases – New Creation” at the 2nd China Urban Regeneration Forum.
- In 2018, we were recognized as “2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Economic Value Added,” “2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value,” “2018 Excellent Business Model Award for China’s Real Estate Enterprises,” and “Innovator of Commercial Real Estate Model in China.”

OUR STRATEGIES

We aim to become one of the largest and most profitable developers in second- and third-tier cities in China by focusing on the development of our key products, namely Cultural Commercial Street Complexes, Himalaya Serviced Apartments and Arles Towns. To achieve this goal, we plan to implement the following strategies:

Continue to implement the strategic deployment of differentiated real estate projects including Cultural Commercial Street Complexes, Himalaya Serviced Apartments and Arles Towns to build real estate projects with characteristics that can satisfy consumer demand in the new era.

We will integrate cultural elements in our business. We plan to enhance cultural orientation of our projects through our specially established Cultural Tourism Business Division and Cultural Creativity Development Company which aim to advise us on developing projects with distinct features through the use of campaigns and brands and based on local special characteristics. Our future management focus will be on transformation from a development company into an operation and service company for continuous creation of high quality commercial real estate operation to provide brand new social scenes for cities through operation. We will also continue to develop on the asset-light operation cooperation model, capitalize on our own brand and sales advantages and continually enhance our management operation and resource integration capabilities through projects with minority interests.

According to China Index Academy, China's urbanization is expected to continue at a rapid pace, which we believe will continue to present opportunities for property development in second- and third-tier Chinese cities. In particular, as less-developed second- and third-tier Chinese cities rapidly expand, we believe there will be sustained demand for Cultural Commercial Street Complexes in emerging CBDs in such cities. We intend to leverage our established position, first mover's advantage and brand recognition in second- and third-tier cities to continue to develop Cultural Commercial Street Complexes as local landmarks. With our knowledge and experience accumulated from developing Cultural Commercial Street Complexes, we aim to increase our market share in central locations in the second- and third-tier cities in which we already operate or that we have yet to enter. We believe that we will be able to selectively expand into second- and third-tier Chinese cities with great development potential and rapid economic growth on a nationwide basis.

We plan to develop supporting facilities and establish service standards for the Cultural Commercial Street Complexes of the Group, building good reputation and setting up competition threshold. We also plan to promote these products in other cities around China, and further enhance their competitiveness and brand influence. We believe that our key products have potential for further development. The Cultural Commercial Street Complex has a very high competitive threshold by virtue of its own features of satisfying investment demand. In addition, our Himalaya products will take a more important position in our product mixes and we expect it to become a significant driving force of growth in the future. Most of our Himalaya projects are located in urban downtown areas and were obtained through acquisition. Upon acquisition, we made overall transformation or redesign under the "Himalaya standard", taking into account local characteristics. The acquired projects can usually be pre-sold to the market in about four months after acquisition. As an open operating platform, Himalaya invites various resources to provide high-end services and create social circles based on customer needs. We believe that, in the near future, the high-end Himalaya serviced apartments will be a special edge of the Group and a core product with robust growth and strong profitability. In the Arles Town product line, we continued to upgrade our services and operations by promoting activities such as the "Arles Music Festival", "Arles Life School" and "Yuedong π" under the "Friendly Neighbors Community" brand. The project has received market recognition.

Enhance our strength in sales and marketing, and accelerate product sell-through rate

We plan to continuously adapt to the latest trends in the real estate industry of China. With our experience of more than 20 years and advantage in land cost, we intend to capture every new market opportunity and promote our competitiveness. We will further enhance our marketing system and marketing capability. With the reform of our marketing team in the previous two years, we will continue to carry out team training and expansion. In addition to enhancing marketing capabilities, we will speed up project development, enhance our destocking capabilities and dispose low-efficiency assets so as to ensure that limited funds can be optimized for the development of core products. Moreover, we will specifically increase the sell-through rate of common residences, stocks, commercial projects and high-end products in order to increase the overall sell-through rate and sales volume. We will adopt product innovation strategies to differentiate from the traditional mode of simple price cut promotion.

Maximize customer value and brand premium by improving post-sale project operation and enhancing product competitiveness

We intend to continue to sell, rather than hold, a relatively high proportion of the properties we develop to increase revenue and profitability, as the selling premiums contribute significantly to our profitability. We plan to utilize our centralized management platform to offer our customers consistent service quality and leverage our experience in managing existing projects. We consider it important for purchasers of our commercial properties to be able to enjoy value in the properties. Therefore, we intend to continue to pursue our proven business model, which emphasises “Cultural Commercial Street Complexes.” Cultural Commercial Street Complexes typically have a GFA of 150,000 sq.m. to 200,000 sq.m. consisting mainly of three- to four-story buildings for retail businesses. The units typically have similar specifications and features. We believe that our “Cultural Commercial Street Complex” model allows for quicker development time and a quicker return on investment. We also strive to attract more well-known, high quality hotel managers and retailers to our properties, while at the same time beginning to develop our own retail brand. We believe that these measures will enhance our value to our customers as well as our brand awareness. Our strategy is to increase the proportion of commercial properties i.e. Cultural Commercial Street Complex, accelerate destocking, improve post-sale project operation, enhance product competitiveness, accelerate asset turnover and improve comprehensive operation capability. We target to increase the proportion of commercial properties in terms of contracted sales to 50% in the next three to five years, and as of 2020, 27% of contracted sales are commercial properties.

Continue to strengthen corporate culture, emphasise innovation in property design and strengthen our “people first” management philosophy

We intend to continue to strengthen our corporate culture, centered on a “people first” management philosophy, and continue to seek innovations in property design. By continuing to give project teams substantial discretion in project management, subject to our overall planning and supervision, we believe that we will continue to offer our customers the innovative properties they demand. In addition, by offering market standard compensation and operate incentive schemes, including cash and share bonuses and promotions, for our employees, we believe that we will continue to align our employees’ interests with ours and enhance their loyalty to the Company.

Continue to pursue a prudent land acquisition strategy

We intend to continue to pursue a prudent land acquisition strategy and focus on acquiring quality projects situated in the radiation areas of core economic zones, including the Yangtze River Delta region, the Pearl River Delta region and the Capital Economic Circle, and with high turn-over and sound growth potential. In particular, we intend to focus on suitable land in central locations in second- and third-tier Chinese cities for developing Cultural Commercial Street Complexes and commercial properties, and suburbs of second-tier Chinese cities that are planned to fall within city limits for developing multi-functional residential communities and themed towns. We will also continue promoting light asset operations through obtaining operation right of quality projects as a minority shareholder, to make use of our strength in sales and further elevate our capabilities in management operation and resources consolidation.

We believe that we will be able to replenish our large-scale, low-cost land reserves with development potential going forward as we continue to follow our land acquisition strategy based on thorough information-gathering, relationship-building with local governments and other partners and, above all, a rational philosophy. Firstly, we will pursue sensible market analysis and reasonable business judgment based on professional advice from both internal teams and external consultants. Our planning and development department regularly monitors real estate developments in 24 key cities and tracks the local land supply policies and key transactions. We also have established long-term relationships with professional third-party consultants to keep us updated on the latest policy trends and market information. Secondly, in our target cities and areas, we will continue to actively communicate with the local authorities to build trust and establish working relationships as we demonstrate how our developments will be beneficial for the local communities. We will also continue to develop and maintain cooperative relationships with local partners, who may be smaller in size but often possess better understanding of local markets and hold land use rights in locations attractive to us, to potentially acquire land from them or acquire them for the land they hold. Thirdly, we will maintain our overriding principle of prudence and refrain from acquiring land for prices we consider inflated.

Accelerate asset turnover and improve comprehensive operational capability

We intend to further improve our internal management mechanism, optimize corporate organizational structure and management mode so as to promote its own comprehensive operation capability and efficiency. In addition, we are open to cooperation with different partners to optimize our structural system. We will further promote the merger and reorganization of quality projects, and activate the development of new projects by multiple means. Except for the core products like Cultural Commercial Street Complex projects which are controlled by the Group, we make full use of our sales capability to adopt the way of “obtaining operation right with minority shareholding” on residential products.

Promote asset-light business to utilize our strength in sales and further elevate our capabilities in management operation and resource integration

In May 2017, we acquired a minority interest in the Fujian Putian project and carried out a sales cooperation arrangement with the original shareholders of the project under which we provide brand management services in the earlier stages and salesforce in the later stages of the development, sharing the resulting appreciation in value. The project was marketed as “the

City's Living Room in Putian." All of the 500 houses of the project were sold out on the first day of launch, outperforming its competitors in the region. The project recorded contracted sales of approximately RMB510 million in the first half of 2017. As our benchmark project for asset-light business, the project made a full use of our strong brand value and sales capacity and developed an innovative business model for us by exporting our existing strengths and resources. In the first half of 2017, we entered into a strategic cooperation agreement with Guangxi Communications Investment Group to further expand the scope of cooperation projects utilizing asset-light business model. In the future, we will continue to develop the asset-light business model by capitalizing on our strong brand value and sales capacity and continuously enhancing our management operation and resource integration capabilities through projects with minority interests.

Continue to promote internal operation reform

We intend to further implement business transformation, speed up turnover and revitalize inventory, and strengthen financing channels and external cooperation. We will continually accelerate the expansion and supply of new projects and effectively enhance the management of each asset package. We will also endeavor to, through delegation, engage junior staff so that they are willing to take more initiatives. We will reinforce the establishment of a common service platform in respect of capital, brand, property and quality to prioritize the realization of product competitiveness, such as product features and customer needs, so as to release their innovation ability and pressure. The Group, regional centers and primary development projects will review experiences and set benchmarks, we will realize rapid turnover and execution through the way of asset packages. We will further improve asset efficiency and simultaneously expand external cooperation.

Strengthen cultural upgrade of core products and increase their added value

We will strengthen the business and cultural upgrades of the three core product lines, and create high value-added products in order to form a unique competitive edge in the industry. We will strive to realize cultural upgrading for all of the core products including Cultural Commercial Street Complex products, Himalaya products and Arles Towns, considering the future industry development cannot rely on scale expansion any longer, but through the culture upgrading of products to achieve profit growth, which is the core of our transformation and upgrading. The Group has changed part of the original regional management to product line management in order to forge a group of model projects in the above core product lines, and create core competitiveness with core products, driving the Group to move forward rapidly and establishing industry barriers. In the near future, the high-end apartments in the Himalaya product line will be a special edge of the Group, as well as a core product with the fastest growth and better profitability.

Continue to promote product and model innovation

The Group will focus on the research and deployment of the business model of Himalaya Serviced Apartments. High-income, highly educated and younger businessmen are the core ultimate customers of Himalaya Serviced Apartments. In view of this, we will focus on and strengthen the concept of sharing to build a powerful brand, and optimize our products and services to sharpen our brand image on the market. Meanwhile, we will create value through operations, and enhance software and content development, rather than merely providing more hardware. While continuously focusing on the hardware deficiency, we will devote

ourselves to quality enhancement and improve the cultural and artistic quality of our products. In addition, Arles Towns are expected to focus on cultural and tourism related products while taking into account the needs of emerging markets. Cultural and tourism related products will become an important business segment for the Company's future development. We have engaged experienced talents and teams to carry out the preliminary positioning, innovation and post-operation of our existing land reserve with cultural and tourism characteristics, and achieve market breakthroughs with new thinking different from that of traditional residential development. This is to ensure we achieve rapid development thus, accelerating the revitalisation of land reserves and allows us to focus on securing new opportunities for expansion in the target areas.

Corporate Information

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands. In March 2014, we listed our ordinary shares on the Stock Exchange. As of March 31, 2021, we had a market capitalization of approximately HK\$3,010.0 million. Our principal executive offices are located at Tower D, Floor 12, No. 2 Guang Hua Street, Beijing 100026, China and our telephone number is +86-10-6506-0100. Our website address is www.ss100.com.cn. Information contained on our website does not form part of this Offering Memorandum.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this Offering Memorandum. For a more detailed description of the Notes, 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.”

Company	Sunshine 100 China Holdings Ltd (the “ Company ”).
Notes Offered	US\$219,600,000 13.0 per cent. Senior Green Notes due 2022 (the “ Notes ”)
Issue Price	100 per cent. of the principal amount of the Notes
Maturity Date	June 29, 2022
Interest	The Notes will bear interest from June 30, 2021, at 13.0% per annum payable in arrears.
Interest Payment Dates	December 30, 2021 and June 29, 2022.
Ranking of the Notes	<p>The Notes are:</p> <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with the 2021 Convertible Bonds, the 2021 December Notes, the 2021 Notes, the 2023 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and• guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under “Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees”;• effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

Subsidiary Guarantees

Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

A Subsidiary Guarantee may be released in certain circumstances. See “*Description of the Notes — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.*” The initial Subsidiary Guarantors will consist of all of the Company’s Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC and the Offshore Non-Guarantor Subsidiaries. In addition, the Company may designate any Subsidiary organized outside the PRC as an Offshore Non-Guarantor Subsidiary, subject to the limitations described below under “Offshore Non-Guarantor Subsidiaries.”

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations or real property assets. See “*Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees — Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited recourse guarantees.*”

Any future Restricted Subsidiary, other than subsidiaries organized under the laws of the PRC and the Offshore Non-Guarantor Subsidiaries, will provide a guarantee of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor promptly upon becoming a Restricted Subsidiary.

Ranking of Subsidiary Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the assets serving as security therefor;

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

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

Ranking of JV Subsidiary Guarantees

A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor following (i) a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20% and no more than 49.9% of the total outstanding Capital Stock of such Subsidiary Guarantor or (ii) a purchase by the Company or any of its Restricted Subsidiaries of Capital Stock of a future Restricted Subsidiary, where such purchase is for no less than 50.1% and no more than 80.0% of the total outstanding Capital Stock of such future Restricted Subsidiary such that the future Restricted Subsidiary will become a Restricted Subsidiary following such purchase.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be limited as to enforceability to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor to the extent of the value of the assets serving as security therefor;

- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

Offshore Non-Guarantor
Subsidiaries

The Company may designate certain Subsidiaries organized outside the PRC that are Restricted Subsidiaries as “Offshore Non-Guarantor Subsidiaries”, which are not required to guarantee the Notes, provided the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries do not account for more than 10% of Total Assets. The Company will, on the Original Issue Date, designate the following Restricted Subsidiaries organized outside the PRC as Offshore Non-Guarantor Subsidiaries: Foison Shine International Limited, Pine Wine Holdings Limited, Red Blossom International Limited, Universal Light Investments Limited, Sky Blossom Limited and Sky Honour Limited.

Use of Proceeds

The gross proceeds from this offering will be approximately US\$219.6 million, which we plan to use to refinance our existing indebtedness and in accordance with our Green Finance Framework. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments.

Green Bonds

The Notes are being issued as “Green Financing Instruments” under our Green Finance Framework. Pursuant to our Green Finance Framework, we will allocate an amount equal to the net proceeds received from the Offering to refinance eligible green projects in accordance with the Green Finance Framework. See the section entitled “Green Finance Framework”.

Optional Redemption of the Notes	<p>The Company may, at any time prior to June 29, 2022, at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in “<i>Description of the Notes — Optional Redemption.</i>”</p>
	<p>The Company may, at any time and from time to time prior to June 29, 2022, redeem up to 35% of the aggregate principal outstanding amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 113.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.</p>
Repurchase of Notes Upon a Change of Control	<p>Upon the occurrence of a Change of Control, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.</p>
Redemption of the Notes for Taxation Reasons	<p>Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to (but not including) the date fixed by the Company for redemption, if the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See “<i>Description of the Notes — Redemption for Taxation Reasons.</i>”</p>
Covenants	<p>The Notes and the Indenture governing the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p>
	<ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments;

- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of the Company or any other Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates;
- effect a consolidation or merger; and
- engage in any business other than businesses permitted by the Indenture.

These covenants are subject to a number of important qualifications and exceptions described in “*Description of the Notes — Certain Covenants.*”

Transfer Restrictions

The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “*Transfer Restrictions.*”

Form, Denomination and Registration

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by the Global Note deposited with a common depository and registered in the name of the common depository or its nominee. Beneficial interests in the Global Note will be shown on, and transfer thereof will be effected only through, the records maintained by Euroclear and Clearstream.

Clearance and Settlement

The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “*Description of the Notes — Book-Entry; Delivery and Form.*”

Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about June 30, 2021, which the Company expects will be the first business day following the date of this Offering Memorandum referred to as “T+1.” You should note that initial trading of the Notes may be affected by the T+1 settlement. See “ <i>Plan of Distribution.</i> ”
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch.
Listing	Application will be made to the HKSE for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only as described in this Offering Memorandum.
Securities Codes	<p>ISIN: XS2357415046 Common Code: 235741504 LEI number: 3003007688RHDZE0GX93</p> <p>Only Notes evidenced by the Global Note have been accepted for clearance through Euroclear and Clearstream.</p>
Governing Law	The Notes and the Indenture are governed by and construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “ <i>Risk Factors.</i> ”

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated statement of comprehensive income data for the years ended December 31, 2018, 2019 and 2020 and summary consolidated statement of financial position data as of December 31, 2018, 2019 and 2020 have been derived from our annual report and audited consolidated financial statements included elsewhere in this Offering Memorandum. You should read the summary consolidated financial data in conjunction with the financial statements and related notes, “Selected Consolidated Financial Information and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Offering Memorandum. Our consolidated financial statements have been prepared and presented in accordance with IFRS. Our historical results do not necessarily indicate our expected results for any future period.

Summary of Consolidated Statement of Comprehensive Income Data

	For the year ended December 31,		
	2018 ¹	2019	2020
	<i>(RMB millions)</i>		
Revenue	7,579.1	8,288.6	5,759.7
Cost of sales	(5,988.3)	(6,188.6)	(4,230.0)
Gross profit	1,590.8	2,100.0	1,529.7
Valuation gains on investment properties	888.7	529.5	42.6
Other income	278.9	2,521.5	1,564.7
Selling expenses	(553.7)	(483.2)	(406.4)
Administrative expenses	(545.9)	(590.8)	(509.7)
Other operating expenses	(990.4)	(182.9)	(224.2)
Profit from operations	668.4	3,894.2	1,996.8
Finance income	519.4	696.8	621.7
Finance costs	(550.8)	(585.6)	(767.7)
Share of profits less losses of associates ..	(28.2)	12.9	(19.6)
Profit before taxation	608.8	4,018.3	1,831.2
Income tax	(366.0)	(803.2)	(547.2)
Profit for the year	242.8	3,215.1	1,284.0

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

	For the year ended December 31,		
	2018¹	2019	2020
	<i>(RMB millions)</i>		
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified subsequently to profit or loss:			
Valuation surplus on investment properties transferred from property and equipment, net of deferred tax ···	–	–	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries ···········	(18.0)	(3.0)	12.1
Other comprehensive income for the year ···········	<u>(18.0)</u>	<u>(3.0)</u>	<u>12.1</u>
Total comprehensive income for the year ···········	<u>224.8</u>	<u>3,212.1</u>	<u>1,296.1</u>
Profit/(loss) attributable to			
Equity shareholders of our Company ···	(29.9)	1,804.8	438.0
Non-controlling interests ···········	<u>272.7</u>	<u>1,410.3</u>	<u>845.9</u>
Profit for the year ···········	242.8	3,215.1	1,284.0
Total comprehensive income attributable to			
Equity shareholders of our Company ···	(47.9)	1,801.8	450.2
Non-controlling interests ···········	<u>272.7</u>	<u>1,410.3</u>	<u>845.9</u>
Total comprehensive income for the year ···········	<u>224.8</u>	<u>3,212.1</u>	<u>1,296.1</u>
Basic earnings/(loss) per share (RMB) ···	<u>(0.01)</u>	<u>0.70</u>	<u>0.17</u>
Diluted earnings/(loss) per share (RMB) ·	<u>(0.01)</u>	<u>0.55</u>	<u>0.14</u>
<i>Note:</i> The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.			

Summary of Consolidated Statement of Financial Position Data

	As of December 31,		
	2018 ¹	2019	2020
	<i>(RMB millions)</i>		
Non-current assets			
Property and equipment	697.9	643.3	763.8
Investment properties	11,707.2	11,670.1	12,176.4
Intangible assets	–	863.9	747.8
Restricted deposits	130.0	42.9	116.5
Investments in associates	905.0	1,325.5	1,280.6
Trade and other receivables	576.5	192.3	265.7
Deferred tax assets	1,400.7	691.6	657.1
Other non-current financial assets	103.8	273.7	237.1
Total non-current assets	<u>15,521.1</u>	<u>15,703.4</u>	<u>16,245.0</u>
Current assets			
Properties under development and completed properties held for sale	32,464.7	27,977.4	29,351.9
Land development for sale	866.4	2,013.3	2,615.4
Contract costs	246.6	249.1	295.3
Trade and other receivables	7,674.6	8,338.1	8,611.1
Restricted deposits	1,975.4	1,567.7	562.8
Cash and cash equivalents	2,588.6	2,438.6	3,071.8
Trading securities	114.7	108.0	205.0
Total current assets	<u>45,931.0</u>	<u>42,692.2</u>	<u>44,713.2</u>
Current liabilities			
Loans and borrowings	10,419.8	10,601.4	12,717.0
Trade and other payables	7,207.3	6,805.0	6,745.6
Contract liabilities	9,094.4	9,106.4	9,840.8
Sales deposits	–	–	–
Contract retention payables	173.5	155.6	17.7
Current tax liabilities	1,093.9	1,677.9	153.2
Lease liabilities	–	23.7	2,002.6
Total current liabilities	<u>27,988.9</u>	<u>28,370.0</u>	<u>31,477.0</u>
Net current assets	<u>17,942.1</u>	<u>14,322.2</u>	<u>13,236.2</u>
Total assets less current liabilities	<u>33,463.2</u>	<u>30,025.6</u>	<u>29,481.2</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

	As of December 31,		
	2018¹	2019	2020
	<i>(RMB millions)</i>		
Non-current liabilities			
Loans and borrowings	19,275.5	14,452.8	13,653.6
Contract retention payables	170.2	154.5	126.5
Trade and other payables	469.5	423.2	55.0
Deferred tax liabilities	3,939.7	3,185.6	456.3
Lease liabilities	–	61.3	3,019.8
Total non-current liabilities	23,854.9	18,277.4	17,311.2
Net assets	9,608.3	11,748.2	12,170.0
Capital and reserves			
Share capital	20.7	20.2	20.2
Reserves	7,454.1	9,146.5	9,363.0
Total equity attributable to equity			
shareholders of the Company	7,474.8	9,166.7	9,383.2
Non-controlling interests	2,133.5	2,581.5	2,786.8
Total equity	9,608.3	11,748.2	12,170.0

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Other Financial Data

	For the year ended/ as of December 31,		
	2018	2019	2020
	<i>(RMB millions, in cases of EBITDA and Total Debt)</i>		
EBITDA ⁽¹⁾	1,683.0	1,895.2	1,409.1
EBITDA Margin ⁽²⁾	22.2%	22.9%	24.5%
Total Debt ⁽³⁾	29,695.3	25,054.2	26,370.6
Total Debt/EBITDA	17.6	13.2	18.7
EBITDA/Interest ⁽⁴⁾	0.6	0.7	0.5

Notes:

- (1) EBITDA for any year is calculated as our total comprehensive income for the year plus income tax, depreciation, net financial expenses and capitalized interest charged to cost of sales, but excluding valuation gains on investment properties, other income, other operating expenses, share of profits less losses of associates and other comprehensive income. Capitalized interest charged to cost of sales in 2018, 2019 and 2020 were based on actual data. EBITDA is a widely used financial indicator of a company's ability to service and incur debt and is not a standard measure under IFRS. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for tax, finance income, finance costs and other non-operating cash expenses. EBITDA does not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as selling expenses and administrative expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definitions. Investors should also note that EBITDA as presented herein is 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our total comprehensive income for the year under IFRS to our definition of EBITDA.
- (2) EBITDA margin is calculated as EBITDA divided by revenue.
- (3) Total debt consists of all interest-bearing bank loans and other borrowings.
- (4) Interest refers to total interest expense on loans and borrowings. For the years ended December 31, 2018, 2019 and 2020, our total interest expense on loans and borrowings was RMB2,657.8 million, RMB2,888.2 million and RMB3,088.4 million, respectively.

RISK FACTORS

An investment in the Notes involves significant risks. You should carefully consider the risks described below and the other information in this Offering Memorandum before you decide to invest in the Notes. If any of the possible events described below actually occurs, our business, prospects, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, the trading price of the Notes could decline and you may lose all or part of your investment.

We believe there are certain risks and uncertainties involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to the property industry in China; (iii) risks relating to business operations in the PRC; (iv) risks relating to the Notes; and (v) risks relating to the Subsidiary Guarantees and JV Subsidiary Guarantees.

RISKS RELATING TO OUR BUSINESS

We are and will continue to be dependent on the performance of the PRC property market particularly in the cities where we operate and intend to operate

Our business and prospects depend on the performance of the PRC property market. We currently have over 25 property projects under development across 24 cities in China, including Tianjin, Chongqing, Wuhan, Changsha, Nanning, Shenyang, Jinan, Chengdu, Wuxi, Yantai, Dongying, Liuzhou, Guilin, Weifang, Qingyuan, Yixing, Lijiang, Wenzhou, Changzhou, Putian, Wuzhou, Chengde, Yueyang and Xi'an. We also intend to enter the markets of certain other regions and cities in China. Any adverse development in the supply of or demand for properties and any measures that the PRC government may take in restricting the growth of the property market in China, particularly in the cities where we have or plan to develop projects, may adversely affect our financial condition, results of operations and business prospects.

We cannot assure you that the demand for new properties in the regions and cities in the PRC where we operate or intend to expand will continue to grow or that prices will not deteriorate. In addition, fluctuations of supply and demand in the real estate market in the PRC are caused by economic, social, political, regulatory and other factors that are outside of our control and we cannot assure you that there will not be over-supply of properties or an economic downturn in the property sector in certain cities and regions of the PRC or the PRC as a whole. Any such over-supply or economic downturn may result in a slowdown in property sales or downward pressure on property prices regionally or nationwide. Any adverse development in the real estate market in the regions and cities in the PRC where we operate or may operate in the future could have a material adverse effect on our business, financial condition and results of operations.

Our business relies on the availability of suitable land at commercially reasonable costs and our ability to identify and acquire suitable land for development

Our business is dependent upon our ability to identify and acquire suitable land at commercially reasonable costs and our ability to generate profit from the sale of properties developed on such land. We need to periodically replenish our land reserves in order to grow our business and we may incur significant costs in identifying, evaluating and acquiring

suitable new land for development. We have set clear criteria for land selection for each of the two principal types of properties we develop. See “*Business — Property Development Process — Site Selection*”. Our future growth prospects and results of operations may be adversely affected if we fail to identify and acquire sufficient amount of suitable new land for development and to achieve reasonable returns upon the sale or lease of properties developed on such land.

The PRC government’s policies on land supply may also affect our land acquisition costs and our ability to acquire land use rights for future developments. The PRC government controls land supply and regulates the ways in which property developers may obtain land for property development. Such measures and any other similar measures in the future may subject us to increased competition from other property developers and limit our ability to develop a wide variety of properties. Changes in government policy that reduce land supply or limit our ability to tender for land may materially and adversely affect our business and financial condition.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics such as COVID-19

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China, especially the cities where we have operations, which may result in material disruptions to our property development and sales and the operation of commercial properties. In addition, the outbreak of communicable diseases, such as the COVID-19 outbreak on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies.

In late 2019, a novel strain of coronavirus, or COVID-19, was reported to have spread throughout China and globally. The Chinese central government and local governments have introduced various temporary measures to contain the COVID-19 pandemic, such as quarantine measures and travel restrictions, which impacted national and local economy to different degrees. The outbreak of COVID-19 epidemic caused delay in resumption of local business in the PRC after the Chinese New Year holidays in late-January 2020, and, consequently, most of the operations and development of our projects were temporarily suspended for a short period of time until mid-March 2020. As a result of COVID-19, our operating results were negatively affected, in particular in the first half of 2020. Our revenue decreased from RMB8,402.3 million in 2019 to RMB5,831.0 million in 2020, and the appreciation upon valuation of fair value of our investment properties decreased as compared to the previous year, resulting in a decrease in our annual profit from RMB3,215.1 million in 2019 to RMB1,284.0 million in 2020. As the COVID-19 pandemic situation in the PRC is easing, we have recovered from the impact of the COVID-19 pandemic, and resumed normal operations and sale. We have achieved contracted sales of RMB10,529.8 million and contracted sales area of 891,247 square meters throughout 2020, reaching our annual contracted sales target of more than RMB10 billion. As of the date of this Offering Memorandum, COVID-19 is largely under control in China, and mass vaccination has gradually been implemented. However, the COVID-19 pandemic is constantly evolving and

new strains of coronavirus have been discovered in several countries worldwide. There is no assurance that there will not be another outbreak or that vaccination will be effective in preventing such outbreak.

Moreover, global capital markets have experienced and may continue to experience negative investor sentiment, significant volatility and liquidity disruptions due to COVID-19. This may adversely affect our ability to access capital markets for funding, which may in turn have a negative effect on our liquidity.

Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

We generate revenue principally from the sale of properties, the results of which depend on a number of factors including the schedule of our property development and the timing of property sales

Historically, we have derived our revenue principally from the sale of properties. For the years ended December 31, 2018, 2019 and 2020, we generated 91.6%, 92.2%, and 89.2%, respectively, of our revenue from the sale of properties. Our results of operations may fluctuate due to factors such as the schedule of our property development and the timing of property sales.

We generally recognize revenue from the sale of a property upon the completion of property construction and delivery of the property to the buyer, at which point we believe the significant risks and rewards of ownership are transferred to the buyer. Due to capital requirements for land acquisition and construction, limited land supply and the time required for completing a project, we can undertake only a limited number of property development projects at a time. In addition, since the timing of delivery of our properties varies according to our construction timetable, our revenue and results of operations may vary significantly from period to period depending on the number of properties delivered during a specific period. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be as meaningful measures of our financial performance of a specific period as they would be for a company with a greater proportion of steady recurring revenues. For example, we experienced decreases in profit before tax and net profit in the year ended December 31, 2020 compared to the corresponding period in 2019. Furthermore, our property development may be delayed or adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

Our primary land development projects and some property development projects may be materially and adversely affected by difficulties in and costs associated with demolition and resettlement of existing businesses and residents

In our primary land development projects and some property development projects, we paid for costs associated with, and in one case was responsible for (see below), the demolition of existing buildings and the resettlement of incumbent businesses and residents. For the years ended December 31, 2018, 2019 and 2020, our demolition and resettlement costs were RMB81.6 million, RMB126.6 million and RMB56.1 million, respectively. The compensation

we pay for resettlement is calculated in accordance with certain formulas published by the relevant local authorities, which generally take into account the location, GFA and type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust these formulas. Additionally, existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals or refusal to relocate, may significantly delay the timetable for the affected development. The Civil Code of the PRC (中華人民共和國物權法) which became effective on January 1, 2021 provides specific legal protection to private property rights of homeowners, which may further increase the difficulties in achieving demolition and resettlement through the administrative process and increase the cost associated with such process. Although we generally take into consideration the difficulties in resettlement compensation negotiations before we enter into the relevant contractual arrangements with local governments, unforeseen factors beyond our control may result in a protracted resettlement process. This consequently may cause delays in project development and adversely affect our plans to obtain the relevant land use rights, which may only occur through public bidding, auction and listing-for-sale after the land has been prepared on a primary basis. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for these redevelopment projects on terms satisfactory to us, or at all. An unfavorable final determination or settlement regarding the amount of compensation payable by us may increase our cost of primary land development and materially and adversely affect our cash flow, results of operations and financial condition.

We may not be able to complete our projects according to schedule

A property development project may take several years to complete and the progress of a project can be adversely affected by many factors, including:

- changes in market conditions;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- changes in government rules and regulations and the related practices and policies, including reclamation of land for public works or facilities;
- relocation of existing residents and demolition of existing structures;
- increases in the prices of raw materials;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes;
- construction accidents;

- disruptions caused by pandemics, such as COVID-19, and governmental measures in response to such pandemics;
- natural disasters or adverse weather conditions; and
- other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect our results of operations and financial position and may also cause reputational damage. We cannot assure you that we will not experience such delays in delivery of our property projects in the future or that we will not be subject to any liabilities for any such delays.

Our business is capital intensive and we may not be able to obtain sufficient financing to fund our land acquisitions or property developments as required

Property development usually requires substantial capital investment during the construction period. It is not unusual for a property developer to generate negative operating cash flow over a particular period when the cash outlay for land acquisition and construction expenditures during that period, after offsetting changes in other working capital items, exceeds the cash inflow from property sales or pre-sales over the same period. Although we incurred a net cash inflow from operating activities of RMB1,742.7 million, RMB2,363.6 million and RMB1,362.4 million for the years ended December 31, 2018, 2019 and 2020, respectively, we may require external funding to expand our business and to acquire land and develop new projects from time to time whenever there occurs negative operating cash flow in the future. Our property development projects are generally funded through cash generated from operations, bank loans, trust loans, loans from related parties and third parties and shareholders' contributions. We expect to continue to fund our projects through these sources. However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all.

A number of factors, such as general economic conditions, our financial performance, credit availability from financial institutions and monetary policies in the PRC, may affect our ability to obtain adequate financing for our projects on favorable terms, if at all. Many of these factors are beyond our control. In previous years, the PRC government had introduced a number of measures and regulations to restrict the ability of property developers to raise capital through external financing and other methods. These PRC regulations include, but are not limited to, the following:

- pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate;
- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the payment of land premium;

- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we first obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located, subject to limited exceptions;
- PRC banks are restricted from granting revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;
- In November 2009, the PRC government raised the minimum down payment of land grant fees to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions; and
- In March 2010, the Ministry of Land and Resources of the PRC, or the MLR, stipulated that the minimum down payment of land grant fees of 50% must be paid within one month after the signing of a land grant contract and the rest of the land grant fees must be fully paid within one year after the signing of a land grant contract.

In addition, the People's Bank of China, or the PBOC, regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks. Although the PBOC decreased the reserve requirement ratio for usual large-sized and usual small-and medium-sized financial institutes eight times in 2015, 2016, 2018 and 2019 there is no assurance that it will continue to decrease or remain at the current level. In case of any increases of the reserve requirement ratio required by the PBOC, it may negatively impact the amount of funds available for corporate lending, including to us, by commercial banks in China. In August 2020, PBOC and China's Ministry of Housing and Urban-Rural Development jointly held a conference with Chinese real estate companies as well as other government bodies, and discussed plans to implement regulations to further restrict the ability for real estate companies to obtain financing. Once implemented, the rules are expected to, among other things, require real estate companies in China to meet certain financial requirements before such companies are permitted to obtain further financing. The rules are also expected to limit a real estate company's increase in interest bearing borrowings for a given fiscal year. As a result, we cannot assure you that we will be able to obtain sufficient funding to finance intended purchases of land use rights, develop future projects or meet other capital needs as and when required at a commercially reasonable cost, or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire land, commence new projects or to continue the development of existing projects. Any such failure may also increase our borrowing costs and have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

In addition, under our current development model, we require substantial capital resources to acquire land parcels on a large scale before they reach the development stage according to our phased development schedule and pursuant to PRC land regulations. Bank loans in the PRC, however, are typically only available for drawdown once a project receives a permit for commencement of construction works. Due to this and other reasons, trust financing has become a necessary and substantial component of our external financing, particularly in the early stages of property development. Even though trust financing is a legitimate source of financing under PRC laws, it typically costs more than traditional bank borrowing and involves additional terms and conditions. We cannot assure you that we will not be required to resort to proportionally more trust financing, or that we will be able to secure trust financing on reasonable terms, or at all, when we need it. If any of these circumstances occur, our finance costs may materially increase or our development plan may be hampered, which, in turn, may materially and adversely affect our business, results of operations and financial condition.

If we fail to collect our trade receivables, our financial condition and results of operations will be materially and adversely affected

We recorded considerable trade receivables and bill receivables as of December 31, 2018, 2019 and 2020, amounting to RMB952.6 million, RMB929.5 million and RMB877.6 million, respectively, of which RMB746.9 million, RMB840.2 million and RMB828.6 million, respectively, were past due for more than one year. The overdue amount is primarily attributable to RMB581.1 million due from the government of Chenghua District, Chengdu in relation to a dispute on refund of land premium proceeds of Phase I of our Chengdu primary land development project. We cannot assure you that we will be able to collect trade receivables from our debtors, in full or in a timely manner, and our failure to do so may materially and adversely affect our financial condition, results of operations and cash flow, as we could be forced to write off a receivable in accordance with IFRS and our accounting policies if our trade debtors, fail to honor their repayment obligations. In addition, we may incur expenses and have management resources diverted relating to the collection of our trade receivables, such as through legal proceedings.

If we fail to collect on loans that we provided to third party entities, our financial condition and results of operations will be materially and adversely affected

For the year ended December 31, 2018, we recognized a loss allowance of RMB902 million other operating expenses as a result of the collectability of certain loans provided to a number of companies indirectly owned by an individual (the “**Individual**”) or guaranteed by the Individual becoming uncertain, with an outstanding balance totalled RMB1,002 million as at December 31, 2018. Due to an adverse report of an investigation involving the Individual in the PRC, our management concluded that there was a significant increase in the credit risk associated with such loans and guarantees. As of December 31, 2020, a total loss allowance of RMB139 million was recognized on the loans provided to third parties. We cannot assure you that we will be able to collect the outstanding balance under such loans and guarantees, in full or in a timely manner, and our failure to do so may materially and adversely affect our financial condition, results of operations and cash flow.

We are subject to certain restrictive covenants and risks normally associated with debt and trust financing, which may limit or otherwise materially and adversely affect our business, financial condition and results of operations

We are subject to certain restrictive covenants in our loan and financing agreements with certain banks and trust companies. Some of our loan agreements, for example, obligate some of our subsidiaries to maintain certain financial ratios and we have in the past breached a number of these obligations. In addition, certain loan agreements contain covenants pursuant to which we or our relevant PRC operating subsidiaries may not enter into merger, joint venture or restructuring, decrease our registered share capital, transfer material assets, liquidate, change our shareholding or distribute dividends without the relevant lenders' prior written consent or unless we fully settle the outstanding amounts under the relevant loan agreements.

Our trust financing agreements generally also contain certain covenants stipulating, among others, that we or our relevant subsidiaries will not repay shareholders' loans, misuse proceeds, provide guarantees, distribute dividends, enter into a merger, joint venture or acquisition, transfer material assets or change our registered share capital without notifying the relevant trust company, obtaining the prior consent of the relevant trust company or fully repaying the outstanding amount under the relevant trust financing agreement. Pursuant to some of the trust financing arrangements, the trust companies have veto rights over certain of our corporate actions. In addition, our trust financings are generally secured by either a pledge or a transfer of our equity interests in the relevant project subsidiary to the relevant trust company. If we fail to comply with any of those covenants resulting in the trust companies' requests for acceleration or other default remedies or repay these trust financings in part or in full at their respective maturity dates, we may lose part or all of our equity interest in these project subsidiaries and our proportionate share of the asset value of the relevant property project. The occurrence of any of the above events may have a material adverse effect on our business, financial condition and results of operations.

Our financing costs are affected by changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. On July 20, 2013, pursuant to the Notice on Further Promoting the Market-oriented Interest Rate Reform (《中國人民銀行關於進一步推進利率市場化改革的通知》), the PBOC ceased regulating the benchmark lending rate, allowing commercial banks to adopt differentiated lending rates pursuant to market principles. The benchmark one-year bank lending rates published by the PBOC for the years ended December 31, 2017, 2018 and 2019 were 4.35%, 4.35% and 4.15%, respectively. On August 16, 2019, pursuant to the Announcement No.15 [2019] of the People's Bank of China: Announcement of the People's Bank of China on the Decision to Reform and Improve the Formation Mechanism of Loan Prime Rate (LPR) (《中國人民銀行公告[2019]第15號—關於中國人民銀行決定改革完善貸款市場報價利率(LPR)形成機制的公告》), the PBOC decided to reform and improve the formation mechanism of loan prime rate ("LPR") and provided that banks should mainly refer to the LPR for setting interest rates in newly issued loans and adopt the LPR as the pricing benchmark in floating rate loan contracts. Any increases in benchmark lending rates and/or LPR will increase the interest costs for our property developments.

We guarantee the mortgages provided by financial institutions to our purchasers and, consequently, we are liable to the mortgagees if our purchasers default

We arrange for various banks to provide mortgages to the purchasers of our properties. In accordance with market practice, PRC domestic banks require us to provide guarantees in respect of these mortgages. We generally provide guarantees until the purchasers of our properties obtain the relevant “strata-title building ownership certificate (分戶產權證)” and the mortgage is registered in favor of the bank. We rely on credit checks conducted by the bank on our customers and do not conduct our own credit checks. The guarantees cover the full value of mortgages that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments by the purchasers. The typical guarantee period is 24 months. We deposit with the mortgage banks an amount which typically represents less than 10% of the mortgage to which the guarantee relates. If a customer defaults on payment of its mortgage, the mortgagee bank may deduct the payment due from the deposited sum and require that we immediately repay the entire outstanding balance of the mortgage pursuant to the guarantee. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the loan and the mortgage to us and we would then have full recourse to the property. As of December 31, 2018, 2019 and 2020 our outstanding guarantees over the mortgage loans of our customers amounted to RMB7,266.6 million, RMB6,563.9 million and RMB4,738.9 million, respectively. We cannot assure you that defaults by purchasers will not occur or the rate of such defaults will not increase in the future. If a significant amount of our guarantees is called upon at the same time or in close succession, our results of operations and financial condition may be materially and adversely affected to the extent that there is a material depreciation in the market value of the relevant properties from the price to be paid by the customers or that we cannot resell such properties due to unfavorable market conditions or other reasons.

Any breach of contractual obligations by third-party contractors for the construction of our property development projects or our primary land development projects may adversely affect our results of operations and financial condition

We engage third-party contractors to provide various services, including the construction of buildings for our property development projects and the clearance of land for our primary land development projects. We generally select third-party contractors through competitive bids and also through internal assessment of general factors including their demonstrated competence, market reputation and our prior relationships with them, if any. Completion of our projects is subject to the satisfactory performance by these third-party contractors of their contractual obligations, including their adherence to the pre-agreed schedule for completion, and we cannot assure you that the services rendered by any of these third-party contractors will be satisfactory or that their services will be completed on time. If the performance of any third-party contractor proves unsatisfactory, or if any of them is in breach of its contractual obligations, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect our cost and construction progress of our projects. Furthermore, a contractor’s financial or other difficulties may cause the delay in the completion of our property developments and result in our incurring additional costs, which may have a material adverse effect on our results of operations and financial condition.

Our business may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, the relevant PRC governmental approvals for our property development projects

We are required to obtain various permits, licenses, certificates and other approvals including, but not limited to, the state-owned land use rights certificates, planning permit for construction land, planning permit for construction works, permit for commencement of construction works, pre-sale permit for commodity properties and certificates or confirmations of completion and acceptance from the relevant administrative authorities at various stages of project development. In particular, we are required to obtain state-owned land use rights certificates before commencing any property development and such certificates would generally only be issued after certain conditions have been satisfied. Such conditions include the relevant project company having executed the state-owned land use rights granting contracts (國有土地使用權出讓合同) with the relevant authorities whereby the land use rights are granted to the relevant project company, provided we have paid the land grant premium in full.

As of December 31, 2020, we had obtained the relevant land use rights certificates for all of the properties completed and the properties under development by us. However, we had land parcels held for future development, corresponding to approximately 1.34 million sq.m. in planned GFA, for which we had not obtained the relevant land use rights certificates for reasons relating to resettlement or re-zoning.

As of December 31, 2020, we had land parcels held for future development in connection with our Weifang Sunshine 100 City Plaza, corresponding to 8.87 million sq.m. in planned GFA, with respect to which we had not obtained the relevant land use rights certificates, as we had entered into a project development framework agreement with the local authorities in January 2010 and planned to obtain the relevant land use rights certificates following normal procedures set by the local authorities if we prevail at the future land auction and enter into land grant contracts with the local government. We cannot, however, assure you that we will prevail at the future land auction.

Furthermore, as of December 31, 2020, there were, in connection with our Xi'an Sunshine 100 Arles, land parcels with planned GFA of 4.55 million sq.m., that were pending relevant land use rights certificates from local authorities.

We cannot assure you that we will be able to obtain all necessary certificates and permits for our projects in a timely manner, or at all, and we cannot assure you that we will not encounter problems in fulfilling all or any of the conditions imposed for the grant of the necessary certificates or permits, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the granting of such items. Additionally, there may also be significant delays in the granting of such certificates and permits to us by the relevant PRC administrative bodies. If we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or experience significant delays in obtaining, the requisite governmental permits, licenses, certificates and other approvals, penalties could be levied on us and our schedule of property development could be disrupted or substantially delayed, which could materially and adversely affect our business, financial condition and results of operations.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability

We are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise. Based on the valuation of our investment properties by an independent property valuer, we recognized the aggregate fair market value of our investment properties and relevant deferred tax on our consolidated balance sheets and fair value gains on investment properties and movements of the relevant deferred tax on our consolidated income statements. For the years ended December 31, 2018, 2019 and 2020, the fair value gains on our investment properties were RMB888.7 million, RMB529.5 million and RMB42.6 million, respectively.

Fair value gains or losses do not, however, 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 revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline in the event that the property industry of China experiences a downturn. Any significant decreases in the fair value of our investment properties may materially and adversely impact our profit.

The illiquidity of property investments and the lack of alternative uses of hotel and retail properties could significantly limit our ability to respond to adverse changes in the performance of our investment properties

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates, supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we sell an investment property during the term of that property's management agreement or tenancy agreement, we may have to pay termination fees to our hotel management partners or our anchor retail tenants.

In addition, hotels and retail properties may not be readily converted to alternative uses if they became unprofitable due to competition, age, decreased demand or other factors. The conversion of hotel and retail properties to alternative uses generally requires substantial capital expenditure. We cannot assure you that we will have sufficient funds to carry out the conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our hotels and retail properties could affect our ability to compete against our competitors and our results of operations.

If our provisions for LAT prove to be insufficient, our financial results would be adversely affected

Our properties developed for sale are subject to LAT. Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement with the relevant tax authorities. As we often develop our projects in phases, deductible items for the calculation of LAT, such as land costs, are apportioned among different phases of development. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We only prepay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2018, 2019 and 2020, we made provisions for LAT in the amounts of RMB184.4 million, RMB304.6 million and RMB289.1 million, respectively. As of the date of this Offering Memorandum, we had not received any official confirmation or exemption with respect to our LAT liabilities for any period despite our LAT prepayments during the years. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities, nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. In addition, as we continue to expand our property developments, we cannot assure you that our provision for LAT obligations based on our estimates in new markets will be sufficient to cover our actual LAT obligations. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict our cash flow position, our ability to finance our land acquisitions and to execute our business plans.

Our future growth partly depends on our ability to develop our business in other regions of China where we currently have no operations

In order to achieve sustainable growth, we need to continue to seek development opportunities in select regions in the PRC with potential for growth where we have no existing operations. However, our experience as a property developer in our existing markets may not be applicable in other regions. We may face intense competition from developers with established experience or presence in these new markets, and from other developers with similar expansion plans. In addition, business expansion or land acquisition requires a significant amount of capital investment and human resources, and may divert our existing resources including the attention of our management. Additionally, we may not be able to hire, train or retain sufficient talent to manage our operations in the new markets. As a result, our inability to develop, manage and integrate new projects and businesses may adversely affect our operating efficiency and the success of our expansion plans, which consequently may adversely affect our business, financial conditions and future prospects.

Increasing competition in the PRC, particularly from developers of properties similar to ours in the second- and third-tier cities where we operate, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects in second- and third-tier cities in China, including property developments similar to ours, with commercial and residential properties integrated to varying degrees. Our major competitors include large national and regional property developers and overseas developers, some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local property developers. Intense competition among property developers in second- and third-tier cities in China for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, an oversupply of properties available for sale and a decrease in property prices. Any of the above may adversely affect our business, financial condition and results of operations. In addition, the property markets in second- and third-tier cities in China are rapidly changing in response to various external factors beyond our control. If we fail to respond to these changes in market conditions or customer preferences more swiftly or effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax (“EIT”) law and be subject to PRC taxation on our worldwide income

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries in China. Under the EIT law that took effect on January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% EIT rate as to their global income. Under the implementation regulations issued by the State Council relating to the new EIT 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.

In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents as is in our case.

Although we are currently not treated as a PRC resident enterprise by the relevant tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC EIT purposes and subject to the uniform 25% EIT as to our global income. Furthermore, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Bonds to investors that are non-resident enterprises located in Hong Kong and 10% on payments of interest and other amounts on the Bonds to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. Similarly, any gain realized by such non-resident enterprise investors from the transfer of the Bonds would be regarded as being derived from sources within the PRC and would accordingly be subject to a 10% PRC

withholding tax. If we are treated as such a PRC resident enterprise under PRC tax laws, we could face adverse tax consequences.

Compliance with PRC laws and regulations regarding environmental protection or preservation of antiquities and monuments could result in substantial costs

We are subject to extensive PRC laws and regulations concerning environmental protection and preservation of antiquities and monuments which impose fines for violation and authorize government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation of certain activities causing environmental damage. The application of such laws and regulations vary greatly according to a site's location, its environmental condition, present and former use, as well as the circumstances of its adjoining properties. Such variation in application may result in delays in our project completion and may cause us to incur substantial compliance and other costs and severely restrict our project development activities in certain regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of project construction, if we fail to meet such requirements, the local authorities may issue orders to suspend our construction activities and impose a penalty in the range of one to five percent of the total investment amount of the project. We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. In the event of a suspension of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

There is a growing awareness of environmental issues in the PRC and we may sometimes be expected to meet more stringent standards than those under applicable environmental laws and regulations. We have not adopted any special environmental protection measures other than the measures generally taken in the ordinary course of business by comparable companies in our industry. There is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet public expectations, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, financial condition, and results of operations.

We may not have adequate insurance to cover all kinds of losses and claims in our operations

We maintain insurance as required by applicable PRC laws and regulations and as we consider appropriate for our business operations. We do not, however, maintain insurance against all risks associated with our operations, such as insuring our projects under development against natural or accidental damage and destruction by fire, flood, lightning, explosions or other hazards during construction periods or insuring our assets against certain natural disasters. We may incur losses, damages or liabilities during any stage of our property development and we may not have sufficient funds to cover the same or to rectify or replace any uninsured property or project that has been damaged or destroyed. In addition, any payments we are obligated to make to cover any losses, damages or liabilities may materially and adversely affect our business, financial condition and results of operations.

We depend on our management team for sustainable growth

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel with relevant professional skills. The services of Mr. Yi Xiaodi, our Chairman and Chief Executive Officer and our other Directors and members of senior management are essential to our success and future growth. The loss of Mr. Yi or a significant number of our other Directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Due to intense competition for management and other personnel in the PRC property sector, any failure to recruit and retain the necessary management personnel could have a material adverse impact on our business and prospects.

Losses from our associated companies may adversely affect our results of operations

We have minority interests in certain projects through associated companies. The results of operations of these associated companies are not consolidated with our Group, and we record gains or losses from these investments on our income statements. As we do not control these associated companies, we cannot direct their business operations even if we disagree with the majority shareholders with regard to important business decisions with respect to these companies which may negatively impact the value of our investments and could, in turn, materially and adversely affect our own business, results of operations and financial condition.

A deterioration in our brand image or any infringement of our intellectual property rights could adversely affect our business

We rely to a significant extent on our brand name, “Sunshine 100” (“陽光100”), in marketing our properties. Brand value is based largely on subjective consumer perception and can be damaged by isolated incidents that diminish consumer trust. Any negative incident or negative publicity concerning us or our business could adversely affect our reputation and business. Our brand value and consumer demand for our properties could decline significantly if we fail to maintain the quality of our properties or fail to deliver a consistently positive experience for the purchasers of our properties, or if we are perceived to have acted in an unethical or socially irresponsible manner. In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations. In addition, we have authorized Putian Jiande Real Estate Development Co., Ltd., (莆田市建德房地產開發有限公司), Guangxi Tianqi Investment Co., Ltd. (廣西天祺投資有限公司) and Wuzhou Sanqi Investment Co., Ltd. (梧州市三祺投資有限公司), our associated companies, and may in the future authorize additional non-Group companies, to use our brand. While we seek to maintain our brand image by requiring these companies to comply with relevant rules and standards relating to the use of our brand name, we cannot assure you that these parties will not use our brand name in a way that negatively affects our reputation and the reputation of our projects, which in turn may have an adverse effect on our financial condition and results of operations.

In addition, our service marks, trademarks, trade secrets and other intellectual property are critical to our success. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite the precautions taken, it may be possible for third parties to misappropriate and use our intellectual property without authorization, which may impair the value we have built in our brand name, damage our reputation and adversely affect our business and results of operations. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and, consequently, adversely affect our business and results of operations.

Our results of operations may be adversely affected by price volatility of construction materials and the rising cost of labor

As a result of the economic growth in China, prices for construction materials, including but not limited to steel and cement, and wages for construction workers have increased substantially in recent years. With the overall improvement of living standards in China as well as the PRC government's recent policies aimed at increasing wages of migrant workers, we expect labor costs to continue to increase in the near future. We are exposed to price volatility of construction materials and increased labor cost to the extent that we are not able to pass the increased costs on to our construction contractors or customers. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. Our inability to pass cost increases to our construction contractors or our customers may adversely affect our results of operations.

Our business may be adversely affected if we fail to obtain, maintain or renew the required qualification certificates and other requisite government approvals

Property developers in the PRC must hold a valid qualification certificate to develop commercial and residential properties. In addition, at various stages of project development, the developer must obtain various licenses, certificates, permits, and approvals from the relevant PRC administrative authorities, including, among other things, land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion. PRC laws provide that a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the provisional qualification certificate, it will not be allowed to renew the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfill all statutory requirements before they may obtain or renew their qualification certificates. We conduct our property developments through project companies, and we cannot assure you that our project companies will be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. We cannot assure you that we will not encounter significant problems in satisfying the conditions to, or experience delays on the part of the administrative bodies in, the issuance or renewal of the relevant qualification certificates of our project companies or other necessary licenses, certificates, permits or approvals. There may also be

delays in reviewing and processing our applications and granting licenses, certificates, permits or approvals. Any of the above factors could adversely impact our development schedule and our sales, which would in turn result in a material and adverse effect on our business, results of operations and financial condition.

We may be subject to sanctions by the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure.

Moreover, even if the time of commencement of the land development is in line with the land grant contract, under certain circumstances, such as if the development of the land has been suspended for over one year without government approval, the land will be treated as idle land.

Many cities in China have set out specific enforcement rules on the idle land, civil air defense underground spaces, and the local authorities are expected to enforce such rules in accordance with the instructions from central government of China. We cannot assure you that regulations relating to idle land, civil air defense underground spaces or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use rights grant contract as a result of delays in project development, or as a result of other factors, we may lose the opportunity to develop the project, as well as our past investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

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

Property developers in the PRC are typically 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 property sale and purchase agreement. Property developers, including ourselves, generally elect to specify the deadline for the delivery in the property sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration after 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 regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers.

Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. We cannot assure you that we will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control.

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 may be involved in disputes with various parties involved in the development and sale of our properties, including contractors, suppliers, construction workers, purchasers and project development partners. We may also be involved in disputes with various parties relating to our property management business. See "*Business — Legal Proceedings*". These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. As most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we 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. From time to time, our officers and management may be parties to litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

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

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for our development and, as a consequence, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental approval, and the payment of additional land premium. If issues related to excess GFA cause delays in the delivery of our products, we may also be subject to liability to purchasers under our sales and purchase agreements. We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA,

or that the authorities will determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to take any remedial action that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, results of operations and financial condition.

We may be subject to additional payments of statutory employee benefits

According to PRC labor laws and regulations, we are required to pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance for all employees, to designated government agencies. We pay statutory employee benefits based on the contribution ratio pre-set by the local labor authorities, while we accrue provisions for unpaid employee benefits. If the relevant employees bring a complaint regarding any unpaid employee benefits before relevant government authorities or initiate labor arbitration proceedings, we may be required to pay the arrears amount in full and pay delay penalties. If we are required to make additional payments of statutory employee benefits, our operating expenses will increase and consequently our results of operations and financial condition may be materially and adversely affected.

Your interest may not always align with those of our shareholders, including the Controlling Shareholders

You are also reminded that your interests may not always align with those of other shareholders, including our Controlling Shareholders. The Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions, and the power to prevent or cause a change in control. Without the consent of the Controlling Shareholders, we may not be allowed to enter into transactions that you may consider desirable. We cannot assure you that actions taken by our Controlling Shareholders will completely align with your interests, or that any conflicts of interest will be resolved in a way beneficial to you as our creditors.

Disputes with joint venture partners may adversely affect our business

We have, and expect to have in the future, interests in joint venture entities in connection with our property development plans. In certain circumstances, our existing joint venture entities have relied on our financial support, and we expect they will continue to do so. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties to the joint venture. Our joint ventures may involve risks associated with the possibility that our joint venture partners may:

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

- have financial difficulties; or
- have disputes with us as to the scope of their responsibilities and obligations.

We cannot assure you that we will not encounter problems with respect to our joint venture partners which may have an adverse effect on our business operations, profitability and prospects.

RISKS RELATING TO THE PROPERTY INDUSTRY IN CHINA

Our business is subject to extensive government regulation, and we are particularly susceptible to policy changes relating to the PRC property sector

Our business is subject to extensive government regulation. 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 designed to implement such laws and regulations. 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. Specifically, 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 and levies on property sales and restrict foreign investment in the PRC property sector. Such property industry policies may materially and adversely affect our operations or our future business development. In addition, many of the property industry policies carried out by the PRC government in recent years were unprecedented and are expected to be amended over time. Other political, economic and social factors may also lead to further amendments of such policies. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. If we fail to adapt our operations to these new policies, regulations and measures that may come into effect from time to time, or if such policy changes negatively impact our business or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

You should read the various risk factors in this section “— Risks Relating to the Property Industry in China” for more detailed descriptions relating to the extensive PRC government regulation in the property sector.

The PRC government may adopt further measures to prevent over-heating of the property sector

Along with the economic growth in China, investments in the property sector have increased significantly in the past few years. In response to concerns over the increase in property investments, the PRC government introduced various policies and measures to curtail property developments, including:

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment (excluding affordable housing projects);

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low-to medium-cost and small- to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 sq.m. and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Housing and Urban-Rural Development (“**MOHURD**”);
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more;
- requiring any first-time home owner to pay the minimum amount of down payment of 30% of the purchase price of the underlying property;
- requiring any second-time home buyer to pay an increased minimum amount of down payment of 60% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate of no less than 110% of the relevant PBOC benchmark one-year bank lending interest rate;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- imposing more restrictions on the types of property developments that foreign investments may engage in;

- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing FIREEs, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- adjusting the benchmark one-year lending rate published by PBOC. For the year ended December 31, 2010, the benchmark one-year lending rate was 5.81%. On July 7, 2011, the rate was 6.56% and on July 6, 2012, the rate was 6.00%. On October 24, 2015, the rate was 4.35%; and
- adjusting the PBOC Renminbi deposit reserve requirement ratio for all PRC deposit taking financial institutions 9 times in 2015, 2016, 2018 and 2019. The current PBOC Renminbi deposit reserve requirement ratio is 14.00% for usual large-sized financial institutions and 12.00% for usual small- and medium-sized financial institutions and has been effective since January 15, 2019.

In August 2020, the MOHURD and PBOC held a joint meeting to communicate with certain real estate enterprises and other relevant governmental departments. During the meeting, the MOHURD, PBOC and other relevant governmental departments jointly announced that they have collectively formulated rules for monitoring funds and administration of financing of real estate enterprises. According to the MOHURD, PBOC and other relevant governmental departments, these rules seek to establish a more market-oriented, rule-based and transparent administration over the financing activities of real estate enterprises. As of the date of this Offering Memorandum, such rules have yet to be released.

These and other future measures may limit our access to capital, reduce market demand for our products and increase our finance costs. We cannot assure you that the PRC government will not adopt more stringent policies, regulations and measures in the future. 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 negatively impact our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available

Most 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 and affect the affordability of residential properties. The PRC government and commercial banks may also increase the down-payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing less available or less attractive to potential property purchasers. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan and the monthly house expenditure would exceed 50% of the individual borrower's monthly income or

if the monthly repayment of total debt of the individual borrower would exceed 55% of such individual's monthly income, if the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be materially and adversely affected.

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

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

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

Our business may be sensitive to global economic conditions

The global financial markets are highly turbulent recently. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. There have also been concerns over unrest in the Middle East and Africa, which have resulted in significant market volatility. Additionally, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU withdrawal agreement (the "UK-EU Withdrawal Agreement") signed in October 2019. At the end of the transition period, December 31, 2020,

the United Kingdom was no longer a part of the European Union. While the United Kingdom has for the most part chosen to retain existing European Union law and have recently reached a trade deal to allow the United Kingdom to continue to trade with the European Union without tariffs or quotas, there are still many unanswered questions. The effects of Brexit remain uncertain and may cause a negative economic impact and increase volatility in the global market. In addition, the U.S. government has made statements and taken certain actions that may lead to potential changes to United States and international trade policies towards China. In January 2020, the phase one agreement was signed between China and the United States on trade matters. However, China and the United States have not launched phase two negotiations yet and there is no assurance that the trade disputes between China and the United States will be fully resolved. Failure of trade negotiations between the United States and China may lead to additional costs and unexpected consequences on the Group's business. In addition, the more recent COVID-19 pandemic has caused volatility in stock markets worldwide since February 2020. Market interest rates have declined significantly, with the 10-year United States Treasury bond falling below 1.00% for the first time on March 3, 2020. These events have caused significant volatility in the global financial markets, which would negatively affect financial conditions and global economy. A decline in the economic prospects of our current and potential clients and occupants and the economy in general could reduce the demand for our trade centers and residential properties and the needs for our services to the occupants. Therefore, any prolonged slowdown in the global economy may materially and adversely affect our financial condition and results of operations. In addition, the weak economy could weaken investor confidence, which constitutes the basis of the credit markets. Renewed financial turmoil affecting the financial markets, banking systems and currency exchange rates may significantly restrict the ability of our clients to obtain mortgages to finance the purchase of our trade centers and residential properties, which could materially and adversely affect the demand of our properties, as well as our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could also materially and adversely affect our business, results of operations and prospects.

The property industry in China is still at a relatively early stage of development with a significant degree of uncertainty

Private ownership of property in China is still at a relatively early stage of development. Demand for private residential property has been increasing rapidly in recent years, which has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and, accordingly, it is very difficult to predict when and how much demand will develop. Limited availability of accurate financial and market information and the general low level of transparency in China's property industry contribute to overall market uncertainty. Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential 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. The risk of over-supply is also increasing in parts of China where property investment, trading and speculation have become more active. If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations and financial condition could be materially and adversely affected.

Changes of PRC laws and regulations with respect to pre-sales may adversely affect our business

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance the related development. Various PRC authorities and regulators have publicly called for the discontinuance or abolishment of pre-sales, or the imposition of tighter regulations on such practice. We cannot assure you that the PRC governmental authority will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our revenue, cash flow and results of operations.

We are exposed to contractual and legal risks related to the pre-sale of our properties

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete the development of units which we have pre-sold, we will be liable to the purchasers for their losses, if we fail to complete a pre-sold property on time, our purchasers are entitled to claim compensation for late delivery under either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and claim for additional compensation. A purchaser may also terminate his or her contract with us and/or claim for compensation for certain other contract disputes, including, for example, if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit as set out in the contract, or if the floor plan of the relevant unit is different from what is set out in the contract adversely affecting the quality and functionality of the unit, or if the interior decoration of the relevant unit is inferior to what is set out in the contract, or if the purchaser fails to receive the relevant property ownership certificate within a statutory period due to our fault. For the years ended December 31, 2018, 2019 and 2020, we paid compensation for delay in delivery and other contract disputes to our purchasers in the amount of RMB21.0 million, RMB4.5 million and RMB7.8 million, respectively.

The major cause for the delays in delivery has been delays in construction of the projects by our contractors for various technical and other reasons. If a delay is caused by a contractor's fault, we are typically able to claim compensation from the contractor pursuant to the terms of our contract with it and generally recoup such compensation through negotiated reduced fee payments to the contractor. We cannot assure you that we will not experience delays in the completion of our projects and delivery of our properties and, to the extent that we believe such delays are caused by the fault of our contractors, that we will always succeed in proving such fault against, and recoup full compensation from, our contractors. We also cannot assure you that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant contract or that we will not be involved in other contract disputes with purchasers of our properties resulting in penalties against us. If we experience material delays in

delivering our properties in the future or are required to pay significant amounts of compensation to purchasers of our properties due to contractual disputes or other reasons, our results of operations may be materially and adversely affected.

We are subject to claims under statutory quality warranties

All property development companies in the PRC, including us, must provide certain quality warranties for the properties they construct or sell. Generally, we also receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner, or at all, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

The economic, political and social conditions in China, as well as government policies, could affect our business and prospects

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- the amount and degree of the PRC government involvement; growth rate and degree of development;
- uniformity in the implementation and enforcement of laws; control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For over three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws. Regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be amended and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures, which may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be over-heating, including the property industry. These measures have included restricting foreign investment in certain sectors of the property industry, raising

benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. See “— *Risks Relating to the Property Industry in China — The PRC government may adopt further measures to prevent over-heating of the property sector.*” These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the property industry, and in turn have a material and adverse impact on our business, results of operations and financial condition.

Furthermore, the United States and China have recently been involved in controversy over trade barriers between the countries. Both countries have implemented or proposed to implement tariffs on certain imported products from the other. Sustained tension between the United States and China over trade policies could significantly undermine the stability of the global and China’s economy. Any severe or prolonged slowdown or instability in the global or China’s economy may materially and adversely affect our results of operations and financial condition.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations

The PRC government imposes controls on the convertibility between the Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (“SAFE”) by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to provide financing to our PRC subsidiaries. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital as long as the special market entry management measures prescribed by the State (國家規定實施准入特別管理措施) are involved or the projects are listed in the Catalog of Investment Projects Subject to Government Verification and Approval(2016 Version) (政府核准的投資項目目錄(2016年本)), and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals or record-filings received by our PRC subsidiaries permit any such shareholder loans at all. The Foreign Investment Law of the PRC (中華人民共和國外商投資法) (“**Foreign Investment Law**”), which became effective on January 1, 2020, has changed the regulatory requirements with respect to transferring funds to our PRC subsidiaries or financing their operations through shareholders’ loans or capital contributions. Even though foreign investment and financing in the PRC have become more convenient and liberalized under the Foreign Investment Law, there is no guarantee that we will be able to obtain any government permits as requested by the relevant authorities on a timely basis, or at all. If we fail to receive such approvals, our ability to

provide loans or capital contributions to our PRC operating subsidiaries may be negatively affected. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to provide financing to these subsidiaries, to undertake certain business opportunities and act in response to changing market conditions.

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

On October 21, 2005, SAFE issued Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or Circular No 75, which requires a PRC resident, including a PRC resident natural person or a PRC company to register with the local branch of the SAFE before it establishes or controls an overseas special purpose vehicle for the purpose of overseas equity financing (including convertible debt financing). On July 4, 2014, SAFE issued Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular No. 37, which states that: (i) Circular No. 75 will expire upon the promulgation of Circular No. 37; (ii) a PRC resident, including a PRC resident natural person or a PRC company, must register with the local branch of the SAFE before it contributes the assets of or its equity interest into a special purpose vehicle for the purpose of investment and financing; and (iii) when the special purpose vehicle undergoes change of basic information, such as change of a PRC resident natural person shareholder, its name or operating period, or a material event, such as change in share capital held by a PRC resident natural person, merger or split, the PRC resident must register such change with the local branch of the SAFE timely. Under Circular No. 37, failure to comply with the registration procedures set forth above may result in penalties.

Our Original Shareholders completed the registration of their overseas invested companies in accordance with Circular No. 75 in 2007. Material changes in the status of these overseas invested companies will require further registration of changes in accordance with Circular No. 37. Our Original Shareholders are in the process of registering with local SAFE pursuant to Circular No. 37 due to change of its share capital structure during the initial public offering. We cannot assure you that such process will be completed in a timely manner, or at all, or that we will not be subject to fines or restrictions on our cross-border activities.

Fluctuations in the value of the Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries

The value of the Renminbi depends, to a large extent, on the PRC domestic and international economic, financial and political developments and governmental policies, as well as the currency's supply and demand in the local and international markets. Since 1994 till 2005, the conversion of the Renminbi into foreign currencies were based on exchange rates set and published daily by PBOC in light of the previous day's interbank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of the Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, PBOC revalued the Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of the Renminbi appreciated by more than 2% on that day. Since then, the PRC central bank has allowed the official Renminbi

exchange rate to float against a basket of foreign currencies. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 19, 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. On June 19, 2010, PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the Chinese currency's exchange rate flexibility. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 34.0% from July 21, 2005 to August 5, 2013. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. On August 11, 2015, to improve the central parity quotations of Renminbi against the U.S. dollar, the PBOC authorized market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such changes have increased, and additional future changes may further increase, the volatility in the trading value of the Renminbi against foreign currencies. Since then the Renminbi has experienced further fluctuation in value against the U.S. dollar, including the recent depreciation against the U.S. dollar. Although the exchange rate between the Hong Kong dollar and the U.S. dollar has been effectively pegged, there can be no assurance that the Hong Kong dollar will remain pegged to the U.S. dollar, especially in light of the significant international pressure on the Chinese government to permit the free floatation of the Hong Kong dollar or the Renminbi, which could result in an appreciation of the Hong Kong dollar or the Renminbi against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. There can be no assurance that such exchange rate will not fluctuate widely against the U.S. dollar, the Hong Kong dollar or any other foreign currency in the future. Since our income and profits are denominated in Renminbi, any appreciation of the Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of the Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of the Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert the Renminbi into foreign currencies to service our indebtedness denominated in foreign currencies.

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

Our core business is conducted in China and our principal operating subsidiaries are located in China. Consequently, we are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and

because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to us and to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

RISKS RELATING TO THE NOTES

The green notes to be issued may not be a suitable investment for all investors seeking exposure to green assets

In connection with the issue of the Notes, the Company has requested the Hong Kong Quality Assurance Agency (the “HKQAA”) to issue independent certification (a “HKQAA Pre-issuance Stage Certificate”) confirming that the Notes are in compliance with the requirements of the Green Finance Certification Scheme operated by the HKQAA (the “HKQAA Green Finance Certification Scheme”). The HKQAA Green Finance Certification Scheme is a set of voluntary guidelines that aims to facilitate the development of green finance and the green industry. The HKQAA Pre-issuance Stage Certificate has been obtained for the Notes. See the section headed “The HKQAA Green Finance Certification Scheme” of this Offering Memorandum for more details.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green”, and therefore no assurance can be provided to potential investors that the eligible green projects will continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in accordance with the categories recognised by the HKQAA Green Finance Certification Scheme and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

The HKQAA Pre-issuance Stage Certificate is not incorporated into, and does not form part of this Offering Memorandum. The HKQAA Pre-issuance Stage Certificate may not reflect the potential impact of all risks related to the Notes, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Notes. The HKQAA Pre-issuance Stage Certificate is not a recommendation to buy, sell or hold securities and is only current as of its date of issue.

While it is the Company’s intention to allocate an amount equal to the net proceeds received from the Offering to refinance eligible green projects in accordance with the Green Finance Framework, it would not be an Event of Default under the Description of the Notes if it were to fail to comply with such intention. Any failure to use the net proceeds in connection with such eligible projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to the Notes, may affect the value and/or trading price of the Notes, and/or may have

consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Notes are included in any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled index, no representation or assurance is given by the Company or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by certain other Non-Guarantor Subsidiaries and under the terms of the Indenture, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and certain Non-Guarantor Subsidiaries incorporated outside China and may be held by JV Subsidiary Guarantors or new Non-Guarantor Subsidiaries in the future. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of distributions of dividends principally from our PRC subsidiaries.

Creditors, including trade creditors of our PRC subsidiaries, Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on such entities’ assets that would be prior to the claims of the holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including obligations of their subsidiaries under guarantees they have issued or will issue in connection with our business), and all claims of creditors of our Non-Guarantor Subsidiaries, will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

The Notes are unsecured obligations and will also be effectively subordinated to our and the subsidiaries’ secured indebtedness. Claims of secured lenders, whether senior or junior, with respect to assets securing their loans will have priority with respect to those assets. In the event of the Company’s or any Subsidiary Guarantor’s or, if any, JV Subsidiary Guarantor’s bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to you ratably with all of our and any Subsidiary Guarantor’s or, if any, JV

Subsidiary Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

Moreover, under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary or its direct or indirect majority shareholders or upon the acquisition of capital of a future Restricted Subsidiary where such purchase is for no less than 50.1% and no more than 80% of the total outstanding Capital Stock of such future Restricted Subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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. Although the Indenture 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 have substantial indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our outstanding and future debt obligations

We currently have, and after the offering of the Notes will continue to have, a substantial amount of indebtedness. Our total borrowings, including both current and non-current borrowings, as of December 31, 2018, 2019 and 2020, were RMB29,695.3 million, RMB25,054.2 million and RMB26,370.6 million, respectively, and our debt to equity ratio (i.e. ratio of total loans and borrowings to total equity) were 3.1, 2.1 and 2.2 respectively, as of the same dates. Our substantial indebtedness could have important consequences. For example, it could:

- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit, together with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase our cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities, in which case the risks that we face as a result of our indebtedness could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, the demand for properties in the regions we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and to service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all, and, even when implemented, may result in an adverse effect on our business, results of operations and financial condition.

In addition, if we are unable to comply with the restrictions and covenants of our current or future debt obligations and other agreements including those of the Notes, the 2021 Convertible Bonds, the 2021 December Notes, the 2021 Notes and the 2023 Notes, there could be a default under the terms of these agreements, in which event, the holders of the debt could accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of other debt, or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness which has become due and payable, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms favorable or acceptable to us.

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 Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, restrictions contained in the debt instruments of such subsidiaries and applicable laws. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any), as the case may be.

In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends by the board of directors. In practice, our PRC subsidiaries may pay dividends once a year. 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 obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, and there could be restrictions on payments from our subsidiaries required to pay off the Notes at maturity or as required for any early redemption or repurchase offer.

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% 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 10% withholding tax on the interest payable in any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require. On April 28, 2013, SAFE issued a Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration, which became effective on May 13, 2013. Operating Guidelines for Foreign Debt Registration Administration, one of the three appendices in the notice, stipulates that SAFE would not process any foreign debt registration or settlement of foreign exchange for foreign debt for foreign-invested enterprises in the real estate sector that was approved by Commerce departments and registered with MOFCOM on or after June 1, 2007. Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as some of our PRC subsidiaries. Therefore, under the existing PRC regulations, our foreign-owned PRC subsidiaries in the real estate sector are subject to the restrictions as imposed by the aforesaid foreign debt registration rules regarding making payments on offshore loans, including offshore shareholders' loans.

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

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect how quickly we can deploy, as well as our ability to deploy, the funds raised in the offering in our business in the PRC

On May 23, 2007, the MOFCOM and the SAFE issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector. On April 28, 2013, SAFE issued a Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration, which became effective on May 13, 2013 and was amended on May 4, 2015 and contains an appendix named Operating Guidelines for Foreign Debt Registration Administration. These notices stipulate, among other things, (i) that SAFE will no longer process foreign debt registrations or applications for settlement of foreign exchange submitted by real estate enterprises with foreign investment who obtained authorization certificates from Commerce departments and registered with MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or changes to such registrations) or applications for sale and settlement of foreign exchange submitted by real estate enterprises with foreign investment who obtained approval certificates from local government commerce departments on or after June 1, 2007 but who did not register with MOFCOM. These regulations effectively restrict us from injecting funds raised offshore into our PRC subsidiaries by way of shareholder loans. In the past, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries required approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. Since January 1, 2020, instead of the aforesaid approval by and registration with local commerce authorities, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries are required to be registered through the online enterprise registration system maintained by State Administration for Market Regulation. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary registrations for all of our operating subsidiaries in the PRC to comply with such regulations. Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC, the funds raised in this offering. Therefore, we may not be able to use all or any of the capital that we may raise from this offering to finance our property acquisitions or our new projects in a timely manner or at all.

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

The Notes and certain of our indebtedness are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by PBOC on July 21, 2005, RMB-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. On August 11, 2015, to improve the central parity quotations of Renminbi against the U.S. dollar, the PBOC authorized market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international

currency exchange rates. Following the announcement by the PBOC on August 11, 2015, Renminbi depreciated significantly against the U.S. dollar. Since then the Renminbi experienced further fluctuation in value against the U.S. dollar. There remains significant international pressure on the PRC government to adopt a more flexible currency policy.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes and certain of our indebtedness.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under such agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchaser and its affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such agreements.

We may not be able to repurchase the Notes upon a Change of Control under the Notes, the 2021 December Notes, the 2021 Notes or the 2023 Notes

We must offer to purchase the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes upon the occurrence of a Change of Control, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of the Notes” and “Description of Other Material Indebtedness.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of a Change of Control under the Notes, the 2021 December Notes, the 2021 Notes or the 2023 Notes to make purchases of the outstanding Notes, the 2021 December Notes, the 2021 Notes or the 2023 Notes. Our failure to make the offer to purchase or purchase the outstanding Notes, the 2021 December Notes, the 2021 Notes or the 2023 Notes would constitute an event of default under the Notes, the 2021 December Notes, the 2021 Notes or the 2023 Notes, as the case may be. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes and repay the other debt.

In addition, the definition of Change of Control for purposes of the indentures governing the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, respectively, does not necessarily afford protection for the holders of the Notes, the holders of the 2021 December Notes, the holders of the 2021 Notes, the holders of the 2023 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. The definition of Change of Control for purposes of the indentures governing the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, respectively, also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, and the ability of a holder of the Notes, a holder of the 2021 December Notes, a holder of the 2021 Notes and a holder of the 2023 Notes to require us to purchase its Notes, its 2021 December Notes, its 2021 Notes and its 2023 Notes, as the case may be, 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.

It may be difficult to effect service of process upon us or our directors who live in the PRC or to enforce against us or them judgments obtained from non-PRC courts

We are incorporated in the Cayman Islands. All of our directors and management (and certain of the other parties named in this Offering Memorandum) reside outside the United States, and all of our assets are located outside the United States (principally the PRC). As a result, it may be difficult or impossible for investors to effect service of process upon us or such persons outside the PRC, within the United States or other jurisdictions, or to enforce against us or such persons in such jurisdiction, judgments obtained in courts of that jurisdiction, including matters arising under applicable securities laws and judgments predicated upon the civil liability provisions of the federal securities laws of the United States. In particular, you should be aware that there is uncertainty as to whether judgments of United States courts based upon the civil liability provisions of the federal securities laws of the United States will be enforceable in the courts of the Cayman Islands and whether the Cayman Islands courts will enter judgments in original actions brought in Cayman Islands courts based solely upon the civil liability provisions of the federal securities laws of the United States. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. The PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States and most other western countries.

Interest payable by us to our foreign investors and gain on the sale of our Notes may become subject to withholding taxes under PRC tax laws

Under the Enterprise Income Tax Laws, if our Company is deemed a PRC resident enterprise, the interest payable on the Notes will be considered to be sourced within China. PRC income tax at the rate of 10% will be applicable to such interest payable by us to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Similarly, any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. It is uncertain whether we will be considered a PRC “resident enterprise,” so we are not sure whether the interest payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Notes, would

be treated as income sourced within China and be subject to PRC tax. If we are required under the Enterprise Income Tax Laws to withhold PRC income tax on our interest payable to our foreign shareholders who are “non-resident enterprises,” we will 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. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts as a result of future changes in law

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 future changes in specified tax law or future changes in the existing official position or the stating of an official position regarding the application or interpretation of such law tax that results in our being required to withhold tax on interest payments due to 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.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of other jurisdictions with which holders of the Notes are familiar

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

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

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC including evidence that the relevant PRC taxes have been paid. If any of our PRC subsidiaries for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, such PRC subsidiary will be unable to pay us dividends, which would adversely affect our ability to satisfy our obligations under the Notes.

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

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in April 2013, SAFE promulgated Operating Guidelines for Foreign Debt Registration Administration, effective on May 13, 2013, indicating that SAFE would not process any foreign debt registration or settlement of foreign exchange for foreign debt for foreign-invested enterprises in the real estate sector that was approved by the local office of MOFCOM and registered with MOFCOM after June 1, 2007. Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as some of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China may only be transferred to our PRC subsidiaries as equity investments or as loans subject to the restrictions on foreign-invested real estate enterprises as imposed by the foreign debt registration rules. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that sufficient dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes when it becomes due.

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

From time to time, we have been required to seek amendments, waivers and consents in connection with financial and other covenants under our debt facilities. Such amendments, waivers and consents have all been granted by the applicable creditors and such incidents have not caused any material adverse impact on our operation and financial conditions. There is no assurance that we will not need to seek such amendments, waivers or consents in the future. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness — Loans and Borrowings.*”

If we are unable to comply with the restrictions and covenants in the indenture governing the Notes, or our current or future debt and other agreements (including the indentures governing the 2021 December Notes, the 2021 Notes and the 2023 Notes), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the indentures governing the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, respectively, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, or result in a default under our other debt agreements, including the indentures governing the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, respectively. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Furthermore, we are permitted to incur indebtedness pursuant to the indentures governing the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, respectively if, among other options, we are able to meet the Fixed Charge Coverage Ratio as defined in the respective indenture. We are permitted to use financial statements for the four most recent fiscal quarters to calculate the Fixed Charge Coverage Ratio, even if one or more of such financial statements are not subject to an audit or review by our auditors. We cannot assure you that if such financial statements were audited or reviewed by our auditors, they would not require them to be altered.

Our operations are restricted by the terms of the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, respectively, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The indentures governing the Notes, the 2021 December Notes, the 2021 Notes and the 2023 Notes, respectively 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;

- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

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

The Notes are a new issue of securities with no established trading market. Also, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that there will be an active trading market for the Notes. We do not intend to apply for listing of the Notes on any U.S. securities exchange or for quotation through an automated dealer quotation system. We have been advised that the Initial Purchaser intends to make a market in the Notes, but they are not obligated to do so and may discontinue such market-making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "*Transfer Restrictions*." We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

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

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and certain other entities or

persons related to the Company or our Restricted Subsidiaries, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and may be subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and, unless otherwise stated in the Indenture, we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The 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 of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. We cannot assure you that these developments will not occur in the future.

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

There may be less publicly available information about companies listed in Singapore than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with IFRS, which differs in certain significant respects from US GAAP and the generally accepted accounting principles of other jurisdictions.

Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this Offering Memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. No future subsidiaries that are organized under the laws of the PRC or their future PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee 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, trade payables and preferred stock of the PRC subsidiaries and their subsidiaries. See the section entitled "Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have

the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. See the section entitled “— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders. Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

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

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

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

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

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the

guarantor. In such a case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

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

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

USE OF PROCEEDS

The gross proceeds from this offering will be approximately US\$219.6 million, which we plan to use to refinance our existing indebtedness and in accordance with our Green Finance Framework. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments.

We expect that the timing and final amount of disbursement to be made for the foregoing purposes will be determined by our directors with a view to obtaining the optimal benefit for us. However, future events or developments, such as general market conditions, the level of demand for our properties and the outlook for our industry, changes in social, political and economic conditions and the regulatory environment in the countries in which we conduct business and changes in our need for capital and the availability of financing and capital to fund these needs, may make a change in the use of the proceeds from that specified above necessary or desirable.

GREEN FINANCE FRAMEWORK

Green Finance Framework

The Green Finance Framework (“**Framework**”) sets out how Sunshine 100 intends to issue Green bonds, loans or any other debt-like instruments to finance projects that have a positive environmental impact and synergize its business strategy and mission, and in doing so contribute to positive environmental impacts. The proceeds of Green financing will be applied exclusively to eligible green projects that will deliver environmental benefits to support Sunshine 100’s business strategy and green mission.

The framework aligns with International Capital Markets Association (“**ICMA**”) Green Bond Principles (2018) or as they may be subsequently amended.

Loans issued under the Framework will be aligned to Loan Market Association (“**LMA**”) Green Loan Principles (2020) or as they may be subsequently amended.


Other forms of financing may conform to other well-established green finance principles as may have been established at the time. The Framework adopts the following key parts:







- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review


1. Use of Proceeds

The net proceeds raised under this Framework will be used to finance or refinance in whole or in part, new or existing eligible green projects that meet one or more of the following categories of eligibility criteria set out below. Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance.

Eligible Green Projects

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Green Buildings	<ul style="list-style-type: none"> • Acquisition, construction or refurbishment of buildings which (i) meet one or more recognized standards, such as but not limited to: <ul style="list-style-type: none"> ➢ U.S. Leadership in Energy and Environmental Design (LEED): minimum ‘Gold’; or 	

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
	<ul style="list-style-type: none"> ➤ Chinese Green Building Evaluation Label: minimum ‘2-Star’; or ➤ Building Research Establishment Environmental Assessment Method (BREEAM): minimum ‘Excellent’; or ➤ Building Environmental Assessment Method (BEAM Plus): minimum ‘Gold’; or ➤ BCA Green Mark – minimum certification level of Gold; or ➤ Any other appropriate green building label, that is an equivalent standard as the above; <p>Or (ii) are in the top 15% of buildings within the region based on absolute emissions performance or primary energy demand</p>	
Energy Efficiency	<ul style="list-style-type: none"> • Investments and expenditures in projects that improve energy efficiency and reduce energy consumption in buildings and facilities by a minimum of 15%, such as but not limited to: <ul style="list-style-type: none"> ➤ Renovations or refurbishment of existing buildings ➤ Installation/replacement of equipment in buildings such as LED lighting, smart metering, heating ventilation and air conditioning systems 	
Pollution Prevention and Control	<ul style="list-style-type: none"> • Investments and expenditures in projects that prevent and reduce waste and pollution, such as but not limited to: <ul style="list-style-type: none"> ➤ Equipment and technologies for reducing resource consumption and pollution emission ➤ Implementing waste sorting and recycling facilities ➤ Enforcement of dust control and noise reduction, during construction and/ or operation of buildings 	 
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Sustainable water and wastewater management by installation of rainwater collection systems, water conservation systems, water recycling and treatment systems 	
Renewable Energy	<ul style="list-style-type: none"> • Installation of renewable energy systems and associated infrastructure, including but not limited to: <ul style="list-style-type: none"> ➤ Solar photovoltaic 	

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Clean Transportation	<ul style="list-style-type: none"> ➤ Solar hot water ➤ Wind • Expenditures from sourcing of renewable energy through long-term (5 years or longer) project-tied power purchase agreements. • Installation of electric vehicle charging stations and construction of dedicated parking spaces for electric vehicles 	

Exclusion Criteria

In any case, eligible assets/projects exclude the type of activities listed in the International Finance Corporation (“IFC”) Exclusion List (2007)¹:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB’s, wildlife or products regulated under CITES
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- Production or trade in fossil fuel

2. Process for Project Evaluation and Selection

Sunshine 100 imposes strict environmental and risk management policy during its normal course of business.

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. An Environmental Working Group (“**EWG**”) has been set up, composed of the senior members including various departments :

- Finance;
- Design and architecture;
- Building engineering; and
- Internal audit;

EWG will meet at least every 12 months to discuss and select eligible green projects according to the Eligible Green Projects defined in this Framework. The shortlisted projects will be presented to the board for approval.

EWG will ensure that the selected Eligible Green Project to comply not only with the section Use of Proceeds section of this Framework but also the environmental guidelines which are applicable for Sunshine 100.

In addition, EWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds. In case of divestments or if an Eligible Green Project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Green Projects.

3. Management of Proceeds

Sunshine 100 intends to allocate, over time, an amount equal the net proceeds to finance or refinance Eligible Green Projects, selected in accordance with the eligibility criteria, and using the evaluation and selection process outlined above.

The net proceeds from each Green financing will be managed by Sunshine 100’s finance team and the proceeds from each Green financing will be deposited in general funding accounts and be earmarked to Eligible Green Projects. Sunshine 100 will maintain a register to keep track of the use of proceeds for each Green financing.

The register will contain the following information:

(1) Type of Funding Transaction:

- Key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

(2) Allocation of Use of Proceeds:

- Name, description and green certification of Eligible Green Projects to which the proceeds of the Green financing have been allocated in accordance with this Framework
- Amount and date of Green financing proceeds allocated to each project
- The remaining balance of unallocated proceeds yet to be earmarked
- Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects will be held in accordance with Sunshine 100's liquidity guidelines for short term time deposits or investments. Sunshine 100 commits not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the Framework.

During the life of the Green financing issued, if the designated Eligible Green Projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement Eligible Green Projects that comply with the eligibility criteria, as soon as reasonably practicable. Sunshine 100 strives to maintain an amount of Eligible Green Projects at least equal of the total net proceeds of all Green financing outstanding.

Additionally, if any material and critical controversies emerge in relation to a specific project, Sunshine 100 commits to substitute that project with an alternative Eligible Green Project.

4. Reporting

Sunshine 100 will provide information on the allocation of the net proceeds from each Green financing in the Group's Annual Report, ESG Report or website. Such information will be provided on an annual basis until substantially all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

The allocation of the net proceeds will be reviewed by an independent third party verifier and the information disclosed will contain the following details:

Allocation Reporting

- Details of each Green financing that is outstanding
- Aggregate amount of proceeds from each Green financing that has been allocated to Eligible Projects and geographical distribution
- Balance of unallocated proceeds from each Green financing and its temporary treatment

- A list of Eligible Projects to which proceeds from each Green financing have been allocated, summary information on such projects, including information necessary to determine alignment with the Eligibility Criteria such as building certifications and energy performance data

Impact Reporting

Eligible Project Categories	Impact Indicators
Green Buildings	<ul style="list-style-type: none"> • Level of certification • Annual Greenhouse Gas (GHG) emissions reduced/avoided (t CO₂ eq p.a.) • Annual energy savings (MWh p.a.) • Annual reduction in water consumption (in m³)
Energy Efficiency . . .	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh
Pollution Prevention and Control . .	<ul style="list-style-type: none"> • Annual Greenhouse Gas (GHG) emissions reduced/avoided in tones of CO₂ equivalent • Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/or in absolute amount in tones p.a. • Waste that is separated and/or collected, and treated (including composted) or disposed of in an environmentally sound manner before and after the project
Sustainable Water and Wastewater Management .	<ul style="list-style-type: none"> • Annual absolute (gross) water use before and after the project in m³ p.a., reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³ p.a. and as %
Renewable Energy	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tones of CO₂ equivalent • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Clean Transportation	<ul style="list-style-type: none"> • Number of electric vehicle charging stations installed

External Review

Sunshine 100 engages HKQAA as an external assessor to evaluate the appropriateness of Green Finance Framework, readiness of environmental credentials, and fulfilment with the Green Bond Principles. The assessment result document(s) will be available on Sunshine 100's website.

THE HKQAA GREEN FINANCE CERTIFICATION SCHEME

Certain information relating to the HKQAA in this Offering Memorandum have been obtained from public sources, including the Green Finance Certification Scheme Handbook (as defined below) and other publicly available information. Although this information is believed to be reliable, it has not been independently verified by the Company, the Sole Global Coordinator or their respective directors and advisers, and none of the Company, the Sole Global Coordinator and their respective directors and advisers makes any representation as to the accuracy or completeness of that information.

THE HKQAA

The HKQAA is a non-profit distributing organisation by the Hong Kong Government and has been the only Hong Kong organisation accredited as a Designated Operational Entity by the Executive Board of the Clean Development Mechanism (“CDM”) under the United Nations Framework Convention on Climate Change to deliver CDM validation and verification services since 2011.

THE HKQAA GREEN FINANCE CERTIFICATION SCHEME

The HKQAA Green Finance Certification Scheme was developed with reference to, among others, the CDM, the ICMA Green Bond Principles and the PBOC Green Bond Categories. The benefits of the HKQAA Green Finance Certification Scheme include (i) enhancing the credibility of, and stakeholder confidence in, green financial instruments via independent, impartial third-party conformity assessments, (ii) reaching out to potential green finance investors with the aid of the HKQAA green finance certificate and certification mark, (iii) demonstrating issuers’ efforts to promote environmentally friendly investment; and, (iv) promoting a common understanding of green finance.

Under the HKQAA Green Finance Certification Scheme, an applicant may apply for either (i) a pre-issuance stage certificate or (ii) a post-issuance stage certificate.

An applicant may apply for a pre-issuance stage certificate ahead of Green Finance issuance. “**Green Finance**” is defined in the handbook of the HKQAA Green Finance Certification Scheme published on 24 August 2018 (the “**Green Finance Certification Scheme Handbook**”) as financing of investments that provide environmental benefits in the broader context of environmentally sustainable development. A pre-issuance stage certificate is an “as-at” certificate and provides assurance that the Green Finance with its projects activity or activities financed with proceeds from the issuance of Green Finance to make a positive impact on the environment (“**Green Projects**”) (up to the assessment completion date which is also the issue date on such certificate) comply with the HKQAA Green Finance Certification Scheme.

As part of the application for a pre-issuance stage certificate, an applicant is required to complete the relevant application forms (including a self-declaration form) and provide an Environmental Method Statement to the HKQAA which will assess and validate its adequacy in producing a positive environmental effect. An Environmental Method Statement shall include:

- (i) use of proceeds;
- (ii) Green Projects evaluation and selection;
- (iii) management of proceeds;
- (iv) information disclosure and reporting;
- (v) Green Project monitoring;
- (vi) Impact Assessment (which is the determination of the likely environmental consequences, or impacts, of proposed projects or activities conducted by the applicant); and
- (vii) Stakeholder Engagement (which is the engagement with public, including individuals, groups or communities, affected, or likely to be affected, by the proposed project activity, or actions leading to the implementation of such an activity).

An annual surveillance assessment by the HKQAA to verify the continuous implementation and effectiveness of the Environmental Method Statement is not required.

When the HKQAA has completed its assessment and validation of the Environmental Method Statement and no non-conforming issues are outstanding, it will make a recommendation of certification to the Certification Review Board which reviews and approves the recommendation. Upon such approval, a pre-issuance stage certificate and a Certification Mark (a trademark designed by the HKQAA indicating that the applicant's Green Finance is duly certified under the HKQAA Green Finance Certification Scheme) are issued to the applicant.

HKQAA will disclose the Environmental Method Statement via the HKQAA website after the issuance of a pre-issuance stage certificate or the issuance of the relevant debt instrument (whichever is later). The HKQAA also gives flexibility for the applicant to request disclosure of its Environmental Method Statement on the HKQAA website before the issuance of green bond in order to cope with its announcement of certification of green bond in the public domain. The applicant shall inform the HKQAA about the disclosure arrangement at least two working days before the announcement. Such pre-issuance stage certificate will only be valid if the applicant's Environmental Method Statement for the time being corresponds to the version of the applicant's Environmental Method Statement accessible via the HKQAA website.

If an applicant makes any change to its Environmental Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Environmental Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Environmental Method Statement.

If an applicant makes any change to its Environmental Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Environmental Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Environmental Method Statement.

HKQAA CERTIFICATION DISCLAIMER

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA is based solely on the Green Finance Certification Scheme Handbook and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Notes or any eligible green projects, including but not limited to this Offering Memorandum or the Company.

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA will be addressed solely to the Company and is not a recommendation to any person to purchase, hold or sell the Notes and such certification does not address the market price or suitability of the Notes for a particular investor. The certification also does not address the merits of the decision by the Company or any third party to participate in any eligible green projects and does not express and should not be deemed to be an expression of an opinion as to the Company or any aspect of any eligible green projects (including but not limited to the financial viability of any eligible green projects) other than with respect to conformance with the Green Finance Certification Scheme Handbook.

In issuing the HKQAA Pre-issuance Stage Certificate, HKQAA shall not be liable for any loss or damage suffered by any person whatsoever or howsoever caused by, arising from and/or in connection with, whether directly or indirectly, the certification of the Notes.

The HKQAA Pre-issuance Stage Certificate does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Notes and/or the payment of principal at maturity or any other date.

The HKQAA Pre-issuance Stage Certificate may be withdrawn at any time in HKQAA's sole and absolute discretion and there can be no assurance that the HKQAA Pre-issuance Stage Certificate will not be withdrawn.

EXCHANGE RATE INFORMATION

PRC

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. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange 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 2% against the U.S. dollar. Since then and up to December 31, 2009, the Renminbi has appreciated approximately 21.3% against the U.S. dollar. After the introduction of the managed floating exchange rate system, the PRC government has made and may in the future make further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. On May 18, 2007, PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. 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.

On June 19, 2010, PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and the balance of payments situation in China, it has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. According to the announcement, the exchange rate floating bands will remain the same as previously announced by PBOC will place more emphasis to reflecting the market supply and demand with reference to a basket of currencies. On April 12, 2012, PBOC announced that effective on April 16, 2012, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar is enlarged from 0.5% to 1.0% around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0% above or below the central parity rate published by PBOC. The floating band was further widened to 2.0% on March 17, 2014. On August 11, 2015, the PBOC adopted a more market-oriented approach and announced that the midpoint for the value of the Renminbi against the U.S. dollar would be quoted by the market makers with reference to the closing rate of the previous trading session. More adjustments may be made to the exchange rate system by the PRC government in the future. Currently, the PBOC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day. The PRC

government may in the future make further adjustments to the exchange rate system. The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for each of the periods indicated.

Period	Exchange Rate			
	Period end	Average ⁽¹⁾	High	Low
		<i>(RMB Per US\$1.00)</i>		
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0684	6.1425	6.2438	6.0643
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
July	6.9744	7.0041	7.0703	6.9744
August	6.8474	6.9270	6.8474	6.9799
September	6.7896	6.8106	6.7529	6.8474
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
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June (through June 4)	6.3945	6.3896	6.4036	6.3796

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rate of the relevant periods in 2021, which is determined by averaging the daily rates during the period.

CAPITALIZATION AND INDEBTEDNESS

The table below shows our consolidated cash and bank balances, current and non-current loans and borrowings, total equity and capitalization as of December 31, 2020, presented:

- on an actual basis; and
- on an adjusted basis to reflect the gross proceeds of US\$219.6 million (RMB1,432.9 million) from this offering.

	As of December 31, 2020			
	Actual		As adjusted for the gross proceeds from this offering	
	(RMB)	(US\$)	(RMB)	(US\$)
	<i>(in millions)</i>			
Cash and cash equivalents⁽¹⁾	3,071.8	470.8	4,504.7	690.4
Loans and borrowings:				
Current ⁽²⁾	12,717.0	1,949.0	12,717.0	1,949.0
Non-current ⁽³⁾⁽⁵⁾	13,653.6	2,092.5	13,653.6	2,092.5
Notes to be issued in this offering . . .	–	–	1,432.9	219.6
Total loans and borrowings	26,370.6	4,041.5	27,803.5	4,261.1
Equity:				
Share capital	20.2	3.1	20.2	3.1
Reserves	9,363.0	1,434.9	9,363.0	1,434.9
Non-controlling interests	2,786.8	427.1	2,786.8	427.1
Total equity	12,170.0	1,865.1	12,170.0	1,865.1
Total capitalization⁽⁴⁾	38,540.6	5,906.6	39,973.5	6,081.2

Notes:

- (1) Excludes restricted cash balance of RMB679.3 million (US\$104.1 million).
- (2) Current loans and borrowings includes the current portion of non-current loans and borrowings.
- (3) Non-current loans and borrowings excludes the current portion of non-current loans and borrowings.
- (4) Total capitalization consists of total loans and borrowings plus total equity.
- (5) In January 2021, we issued the 2023 Notes with a principal amount of US\$120 million at 12.0% per annum. The issuance of the 2023 Notes is not reflected in the capitalization table above.

Other than as disclosed above, or in “Recent Developments” or “Description of Other Material Indebtedness” included elsewhere in the Offering Memorandum or as disclosed on the Hong Kong Stock Exchange, there has been no material change in the Company’s consolidated capitalization or indebtedness since December 31, 2020.

**SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER
INFORMATION**

The following summary consolidated statement of comprehensive income data for the years ended December 31, 2018, 2019 and 2020 and summary consolidated statement of financial position data as of December 31, 2018, 2019 and 2020 have been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. You should read the selected consolidated financial data in conjunction with the audited consolidated financial statements and related notes, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Offering Memorandum. We have prepared our consolidated financial information in accordance with IFRS, which differs in certain material respects from US GAAP.

Summary of Consolidated Statement of Comprehensive Income Data

	For the year ended December 31,		
	2018	2019	2020
	<i>(RMB millions)</i>		
Revenue	7,579.1	8,288.6	5,759.7
Cost of sales	(5,988.3)	(6,188.6)	(4,230.0)
Gross profit	1,590.8	2,100.0	1,529.7
Valuation gains on investment properties	888.7	529.5	42.6
Other income	278.9	2,521.5	1,564.7
Selling expenses	(553.7)	(483.2)	(406.4)
Administrative expenses	(545.9)	(590.8)	(509.7)
Other operating expenses	(990.4)	(182.9)	(224.2)
Profit from operations	668.4	3,894.2	1,996.8
Finance income	519.4	696.8	621.7
Finance costs	(550.8)	(585.6)	(767.7)
Share of profits less losses of associates	(28.2)	12.9	(19.6)
Profit before taxation	608.8	4,018.3	1,831.2
Income tax	(366.0)	(803.2)	(547.2)
Profit for the year	242.8	3,215.1	1,284.0

	For the year ended December 31,		
	2018	2019	2020
	<i>(RMB millions)</i>		
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified subsequently to profit or loss:			
Valuation surplus on investment properties transferred from property and equipment, net of deferred tax . . .	–	–	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries	(18.0)	(3.0)	12.1
Other comprehensive income for the year	(18.0)	(3.0)	12.1
Total comprehensive income for the year	224.8	3,212.1	1,296.1
Profit/(loss) attributable to			
Equity shareholders of our Company . . .	(29.9)	1,804.8	438.0
Non-controlling interests	272.7	1,410.3	845.9
Profit for the year	242.8	3,215.1	1,284.0
Total comprehensive income attributable to			
Equity shareholders of our Company . . .	(47.9)	1,801.8	450.2
Non-controlling interests	272.7	1,410.3	845.9
Total comprehensive income for the year	224.8	3,212.1	1,296.1
Basic earnings/(loss) per share (RMB) . . .	(0.01)	0.70	0.17
Diluted earnings/(loss) per share (RMB) .	(0.01)	0.55	0.14

Summary of Consolidated Statement of Financial Position Data

	As of December 31,		
	2018	2019	2020
	<i>(RMB millions)</i>		
Non-current assets			
Property and equipment	697.9	643.3	763.8
Investment properties	11,707.2	11,670.1	12,176.4
Intangible assets	–	863.9	747.8
Restricted deposits	130.0	42.9	116.5
Investments in associates	905.0	1,325.5	1,280.6
Trade and other receivables	576.5	192.3	265.7
Deferred tax assets	1,400.7	691.6	657.1
Other non-current financial assets	103.8	273.7	237.1
Total non-current assets	15,521.1	15,703.4	16,245.0
Current assets			
Properties under development and completed properties held for sale	32,464.7	27,977.4	29,351.9
Land development for sale	866.4	2,013.3	2,615.4
Contract costs	246.6	249.1	295.3
Trade and other receivables	7,674.6	8,338.1	8,611.1
Restricted deposits	1,975.4	1,567.7	562.8
Cash and cash equivalents	2,588.6	2,438.6	3,071.8
Trading securities	114.7	108.0	205.0
Total current assets	45,931.0	42,692.2	44,713.2
Current liabilities			
Loans and borrowings	10,419.8	10,601.4	12,717.0
Trade and other payables	7,207.3	6,805.0	6,745.6
Contract liabilities	9,094.4	9,106.4	9,840.8
Sales deposits	–	–	–
Contract retention payables	173.5	155.6	17.7
Current tax liabilities	1,093.9	1,677.9	153.2
Lease liabilities	–	23.7	2,002.6
Total current liabilities	27,988.9	28,370.0	31,477.0
Net current assets	17,942.1	14,322.2	13,236.2
Total assets less current liabilities	33,463.2	30,025.6	29,481.2

	As of December 31,		
	2018	2019	2020
	<i>(RMB millions)</i>		
Non-current liabilities			
Loans and borrowings	19,275.5	14,452.8	13,653.6
Contract retention payables	170.2	154.5	126.5
Trade and other payables	469.5	423.2	55.0
Deferred tax liabilities	3,939.7	3,185.6	456.3
Lease liabilities	–	61.3	3,019.8
Total non-current liabilities	23,854.9	18,277.4	17,311.2
Net assets	9,608.3	11,748.2	12,170.0
Capital and reserves			
Share capital	20.7	20.2	20.2
Reserves	7,454.1	9,146.5	9,363.0
Total equity attributable to equity			
shareholders of the Company	7,474.8	9,166.7	9,383.2
Non-controlling interests	2,133.5	2,581.5	2,786.8
Total equity	9,608.3	11,748.2	12,170.0

Other Financial Data

	For the year ended/ as of December 31,		
	2018	2019	2020
	<i>(RMB millions, in cases of EBITDA and Total Debt)</i>		
EBITDA ⁽¹⁾	1,683.0	1,895.2	1,409.1
EBITDA Margin ⁽²⁾	22.2%	22.9%	24.5%
Total Debt ⁽³⁾	29,695.3	25,054.2	26,370.6
Total Debt/EBITDA	17.6	13.2	18.7
EBITDA/Interest ⁽⁴⁾	0.6	0.7	0.5

Notes:

- (1) EBITDA for any year is calculated as our total comprehensive income for the year plus income tax, depreciation, net financial expenses and capitalized interest charged to cost of sales, but excluding valuation gains on investment properties, other income, other operating expenses, share of profits less losses of associates and other comprehensive income. Capitalized interest charged to cost of sales in 2018, 2019 and 2020 were based on actual data. EBITDA is a widely used financial indicator of a company's ability to service and incur debt and is not a standard measure under IFRS. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for tax, finance income, finance costs and other non-operating cash expenses. EBITDA does not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as selling expenses and administrative expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definitions. Investors should also note that EBITDA as presented herein is 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit after tax and total comprehensive income for the year under IFRS to our definition of EBITDA.
- (2) EBITDA margin is calculated as EBITDA divided by revenue.
- (3) Total debt consists of all interest-bearing bank loans and other borrowings.
- (4) Interest refers to total interest expense on loans and borrowings. For the years ended December 31, 2018, 2019 and 2020, our total interest expense on loans and borrowings was RMB2,657.8 million, RMB2,888.2 million and RMB3,088.4 million, respectively.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with “Selected Consolidated Financial Information and Other Information” and our consolidated financial statements and related notes included elsewhere in this Offering Memorandum. Our financial information have been prepared and presented in accordance with IFRS.

The following discussion and analysis provides management's perspective on our financial condition and results of operations prior to the issuance of the Notes. Accordingly, the discussion and analysis of historical periods do not reflect the impact that the issuance of the Notes will have on us.

OVERVIEW

We are a PRC real estate developer with a nationally recognized brand, “Sunshine 100 (陽光100).” We commenced our business in 1994, and were among the earliest PRC real estate developers to develop large-scale mixed-use business complexes, which typically are combinations of offices, retail shops, hotels, apartments and ancillary facilities, in fast-growing second- and third-tier Chinese cities. We have also been developing multi-functional residential communities, which typically consist of a complementary mix of residential and commercial properties. We believe that second- and third-tier Chinese cities, benefiting from continuous urbanization in China, present growth potential for property development that exceeds the national average. We also develop “Cultural Commercial Street Complex” which are pedestrian streets or blocks lined with stand-alone retail shops, which we sell or lease to operators of various types of retail businesses.

Since 1994, we have selectively entered 24 cities in China, consisting of 13 second-tier cities that are China's regional economic centers (Tianjin, Chongqing, Wuhan, Changsha, Jinan, Nanning, Shenyang, Chengdu, Wuxi, Wenzhou, Yantai, Changzhou and Xi'an) and 11 third-tier or below cities that are important high-growth cities in their respective provinces (Dongying, Liuzhou, Weifang, Guilin, Qingyuan, Yixing, Lijiang, Chengde, Putian, Yueyang and Wuzhou). We typically select second- and third-tier cities with sizeable economies that we believe possess the potential for rapid future growth in the property sector.

By developing mixed-use business complexes, we expect to become local landmarks and form new urban centers, and multi-functional residential communities in second- and third-tier Chinese cities, we hope to bring a cosmopolitan lifestyle to the affluent local population and the emerging middle class and white-collar professionals in these cities. At present, we are focusing on the development of three major product lines, the Himalayan high-end serviced apartments, cultural and commercial districts and Arles Towns. In addition, we provide property management services to our development projects and own hotels we have developed in select locations.

As of December 31, 2020, we had a land reserve of approximately 10.47 million sq.m. in total GFA. As of the same date, we had, in terms of GFA attributable to us in our 42 projects, land reserves of 7.15 million sq.m., which included (i) completed and unsold properties and completed properties held for investment of approximately 1.55 million sq.m., (ii) properties under development of approximately 2.93 million sq.m. and (iii) properties held for future

development of approximately 2.67 million sq.m., which included an aggregate planned GFA attributable to us of approximately 1.34 million sq.m. for which we had not obtained land use rights certificates. See *“Risk Factors — Risks Relating to Our Business — Our business may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, the relevant PRC governmental approvals for our property development projects.”*

For the years ended December 31, 2018, 2019 and 2020, we recorded revenue of RMB7,579.1 million, RMB8,288.6 million and RMB5,759.7 million, respectively, and profit for the year of RMB242.8 million, RMB3,215.1 million, RMB1,284.0 million, respectively.

BASIS OF PRESENTATION

Our consolidated statements of comprehensive income, consolidated statements of financial position, consolidated cash flow statements and consolidated statements of changes in equity as of or for the years ended December 31, 2018, 2019 and 2020, to which the following discussion relates, have been prepared in accordance with IFRS.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. Some of the key factors include the following:

- **The PRC Economy and its Impact on the Property Markets**

Our business is heavily dependent on the continued economic growth, urbanization and the resultant demand for properties in China. The key macroeconomic factors in the PRC that we consider to be important to our operations include general economic development, growth in the private sector and government strategic planning. Economic growth, substantially attributable to the private sector and significantly affected by government strategic planning, has boosted the general level of disposable income and the number of middle to upper-middle income households in the PRC, which are our primary target customers. Such growth and the concomitant urbanization have had a significant impact on the PRC property markets, including the cities and regions where we operate, affecting the supply of and demand for properties and property pricing trends. We believe that these factors will continue to significantly impact our operations. Additionally, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the Brexit. On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. At the end of the transition period, December 31, 2020, the United Kingdom was no longer a part of the European Union. While the United Kingdom has for the most part chosen to retain existing European Union law and have recently reached a trade deal to allow the United Kingdom to continue to trade with the European Union without tariffs or quotas, there are still many unanswered questions. The effects of Brexit remain uncertain and may cause a negative economic impact and increase volatility in the global market. In addition, the U.S. government has made statements and taken certain actions that may lead to potential changes to United States and international trade policies towards China. In January 2020, the phase one agreement was signed between China and the United States on trade matters. However, China and the United States have not launched phase two negotiations yet and there is no assurance that the trade disputes between

China and the United States will be fully resolved. Failure of trade negotiations between the United States and China may lead to additional costs and unexpected consequences on the Group's business. In addition, the more recent COVID-19 pandemic has caused volatility in stock markets worldwide to lose significant value since February 2020. Market interest rates have declined significantly, with the 10-year United States Treasury bond falling below 1.00% for the first time on March 3, 2020. Our operating results have also been negatively impacted by COVID-19. See "*Risk Factors — The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics such as COVID-19.*" It is difficult to determine the exact impact of any prolonged global economic slowdown and financial crisis on the economy and, derivatively, the property markets in the PRC. Any continued economic downturn in China generally or globally and in particular, in the regions where we operate, could adversely affect our business, results of operations and financial condition.

- **The Regulatory Environment and Measures Affecting the Real Estate Industry in China**

Our business has been, and will continue to be, affected by the regulatory environment in China, including, specifically, policies and measures taken by the PRC government on property development and related industries. In recent years, the PRC government has implemented a series of measures to contain the pace of economic growth, particularly the perceived over-heating in the real estate market. While the PRC government may still regard the real estate industry to be important, it has taken various restrictive measures to discourage speculation and increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic policies to encourage or restrict development in the private property sector through regulating, among others, land grants, pre-sales of properties, bank financing, mortgage and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business. The PRC government may introduce initiatives which may affect our access to capital and the means through which we finance our property developments. These and other measures have affected the overall economy in China, with differing effects on various sectors.

More recently, since the first half of 2010, in response to the rising property prices across the country, the PRC government announced new policies and adopted new measures to curtail speculation in the property market and imposed more stringent requirements on the payment of land premiums by property developers. These policies include the abolishment of certain preferential treatment in respect of business tax payable upon transfer of residential properties, increased minimum down-payment for mortgage loans, more stringent requirements on the payment of land premium, further limits on the number of residential properties one household can buy, a trial property tax scheme in Shanghai and Chongqing and a 20% capital gains tax on residential property re-sales. More recently, the property market in the PRC has witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales, and many local governments have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. PRC regulatory measures in the real estate industry will continue to impact our business, financial condition and results of operations. See "*Risk Factors — Risks Relating to the Property Industry in China*" and "*Regulatory Overview.*"

- **Mix of Property Developments**

We specialize in two series of property developments, namely, mixed-use business complexes and multifunctional residential communities, and their respective proportions in our property development portfolio have an impact on our results of operations. Historically, our mixed-use business complexes have commanded higher average selling prices than our multi-functional residential communities. In 2018, 2019 and 2020, the average selling price of our mixed-use business complexes was RMB15,938 per sq.m., RMB11,665 per sq.m. and RMB18,591 per sq.m., respectively, and the average selling price of our multi-functional residential communities was RMB9,322 per sq.m., RMB10,295 per sq.m. and RMB10,038 per sq.m. , respectively, exclusive of car parks. For the same periods, the gross profit margin for our mixed-use business complexes -3.4%, 28.3% and 42.4%, respectively, and the gross profit margin for our multi-functional residential communities was 27.0%, 22.0% and 15.2%, respectively. We believe the disparity in average selling price is due to the different nature and marketability of the two series of properties, and expect the trend to continue. As a result, our gross margin may vary depending on the mix of the two series. Such mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and, importantly, our development planning, which may dictate the timing of properties available for sales contribution at any given time. We adjust the mix from time to time according to our development plans.

We have in the past retained, and intend in the future to continue to retain, some investment properties to generate rental income and enjoy the benefit of any appreciation of property value. As a result, our results of operations, including our gross margins in particular, and the sources and amount of cash from operations have varied and may continue to vary significantly from period to period depending on the type and GFA of our completed properties that we decide to rent rather than sell. Our results of operations and cash flows will also vary depending on the market demand at the time we sell or lease our properties, the rental and occupancy rates of our investment properties and the unit selling prices of our residential properties, small retail shops and car parks. The recurring income we receive from, and the occupancy levels of, our investment properties depend on local supply and demand conditions, as well as the type of properties available for leasing at any particular time.

- **Pre-sale and Progress of Property Development**

Pre-sales provide an important source of our operating cash inflow during the course of property development. PRC laws allow us to pre-sell properties before their completion upon obtaining a pre-sale permit from the relevant governmental authorities with the requirement that we use the pre-sale proceeds to develop the same property projects. However, we do not recognize revenue from the pre-sale of a property until the property has been completed and delivered to the purchaser. The progress of property development may affect our ability to commence pre-sale or deliver properties to our customers within the specified time limit and in turn affect the amount and timing of cash inflows or revenue we can recognize from pre-sales. Any reduced cash inflow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments.

- **Cost of Property Sales**

Our results of operations are significantly affected by cost of property sales, which consists primarily of construction costs and costs of land use rights.

Construction cost consists of costs for the design and construction of projects, including primarily payments to third-party contractors and architects and the cost of construction materials and equipment as well as capitalized expenses (including capitalized interests). Construction costs of our projects vary not only according to the floor area and height of the buildings, but also the geology of the construction site. Our construction costs are indirectly affected by price volatility of construction materials such as steel and cement. For the years ended December 31, 2018, 2019 and 2020, our construction costs were RMB3,747.5 million, RMB3,688.6 million and RMB2,404.4 million, respectively, which represented 62.6%, 59.6% and 56.8% respectively, of our total cost of sales.

Costs of land use rights include costs relating to the acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grants from the local PRC governments or land acquired in the secondary market. To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for development. Our costs of land use rights are affected by a number of factors, including location, timing of acquisition and the plot ratios of the proposed property developments. Costs of land use rights are also affected by our method of acquisition, whether by competitive bidding, auction or listings-for-sale, through private sale transactions and cooperative agreements with third parties in the secondary market or through acquisitions of other companies that hold land use rights. Our costs of land use rights are also subject to changes in PRC policies and regulations, which may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

- **Timing and Pricing of the Sale of the Land Use Rights to the Land We Develop on a Primary Basis**

Results from our primary land development business are significantly affected by the timing, pricing and outcome of the sale of land use rights to the land we have developed on a primary basis due to different accounting treatments at different stages of development and whether we acquire the land use rights and go on to conduct property development on the land.

Prior to the sale of land use rights by the local land authority through competitive bidding, public auction or listing for sale, we do not recognize revenue from primary land development and record cost of primary land development on our balance sheet as “land development for sale.” Cost of primary land development includes primarily costs relating to relocation and resettlement of incumbent residents and businesses, costs of demolition of existing structures and construction and costs of building infrastructure such as roads and utilities. Relocation and resettlement costs constitute the most significant part of the cost of primary land development and are incurred at the initial stage of a primary land development project. As a result, we generally record more “land development for sale” in the earlier stage as compared to the later stage of a primary land development project before the land we develop is sold.

If we do not acquire the land use rights at the sale, we recognize revenue at our expected share of the proceeds from the sale from the local government authorities, less cumulative development costs and expected additional costs to completion. If we do acquire the land use rights at the sale and go on to conduct property development on the land, we consolidate the cumulative primary development costs into the cost of the corresponding property development. Therefore, our results of operations may be materially affected by whether or not we are willing or able to acquire the land use rights in the land we have developed on a primary basis.

We conducted primary land development in 2018, 2019 and 2020 primarily in Wenzhou, Xinglong, Chengdu, Guilin and Weifang. See “*Business — Our Primary Land Development Projects.*”

- **Valuation of Our Investment Properties**

We state our investment properties at fair value on our consolidated statement of financial position as non-current assets as of each reporting date on the basis of valuations by an independent property valuer and record changes in the fair value gains or losses in our consolidated statements of comprehensive income. As of December 31, 2018, 2019 and 2020, the fair value of our investment properties amounted to RMB11,707.2 million, RMB11,670.1 million and RMB12,176.4 million, respectively. For the years ended 2018, 2019 and 2020, we recorded valuation gains on investment properties of RMB888.7 million, RMB529.5 million and RMB42.6 million, respectively. The fair value of each of our investment properties has fluctuated, and is likely to continue to fluctuate, from time to time in accordance with the prevailing property market conditions. Any decrease in the fair value of our investment properties will adversely affect our profitability. In addition, fair-value gains are unrealized and do not generate any cash inflow to us until such investment properties are disposed of at considerations similar to the valuations. We may therefore experience higher profitability through investment property valuation gains without a corresponding improvement to our liquidity position.

- **Access to Adequate Financing and Capital Resources**

We fund our business operations through both internally generated funds and external financings, including, primarily, bank borrowings, trust financings, financings from other financial institutions and shareholders’ contributions. As of December 31, 2018, 2019 and 2020, our outstanding bank and other borrowings amounted to RMB29,695.3 million, RMB25,054.2 million and RMB26,370.6 million, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. In addition, as we use trust financing on a substantial scale, our cost of financing is affected by the proportion of trust financing in our overall external financing since trust financing typically costs more than traditional bank borrowing. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on lending for property development.

- **Seasonality**

We typically deliver more properties in the second half of the year than the first half. Accordingly, our results of operations, including revenue and cost of sales, tend to be

greater in the second half of the year as compared with the first half, and we may experience losses in the first half of the year.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires us to adopt accounting policies and make judgments, estimates and assumptions that affect amounts reported in our financial statements. In applying these accounting policies, we make subjective and complex judgments, based on experience and other factors, that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the real estate industry, while others are specific to our businesses and operations. The following sections discuss the accounting policies applied in preparing our financial statements that we believe are most dependent on the application of these judgments and estimates and certain other significant accounting policies.

- **Revenue Recognition**

Income is classified by the Group as revenue when it arises from the sales of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a property or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

For the years ended December 31, 2018 and 2019 and 2020, due to the new adoption of IFRS 15, revenue arising from the sale of properties with full payment in advance before the construction of respective properties are completed, and a corresponding contract asset, are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual construction costs incurred relative to the estimated total construction costs.

Revenue arising from the sale of properties other than those with full payment in advance is recognised when legal assignment is complete, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of

the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided customers agree to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the IAS 23, Borrowing Costs, if significant.

Land development for sale. Revenue from land development for sale is recognized upon the transfer of control in connection with the land development for sale and when the amount of revenue can be measured reliably, which occurs upon the completion of related works as well as the sale of land.

Rental income from operating leases. Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

Property management and hotel operation income. Property management and hotel operation income is recognized over the periods in which the services management are rendered.

Property selling agency income. Property selling agency income mainly refers to the selling income of the property market. Property selling agency income is recognized according to the calculation method as stipulated in the relevant contracts when the service provided meets the terms required.

Brand-use service income. Brand-use service income is determined according to the period and fee calculation method as stipulated in the relevant contracts or agreements.

Interest income. Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortised cost or fair value through other comprehensive income (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the assets.

Dividends.

- Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

- **Completed Properties Held for Sale and Properties Under Development**

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realizable value. Cost and net realizable values are determined as follows:

Property under development for sale. The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Completed property held for sale. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative for the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When properties under development and completed properties held for sale are sold, the carrying amount of those properties under development and completed properties held for sale is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of properties under development and completed properties held for sale to net realizable value and all losses of properties under development and completed properties held for sale are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties under development and completed properties held for sale is recognized as a reduction in the amount of properties under development and completed properties held for sale recognized as an expense in the period in which the reversal occurs.

- **Investment Properties**

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair

value or from the retirement or disposal of investment properties is recognized in profit or loss. Rental income from investment properties is accounted for as described in Note 1(z)(iii) on page F-130.

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in the property revaluation reserve, when a deficit arises, it will be charged to profit or loss.

- **Land Development for Sale**

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalized borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development for sale. Land development for sale is stated at the lower of cost and net realizable value. Net realizable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realizing the revenue derived from the sale of land development for sale based on prevailing market conditions.

- **Trade and Other Receivables**

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

- **Trade and Other Payables**

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(m)(ii) on page F-118, trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

- **Revenue**

Our revenue comprises (i) sales of properties, including mixed-use business complexes and multi-functional residential communities, (ii) property management and hotel operation income, (iii) rental income from investment properties, and (iv) light-asset operation income. The following table sets forth our revenue by component for the years indicated:

	Year ended December 31,						
	2018		2019		2020		
	(RMB millions)				(US\$ millions)		
Sales of properties							
Mixed-use business complexes	1,397.9	18.4%	2,652.7	32.0%	2,014.4	35.0%	308.7
Multi-functional residential communities	5,546.2	73.2%	4,986.2	60.2%	3,123.6	54.2%	478.7
Sub-total	<u>6,944.1</u>	<u>91.6%</u>	<u>7,639.0</u>	<u>92.2%</u>	<u>5,138.0</u>	<u>89.2%</u>	<u>787.4</u>
Property management and hotel operation income	443.4	5.9%	457.9	5.5%	454.5	7.9%	69.7
Rental income from investment properties	152.9	2.0%	162.4	2.0%	151.9	2.6%	23.3
Light-asset operation income	38.7	0.5%	29.4	0.4%	15.2	0.3%	2.3
Total	<u>7,579.1</u>	<u>100.0%</u>	<u>8,288.6</u>	<u>100.0%</u>	<u>5,759.6</u>	<u>100.0%</u>	<u>882.7</u>

Sales of properties. During the years ended December 31, 2018, 2019 and 2020, we derived most of our revenue from sales of properties, which accounted for 91.6% , 92.2%, 89.2% respectively, of our total revenue.

In 2018, 2019 and 2020, we recognized revenue of RMB1,397.9 million, RMB2,652.7 million and RMB2,014.4 million, respectively, in connection with sales of an aggregate GFA (excluding car parks) of 84,323 sq.m., 227,385 sq.m. and 108,355 sq.m., respectively, of mixed-use business complexes, representing an average selling price (excluding car parks) of RMB15,938 per sq.m., RMB11,665 per sq.m. and RMB18,591 per sq.m., respectively. For the same years and period, we recognized revenue of RMB5,546.2 million, RMB4,986.2 million and RMB3,123.6 million, respectively, in connection with sales of an aggregate GFA (excluding car parks) of 574,193 sq.m., 484,344 sq.m. and 311,179 sq.m., respectively, of multi-functional residential communities, representing an average selling price (excluding car parks) of RMB9,322 per sq.m, RMB10,295 per sq.m. and RMB10,038 per sq.m., respectively. We expect that our revenue from sale of properties, will increase over time as we expand our business.

Property management and hotel operation income. In 2018, 2019 and 2020, our revenue from property management, hotel operation and related services was RMB443.4 million, RMB457.9 million and RMB454.5 million, respectively. We expect that our revenue from property management, hotel operation and related services will increase over time due to the cumulative growth of our portfolio of residential and commercial properties under our management.

Rental income from investment properties. In 2018, 2019 and 2020, our rental income from investment properties was RMB152.9 million, RMB162.4 million and RMB151.9 million, respectively.

Light-asset operation income. Under our Light-asset operations, we provide services to certain property project companies in which we hold minority interests, including property selling agency and brand-use services, from which we derived light-asset operation income of RMB38.7 million, RMB29.4 million and RMB15.2 million in 2018, 2019 and 2020.

- **Cost of Sales**

Our cost of sales comprises (i) cost of property sales and (ii) cost of property management and hotel operation, which correspond to the several components of our revenue. We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in the same period. The table below sets forth our cost of sales by component for the years indicated:

	Year ended December 31,						
	2018		2019		2020		
	<i>(RMB millions)</i>				<i>(US\$ millions)</i>		
Cost of property sales							
Mixed-use business complexes	1,445.1	24.1%	1,839.0	29.7%	1,160.8	26.7%	177.9
Multi-functional residential communities	4,048.2	67.6%	3,815.8	61.7%	2,648.0	60.9%	405.8
Sub-total	<u>5,493.3</u>	<u>91.7%</u>	<u>5,654.8</u>	<u>91.4%</u>	<u>3,808.8</u>	<u>87.6%</u>	<u>568.2</u>
Cost of property management and hotel operation	482.3	8.1%	528.1	8.5%	528.3	12.1%	78.3
Light-asset operation	12.7	0.2%	5.7	0.1%	11.2	0.3%	1.7
Total	<u>5,988.3</u>	<u>100.0%</u>	<u>6,188.6</u>	<u>100.0%</u>	<u>4,348.3</u>	<u>100.0%</u>	<u>648.3</u>

Cost of property sales. Cost of property sales primarily represents the costs we incur directly in connection with our property development activities, which include construction costs, costs of land use rights and capitalized costs (referring to costs that had been capitalized into the relevant properties when they were under development).

Cost of property management and hotel operation. Cost of property management and hotel operation primarily includes property maintenance costs, management fees paid to third-party hotel managers, salaries for employees in our property management and hotel operation and depreciation of the relevant properties.

- **Gross Profit**

In 2018, 2019 and 2020, we made a gross profit of RMB1,590.8 million, RMB2,100.0 million, and RMB1,529.7 million, respectively, at a gross profit margin of 21.0% , 25.3% and 26.6%, respectively. For 2018, 2019 and 2020, our gross profit margin from sales of mixed-use business complexes was -3.4%, 30.7% and 42.4%, respectively, as compared to 27.0%, 23.5% and 15.2%, respectively, from sales of multi-functional residential communities.

- **Valuation Gains on Investment Properties**

In 2018, 2019 and 2020, we recorded valuation gains from our investment properties in the amount of RMB888.7 million, RMB529.5 million and RMB42.6 million, respectively.

For the years ended December 31, 2018, 2019 and 2020, our profit was RMB242.8 million, RMB3,215.1 million and RMB1,284.0 million, respectively. Excluding the net effect of valuation gains on investment properties (net of tax adjustments) and impairment losses of trade and other receivables (net of tax adjustments), our adjusted net profit would be a net profit of RMB342.4 million, RMB2,730.1 million and RMB1,157.6 million, respectively, with an adjusted net profit margin of 4.5%, 32.9% and 20.1%, respectively.

Property values of each property/project of the Group are affected by, among other factors, the rate of economic growth, interest rate and political and economic developments in the PRC. In addition, property values of each property/project under development of the Group are also affected by construction costs and the progress of the Group's development of properties.

- **Other Income**

Other income primarily includes gain on disposal of subsidiaries and associates and other miscellaneous income.

- **Selling Expenses**

Selling expenses mainly include promotional expenses relating to sales and rentals of our properties (including advertisements in print media, on billboards and on television, promotional offers made directly to our customers and certain other promotional events, publicity and exhibitions), selling and marketing staff costs and other distribution expenses. Our selling expenses in any period may be affected by the number of newly introduced developments in that period.

- **Administrative Expenses**

Administrative expenses mainly include salaries and benefits for our personnel, service fees, consulting, auditing and litigation expenses, travel expenses and general office expenses.

- **Finance Income**

Finance income primarily include interest income on our bank deposits, net gains in fair value of the derivative components of convertible bonds, net gains in fair value of the trading securities and net foreign exchange gains.

- **Finance Costs**

Finance costs primarily include (i) interest expenses on bank loans and other borrowings (net of those capitalized into properties under development and investment properties under construction); (ii) net foreign exchange losses; and (iii) net losses in the fair value of the derivative components of convertible bonds.

- **Share of Profits Less Losses of Associates**

Our material associated companies in 2018, 2019 and 2020 included Beijing Yinxi, Guangxi Tianqi Investment Co., Ltd. and Chongqing Sunshine 100. The table below sets forth the shareholding structures of our associates as well as the projects they hold:

<u>Our associates</u>	<u>Our equity interest</u>	<u>Our partner</u>	<u>Project(s)</u>
Beijing Yinxi	49%	Shandong Energy – 51%	N/A
Guangxi Tianqi Investment Co., Ltd.	30%	Guangxi Sanqi Investment Co., Ltd. (廣西三祺投資有限公司) – 70%	Nanning Sunshine 100 Nine Peninsula Wuzhou Sunshine 100 Sankee City
Chongqing Sunshine 100	30%	Sunac South-West Real Estate Development (Group) Co., Ltd. – 70%	Chongqing Sunshine 100 International New Town

- **Income Tax**

Our income tax comprises provisions made for EIT (net of deferred tax) and LAT in the PRC. The provision for EIT for our PRC subsidiaries for the years ended December 31, 2018, 2019 and 2020 was based on the standard rate of 25%. Our effective EIT rate, taking into consideration deferred tax, was 29.8%, 12.4% and 14.1% for 2018, 2019 and 2020, respectively. As for the LAT applicable to us, the rates range from 30% to 60% of the appreciation in land value, which is measured as the proceeds from the sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures. Alternatively, local taxation authorities may agree on individualized rates with us based on sales revenue. Accordingly, we made a LAT provision of RMB184.4 million, RMB304.6 million and RMB289.1 million 2018, 2019 and 2020, respectively.

RESULTS OF OPERATIONS

The following table sets forth certain items derived from our consolidated statements of comprehensive income for the years indicated:

	Year ended December 31,			
	2018	2019	2020	
	<i>(RMB millions)</i>		<i>(US\$ millions)</i>	
Revenue	7,579.1	8,288.6	5,759.7	882.7
Cost of sales	(5,988.3)	(6,188.6)	(4,230.0)	(648.3)
Gross profit	1,590.8	2,100.0	1,529.7	234.4
Valuation gains on investment properties ..	888.7	529.5	42.6	6.5
Other income	278.9	2,521.5	1,564.7	239.8
Selling expenses	(553.7)	(483.2)	(406.4)	(62.3)
Administrative expenses	(545.9)	(590.8)	(509.7)	(78.1)
Other operating expenses	(990.4)	(182.9)	(224.2)	(34.4)
Profit from operations	668.4	3,894.2	1,996.8	306.0
Finance income	519.4	696.8	621.7	95.3
Finance costs	(550.8)	(585.6)	(767.7)	(117.7)
Share of profits less losses of associates ..	(28.2)	12.9	(19.6)	(3.0)
Profit before taxation	608.8	4,018.3	1,831.2	280.6
Income tax	(366.0)	(803.2)	(547.2)	(83.9)
Profit for the year	242.8	3,215.1	1,284.0	196.8
Other comprehensive income for the year (after tax and reclassification adjustments)				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries	(18.0)	(3.0)	12.2	1.9

	Year ended December 31,			
	2018	2019	2020	
	<i>(RMB millions)</i>		<i>(US\$ millions)</i>	
Other comprehensive income for the year	(18.0)	(3.0)	12.2	1.9
Total comprehensive income for the year	224.8	3,212.1	1,296.1	198.6
Profit/(loss) attributable to				
Equity shareholders of our Company	(29.9)	1,804.8	438.0	67.1
Non-controlling interests	272.7	1,410.3	845.9	129.6
Profit for the year	242.8	3,215.1	1,284.0	196.8
Total comprehensive income attributable to				
Equity shareholders of our Company	(47.9)	1,801.8	450.2	69.0
Non-controlling interests	272.7	1,410.3	845.9	129.6
Total comprehensive income for the year	224.8	3,212.1	1,296.1	198.6
Basic earnings/(loss) per share (RMB/US\$)	(0.01)	0.70	0.17	0.03
Diluted earnings/(loss) per share (RMB/US\$)	(0.01)	0.55	0.14	0.02

Note: The earnings per share for all periods presented have not been adjusted to reflect the proposed capitalization issue.

- **2020 Compared to 2019**

Revenue

Our revenue decreased by 30.5% to RMB5,759.7 million in 2020 from RMB8,288.6 million in 2019 mainly due to a decrease of income from sale of properties.

Sale of properties. Revenue generated from the sale of properties decreased by 32.7% to RMB5,138.0 million in 2020 from RMB7,639.0 million in 2019, mainly due to a delay in delivery of properties as a result of the adverse impact of the COVID-19 pandemic.

Property management and hotel operation income. Revenue generated from property management and hotel operation of the Group remained steady at RMB454.5 million in 2020, comparing to RMB457.9 million in 2019.

Rental income from investment properties. Revenue generated from rental income from investment properties of the Group decreased by 6.4% to RMB151.9 million from RMB162.4 million in 2019, mainly due to the introduction of a rental reduction policy by the Company in response to measures rolled out by the PRC government during the period of pandemic prevention and control.

Light-asset operation income. Revenue generated from light-asset operation income of the Group decreased by 48.2% to RMB15.2 million in 2020 from RMB29.4 million in 2019, mainly due to the decrease in the receipt of sales agency fees and brand usage fees resulting from the decrease in the overall contracted amount of projects under the

Group's operation as compared to the corresponding period of the previous year as a result of the COVID-19 pandemic.

Cost of Sales

Our cost of sales decreased by 31.6% to RMB4,230.0 million in 2020 from RMB6,188.6 million in 2019. Cost of sales of properties decreased by 34.4% to RMB3,707.8 million in 2020 from RMB5,654.8 million in 2019, primarily due to the decrease in the area of delivered properties. Cost of property management and hotel operation decreased by 3.2% to RMB511.0 million in 2020 from RMB528.1 million in 2019, as a result of our effort in strengthening cost control. In addition, the cost incurred for light-asset operations increased by 96.5% to RMB11.2 million in 2020 from RMB5.7 million in 2019.

Gross Profit

As a result of the foregoing, our gross profit decreased by 27.2% to RMB1,529.7 million in 2020 from RMB2,100.0 million in 2019. Our gross profit margin increased by 1.3 percentage points to 26.6% in 2020 from 25.3% in 2019, primarily due to the increase in the proportion of delivered properties that yield a higher gross profit.

Valuation Gains on Investment Properties

Valuation gains on investment properties decreased significantly to RMB42.6 million in 2020 from RMB529.5 million in 2019 primarily due to the decrease in the valuation of existing properties as compared with last year as affected by the pandemic, and a slight gain on the overall valuation as a result of the increase in newly added properties.

Other Income

Other income significantly decreased by 38.0% to RMB1,564.7 million in 2020 from RMB2,521.5 million in 2019, mainly due to the decrease in recognition of disposal gains.

Selling Expenses

Selling expenses decreased by 15.9% to RMB406.4 million in 2020 from RMB483.2 million in 2019, primarily due to the decrease in sales commissions and agency fees as a result of the decrease in revenue from delivered properties under the impact of the pandemic.

Administrative Expenses

Administrative expenses decreased by 13.7% to RMB509.7 million in 2020 from RMB590.8 million in 2019, primarily due to a decrease in wages and benefits, consulting fees and other expenses as we strengthened cost control in 2020.

Other Operating Expenses

We recorded other operating expenses of RMB224.2 million, representing an increase of 22.6% from RMB182.9 million in 2019, mainly due to the increase in provision for loss on loans provided to third parties as compared with the previous year.

Finance Income

Finance income decreased by 10.8% to RMB621.7 million in 2020 from RMB696.8 million in 2019, which was mainly attributable to the impacts of changes of exchange rates and changes of fair value of the derivative components of convertible bonds of the Group.

Finance Costs

Finance costs increased by 31.1% to RMB767.7 million in 2020 from RMB585.6 million in 2019, which was mainly attributable to the increase in interest expenses as a result of the increased number of completed projects.

Income Tax

Income tax expenses decreased by 31.9% to RMB547.2 million in 2020 from RMB803.2 million in 2019, which was mainly attributable to a decrease in the profit before taxation of the Group.

Profit for the Year

Profit for the year of the Group decreased by 60.1% to RMB1,284.0 million in 2020 from RMB3,215.1 million in 2019.

Profit Attributable to Equity Shareholders of the Company

As a result of the foregoing, the profit attributable to equity shareholders of the Company decreased by 75.7% to RMB438.0 million in 2020 from RMB1,804.8 million in 2019.

- **2019 Compared to 2018**

Revenue

Our revenue increased by 9.4% to RMB8,288.6 million in 2019 from RMB7,579.1 million in 2018 mainly due to an increase of income from sale of properties.

Sale of properties. Revenue generated from the sale of properties increased by 10.0% to RMB7,639.0 million in 2019 from RMB6,944.1 million in 2018, mainly due to the increase in the area of delivered properties and average unit selling price.

Property management and hotel operation income. Revenue generated from property management and hotel operation of the Group increased by 3.3% to RMB457.9 million

in 2019 from RMB443.4 million in 2018, mainly due to the increase in the area under property management by the Group.

Rental income from investment properties. Revenue generated from rental income from investment properties of the Group increased by 6.2% to RMB162.4 million in 2019 from RMB152.9 million in 2018, mainly due to the increase in the area of rental properties.

Light-asset operation income. Revenue generated from light-asset operation income of the Group decreased by 24.0% to RMB29.4 million in 2019 from RMB38.7 million in 2018, mainly because the projects related to light-asset operation are at their closing stages, and the new projects have not yet started large-scale pre-sale, resulting in a decrease in the overall contracted amount of projects compared to last year, and a decrease in sales agency fees and brand agency fees in 2019.

Cost of Sales

Our cost of sales increased by 3.3% to RMB6,188.6 million in 2019 from RMB5,988.3 million in 2018. Cost of sales of properties increased by 2.9% to RMB5,654.8 million in 2019 from RMB5,493.3 million in 2018, primarily due to the increase in the area of delivered properties. Cost of property management and hotel operation increased by 9.5% to RMB528.1 million in 2019 from RMB482.3 million in 2018, primarily due to the increased area of property management. In addition, the cost incurred for light-asset operation decreased by 54.8% to RMB5.7 million in 2019 from RMB12.6 million in 2018.

Gross Profit

As a result of the foregoing, our gross profit increased by 32.0% to RMB2,100.0 million in 2019 from RMB1,590.8 million in 2018. The Group's gross profit margin increased by 4.3 percentage points to 25.3% in 2019 from 21.0% in 2018, primarily due to the increase in the proportion of delivered property with a higher gross profit.

Valuation Gains on Investment Properties

Valuation gains on investment properties decreased by 40.4% to RMB529.5 million in 2019 from RMB888.7 million in 2018 primarily due to the conversion of certain properties under construction and completed properties into investment properties.

Other Income

Other income significantly increased by 803.8% to RMB2,521.5 million in 2019 from RMB279.0 million in 2018, mainly due to the gain from the disposal of interest in the residential sector under the Arles Town project development.

Selling Expenses

Selling expenses decreased by 12.7% to RMB483.2 million in 2019 from RMB553.7 million in 2018, primarily due to the Group stepping up its cost control measures and adjusting its commission policy, which led to a decrease in the advertising and sales agency fees.

Administrative Expenses

Administrative expenses increased by 8.2% to RMB590.8 million in 2019 from RMB545.9 million in 2018, primarily due to the Company's active development of new projects, leading the increase of the related costs.

Other Operating Expenses

We recorded other operating expenses of RMB182.9 million in 2019, a significant decrease by 81.5% from RMB990.4 million in 2018, mainly due to the Group's provision for loss of the loans provided to third parties of RMB902.0 million for the outstanding balances with significantly increased credit risk in 2018.

Finance Income

Finance income increased by 34.2% to RMB696.8 million in 2019 from RMB519.4 million in 2018, mainly attributable to the effect of gain on fair value change of the derivative components of convertible bonds of the Group.

Finance Costs

Finance costs increased by 6.3% to RMB585.6 million in 2019 from RMB550.8 million in 2018, mainly attributable to the increased interest expense as a result of the increased number of completed projects as well as the effect of loss on fair value change of the financial assets at fair value through profit or loss.

Income Tax

Income tax expenses increased by 119.5% to RMB803.2 million in 2019 from RMB366.0 million in 2018, mainly attributable to the increase in the profit before taxation and the land appreciation tax of the Group.

Profit for the Year

Profit for the year of the Group increased by 1,224.3% to RMB3,215.1 million in 2019 from RMB242.8 million in 2018.

Profit Attributable to Equity Shareholders of the Company

As a result of the foregoing, the profit attributable to equity shareholders of the Company in 2019 was RMB1,804.8 million while the loss attributable to equity shareholders of the Company in 2018 was RMB30.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Property developments require substantial capital investment for land acquisition and construction and it may take many months or years before positive cash flows can be generated. To date, we have funded our growth principally from internal funds, bank loans, trust loans, loans from related parties and third parties and capital contributions from our shareholders. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We intend to continue to fund our future development and debt servicing costs 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.

The following table presents selected cash flow data from our consolidated cash flow statements for the years indicated.

	Year ended December 31,			
	2018	2019	2020	
	<i>(RMB millions)</i>		<i>(US\$ millions)</i>	
Operating cash flow before movements in working capital ⁽¹⁾	488.0	1,080.4	809.7	124.1
Movements in working capital				
(Increase)/decrease in properties under development and completed properties held for sale	(502.5)	1,938.2	1,252.6	192.0
Decrease/(increase) in land development for sale	247.3	(188.5)	(261.5)	(40.1)
Decrease/(increase) in trade and other receivables	1,447.4	232.2	355.1	54.4
Decrease/(increase) in restricted deposits	(153.7)	301.4	(1.5)	(0.2)
(Decrease)/increase in trade and other payables and contract retention payables	82.9	(785.8)	(929.7)	(142.5)
Increase/(decrease) in contract liabilities	604.7	145.5	538.2	82.5
Increase in contract costs	(42.2)	(2.6)	(43.9)	(6.7)
Cash generated from operations	<u>2,171.9</u>	<u>2,721.0</u>	<u>1,719.0</u>	<u>263.4</u>
Income tax paid	(429.2)	(357.4)	(356.6)	(54.7)
Net cash generated from operating activities	<u>1,742.7</u>	<u>2,363.6</u>	<u>1,362.4</u>	<u>208.8</u>

	Year ended December 31,			
	2018	2019	2020	
	<i>(RMB millions)</i>		<i>(US\$ millions)</i>	
Net cash (used in)/generated from				
investing activities	(1,690.4)	2,907.2	991.9	152.0
Net cash used in financing activities	(2,127.0)	(5,445.1)	(1,691.8)	(259.3)
Net (decrease)/increase in cash and cash				
equivalents	(2,074.7)	(174.4)	662.5	101.5
Cash and cash equivalents at January 1	4,654.2	2,588.6	2,438.6	373.7
Effect of foreign rate changes	9.1	24.3	(29.4)	(4.5)
Cash and cash equivalents at				
December 31	2,588.6	2,438.6	3,071.8	470.8

Note:

- (1) Represents profit before taxation as adjusted for depreciation, valuation gains on investment properties, finance costs, finance income, gain on disposal of subsidiaries and associates, net gain/loss on disposal of property and equipment and investment properties, share of profits less losses of associates, remeasurement of fair value of pre-existing interest in acquiree and write-down of properties under development and completed properties held for sale.

Net Cash Generated from Operating Activities

Our cash used in operations principally comprises payments for our property development activities and land acquisitions. Our cash generated from operations is principally from proceeds received from pre-sales and sales of our properties.

For the year ended December 31, 2020, our net cash generated from operating activities was RMB1,362.4 million, primarily attributable to a decrease in properties under development and completed properties held for sale of RMB1,252.6 million, decrease in trade and other receivables of RMB355.1 million and an increase in contract liabilities of RMB538.2 million.

In 2019, our net cash generated from operating activities was RMB2,363.6 million, primarily attributable to a decrease in trade and other receivables of RMB232.2 million, a decrease in properties under development and completed properties held for sale of RMB1,938.2 million and an increase in contracted liabilities of RMB145.5 million.

In 2018, our net cash generated from operating activities was RMB1,742.7 million, primarily attributable to a decrease in trade and other receivables of RMB1,447.4 million, an increase in properties under development and completed properties held for sale of RMB502.5 million and an increase in contracted liabilities of RMB604.7 million.

Net Cash (Used in)/Generated from Investing Activities

Our cash used in investing activities primarily reflects the construction of investment properties, the acquisition of property and equipment, acquisition of subsidiaries and advances to related parties and third parties. Our cash generated from investing activities primarily reflects the disposal of subsidiaries, the liquidation and disposal of associates and repayment of advances to related parties and third parties.

For the year ended December 31, 2020, our net cash generated from investing activities was RMB991.9 million, primarily attributable to proceeds from disposal of subsidiaries in previous year of RMB746.7 million, proceeds from disposal of subsidiaries of RMB469.3 million and repayment of loans provided to third parties was RMB252.9 million, which was partially offset by loans provided to associates of RMB256.7 million and acquisition of subsidiaries of RMB140.8 million.

In 2019, our net cash generated from investing activities was RMB2,907.2 million, primarily attributable to proceeds from disposal of subsidiaries of RMB3,739.5 million, repayment of loans provided to third parties of RMB2,935.4 million, which was partially offset by loans provided to third parties of RMB3,084.3 million and loans provided to non-controlling interests of RMB290.4 million.

In 2018, our net cash used in investing activities was RMB1,690.4 million, which primarily represented (i) loans provided to third parties of RMB2,433.7 million, partially offset by repayment of loans provided to third parties of RMB1,663.7 million; and (ii) loans provided to associates of RMB562.6 million.

Net Cash Used in Financing Activities

Our cash generated from financing activities are mainly from loans and other borrowings. Our cash used in financing activities mainly reflects interest payments and repayment of bank loans.

For the year ended December 31, 2020, our net cash used in financing activities was RMB1,691.8 million, primarily attributable to (i) the repayment of loans and borrowings of RMB7,603.2 million, (ii) the interest of RMB2,983.5 million paid and (iii) repayment of senior notes of RMB2,826.3 million, which was partially offset by proceeds from loans and borrowings of RMB10,656.6 million.

In 2019, our net cash used in financing activities was RMB5,445.1 million which was primarily attributable to (i) repayment of loans and borrowings of RMB10,889.0 million, (ii) interest paid of RMB2,869.5 million, (iii) repayment of PRC bonds of RMB1,506.8 million and (iv) redemption of convertible bonds of RMB1,109.7 million, partially offset by proceeds from loans and borrowings of RMB11,003.4 million and proceeds from issue of senior notes of RMB1,015.1 million.

In 2018, our net cash used in financing activities was RMB2,127.0 million which was primarily attributable to (i) repayment of loans and borrowings of RMB8,819.1 million, (ii) interest paid of RMB2,521.2 million, (iii) increase in restricted deposits of RMB1,001.6 million, and (iv) repayment of PRC bonds of RMB1,500 million, partially offset by proceeds from loans and borrowings of RMB9,420.8 million, proceeds from issue of senior notes of RMB2,215.1 million and proceeds from issue of convertible bonds of RMB580.9 million.

Indebtedness

Loans and Borrowings

The following table sets forth the composition of our loans and borrowings as of the date indicated:

	As of December 31,			
	2018	2019	2020	
	<i>(RMB millions)</i>		<i>(US\$ millions)</i>	
Non-current:				
Convertible bonds	2,126.2	879.7	854.7	131.0
Bank loans – secured	3,679.7	3,946.5	5,289.9	810.7
Loans from other financial institutions – secured	10,416.1	8,331.2	11,026.3	1,689.9
Loans from third parties – unsecured	1.4	–	–	–
Senior Notes	3,297.7	4,360.6	2,241.4	343.5
Corporate bonds	6,437.1	4,941.7	4,635.0	710.3
	<u>25,958.2</u>	<u>22,459.7</u>	<u>24,047.2</u>	<u>3,685.4</u>
Less:				
Current portion of long-term loans and borrowings:				
Bank loans	1,602.7	1,279.5	1,302.6	199.6
Loans from other financial institutions	3,583.9	3,106.3	4,120.0	631.4
Senior Notes	–	2,623.5	2,241.4	343.5
Corporate bonds	1,496.1	997.5	2,452.6	375.9
Convertible Bonds	–	–	277.1	42.5
Subtotal	<u>6,682.7</u>	<u>8,006.9</u>	<u>10,393.6</u>	<u>1,592.9</u>
Total non-current loans and borrowings	<u>19,275.5</u>	<u>14,452.8</u>	<u>13,653.6</u>	<u>2,092.5</u>
Current:				
Bank loans				
– secured	1,169.9	923.6	103.2	15.8
Loans from other financial institutions				
– secured	2,070.4	1,168.1	1,142.7	175.1
– unsecured	–	–	209.6	32.1
Loans from related parties – unsecured	2.8	–	–	–
Loans from third parties				
– secured	181.0	181.0	–	–
– unsecured	313.0	321.8	868.0	133.0
Subtotal	<u>3,737.1</u>	<u>2,594.5</u>	<u>2,323.4</u>	<u>356.1</u>
Current portion of long-term loans and borrowings	<u>6,682.7</u>	<u>8,006.9</u>	<u>10,393.6</u>	<u>1,592.9</u>
Total current loans and borrowings	<u>10,419.8</u>	<u>10,601.4</u>	<u>12,717.0</u>	<u>1,949.0</u>
Total loans and borrowings	<u>29,695.3</u>	<u>25,054.2</u>	<u>26,370.6</u>	<u>4,041.5</u>

Some of our loans and borrowings are secured by our properties under development, completed properties held for sale, investment properties, restricted deposits and other assets. The following table sets forth a breakdown of such assets as security as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	<i>(RMB millions)</i>		<i>(US\$ millions)</i>	
Property and equipment	450.7	377.0	401.6	61.5
Investment properties	5,814.8	6,242.7	6,150.9	942.7
Properties under development and completed properties held for sale	7,688.1	6,126.3	5,540.0	849.0
Restricted deposits	1,174.9	981.4	48.6	7.4
	<u>15,128.5</u>	<u>13,727.4</u>	<u>12,141.2</u>	<u>1,860.7</u>

In addition, certain loans and borrowings, in the amount of RMB4,265.6 million, RMB6,431.3 million and RMB8,716.8 million as of December 31, 2018, 2019 and 2020, respectively, were secured by a charge over the shares of certain of our subsidiaries.

Some of the loan agreements of our outstanding indebtedness include cross-default clauses and various covenants that obligate some of our subsidiaries to maintain certain financial ratios or obtain the lender's consent before providing guarantees or creating new encumbrances on assets that may affect their ability to repay the indebtedness, among others. Each of these loan agreements relates to loans taken out by some of our PRC subsidiaries from PRC banks for project development purposes. We have sent the financial statements of our relevant subsidiaries to the relevant banks on a routine basis and have not received any demand from the relevant banks to repay any amounts under these loans on an accelerated basis, nor did we experience any cross-default of our other indebtedness triggered by such reclassification. Our Directors confirm that, even if the relevant banks demanded early repayment of part or all of this amount, our financial resources would be sufficient to meet such repayment obligations, since as of December 31, 2020, we had approximately RMB12,363.0 million in unutilized bank facilities and RMB716.0 million in unutilized trust facilities.

The following table sets forth the repayment terms of our loans and borrowings:

	As of December 31,			
	2018	2019	2020	
	<i>(RMB millions)</i>		<i>(US\$ millions)</i>	
Within 1 year or on demand	10,419.8	10,601.4	12,717.0	1,949.0
After 1 year but within 2 years	10,382.1	8,111.2	8,177.2	1,253.2
After 2 years but within 5 years	8,503.4	5,973.1	5,470.9	838.5
After 5 years	390.0	368.5	5.5	0.8
	<u>19,275.5</u>	<u>14,452.8</u>	<u>13,653.6</u>	<u>2,092.5</u>
	<u><u>29,695.3</u></u>	<u><u>25,054.2</u></u>	<u><u>26,370.6</u></u>	<u><u>4,041.5</u></u>

The following table shows the effective rates per annum on loans and borrowings at amortized costs for the periods indicated:

	For the year ended December 31,					
	2018		2019		2020	
Long term						
Bank loans	4.75%	-12.50%	4.75%	-8.08%	5.47%-8.50%	
Loans from other financial institutions	6.63%	-18.00%	6.63%	-13.00%	6.63%-16.52%	
Loans from third parties	8.08%	-13.00%	8.08%		-	
Senior Notes	9.03%	-12.39%	9.08%	-17.50%	9.08%-17.50%	
Corporate bonds	6.94%	-9.31%	8.29%	-9.31%	8.29%-10.50%	
Convertible bonds	8.59%	-10.57%	12.00%	-12.01%	12.00%-12.01%	
Short-term						
Bank loans	4.56%	-7.83%	3.75%	-7.83%	3.75%-7.40%	
Loans from other financial institutions	7.00%	-12.00%	7.00%	-18.00%	4.35%-15.40%	
Loans from related parties	10.00%		10.00%		-	
Loans from third parties	9.00%	-13.50%	7.00%	-13.50%	4.35%-24.00%	

As of December 31, 2020, we had aggregate bank facilities of RMB12,750.0 million, of which RMB387.0 million was utilized and RMB12,363.0 million remained un-utilized. Our Directors confirm that we will be able to utilize the un-utilized bank facilities by following customary procedures of the relevant lending banks and are not subject to unusual restrictions or conditions. Except as set forth above, our Directors have confirmed that our Group currently has no material external debt financing in place and is not likely to raise any material external debt financing in the near future outside our ordinary course of business.

Trust financing

For the years ended December 31, 2018, 2019 and 2020, we obtained financing from trust financing companies to fund some of our property development projects. Those trust financing companies we have cooperated with are reputable and well-established institutions in the PRC and are independent third parties to us. We use trust financing as a supplement to bank loans primarily to finance our property development projects as trust loans, compared with bank loans, offer greater flexibility in terms and structures and more favorable timing in draw-downs and repayments, even though they typically cost more. For example, bank loans in the PRC typically are only available for drawdown once a project receives a permit for commencement of construction works, whereas our development strategies, particularly those relating to multifunctional residential communities, require substantial capital resources to acquire land parcels on a large scale before they reach the development stage according to our phased development schedule and pursuant to PRC land regulations. Also, security eligible for bank loans in the PRC is typically limited to assets underlying development projects being financed, whereas trust loans could be obtained on the strength of secured assets not directly linked to the projects in which loan proceeds will be used. As of December 31, 2020, we had a total principal amount of RMB6,737.2 million of trust financing outstanding, accounting for approximately 25.5% of our total borrowings. Therefore, we do not believe that we are dependent on trust financing for the capital needs in our development projects on an overall basis. As of December 31, 2020, we had approximately RMB3,071.8 million in cash and cash equivalents and, as of December 31, 2020, we had approximately RMB12,363.0 million in unutilized bank facilities and RMB716.0 million in unutilized trust facilities. We, however, recognize that, under our current development model, trust financing has become a necessary and substantial component of our external financing, particularly in the early stages of property development due to its flexibility and availability, and intend to continue to utilize trust financing where appropriate. As of December 31, 2018, 2019 and 2020, the total amount of trust financing outstanding accounted for 21.5%, 21.5% and 25.5% of our total borrowings, respectively. Nevertheless, we plan to closely monitor and manage the proportion of trust financing in our overall indebtedness taking into consideration our liquidity, funding costs and funding requirements as demanded by our development schedule. Going forward, we intend to broadly explore various forms of equity and/or debt financing with a view to gradually reduce the proportion of trust financing in our total external financing. For information regarding the terms of our trust financing, see “*Description of Other Material Indebtedness — Trust Financing*”.

Other financing from other financial institutions

In addition to trust financing, our “loans from other financial institutions” also include financings from other financial institutions that are not trust companies, including China Huarong Asset Management Co., Ltd., China Great Wall Asset Management Co., Ltd. and China Cinda Asset Management Co., Ltd.

Contingent Liabilities

Our contingent liabilities primarily comprise guarantees we provide to PRC banks in respect of the mortgage loans provided by the banks to purchasers of our properties. The guarantees are typically released when the title deeds of the respective properties are pledged to the banks as security to continue to support the mortgage loans, which generally takes place within one year after the properties are delivered to the purchasers.

	As of December 31,			
	2018	2019	2020	2020
	<i>(RMB millions)</i>			<i>(US\$ millions)</i>
Mortgage guarantees	7,266.6	6,563.9	4,738.9	726.3

In addition, we also provide various quality warranties to buyers of our properties, with terms ranging from one to five years, in accordance with the relevant PRC laws and regulations. Such warranties are covered by back-to-back warranties provided to us by the respective construction contractors. We have, from time to time, also been party to lawsuits and other legal proceedings in the normal course of business. See “*Business — Legal Proceedings.*” Even though the magnitude of such legal contingencies cannot be determined at present, our Directors believe that any resulting liability would not have a material adverse effect on our financial position, liquidity or operating results.

Off-balance Sheet Commitments and Arrangements

Except for the contingent liabilities described above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

CAPITAL EXPENDITURES AND COMMITMENTS

As of December 31, 2018, 2019 and 2020, we had the following commitments in respect of properties under development and investment properties under construction not provided for in the financial statements:

	As of December 31,			
	2018	2019	2020	2020
	<i>(RMB millions)</i>			<i>(US\$ millions)</i>
Contracted for	4,686.2	7,606.6	8,385.0	1,285.1
Approved but not contracted for ...	10,012.7	7,579.0	8,818.3	1,351.5
Total	14,698.9	15,185.6	17,203.3	2,636.5

As of December 31, 2018, 2019 and 2020, we had the following commitments in respect of equity investments outstanding which are not provided for in the financial statements:

	As of December 31,			
	2018	2019	2020	2020
	<i>(RMB millions)</i>			<i>(US\$ millions)</i>
Contracted for	–	734.0	654.0	100.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As of December 31 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As of December 31, 2018
	<i>(RMB millions)</i>
Within 1 year	23.2
After 1 year but within 5 years	65.8
After 5 years	33.0
	<u> </u>
	<u>122.0</u>

Due to the adoption of IFRS 16, the schedule of total future minimum lease payments under non-cancellable operating leases is no longer applicable from 2019.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade receivables and loans provided to non-controlling interests in subsidiaries, related parties and third parties. Our exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions, which we consider having low credit risk.

We are not exposed to significant concentrations of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2018, 2019 and 2020, 61.0%, 63.0% and 66.2% of the total trade receivables was due from our largest customer, respectively.

Receivables that were past due over one year mainly included revenue from land development for sale of RMB581.1 million as at December 31, 2020 due from the Government of Chenghua District. Based on a series of agreements entered into by the Government of Chenghua District and us, we are entitled to receive an amount of RMB581.1 million and the Government issued a notice to confirm the same on July 2, 2013. Considering the long ageing of the receivables, in February 2015, we sued and asked for the repayment of RMB581.1

million as well as a management fee of RMB15 million. The first trial went to court on June 17, 2015 and the judge asked the Government of Chenghua District and us to further negotiate so as to reach a settlement. The court has accepted and approved an application for withdrawal of the trial by us on July 26, 2018. As of the date of this memorandum, we are still negotiating with the Government of Chenghua District.

As at December 31, 2018, 2019 and 2020, our directors were of the opinion that no provision on the receivables of RMB581.1 million due from the Government of Chenghua District was required. As we have consulted our legal adviser and understood that if the parties could not reach an agreement on the settlement agreement, we may reinstate the trial and there is no indication that the Government of Chenghua District will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, our management believes that the balances are fully recoverable.

The remaining receivables mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with us. We hold the title of the property units as collateral over the balance of trade receivables of RMB178.4 million, RMB124.63 million and RMB103.7 million as at December 31, 2018, 2019 and 2020, respectively. Generally, we would not release the property ownership certificates to the buyers before the buyers finally settle the selling price and our management considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

For trade receivables without collateral, which primarily represent receivable for rental income and project management, we measure loss allowances at an amount that is equal to lifetime expected credit loss (“ECL”), which is calculated using a provision matrix. As at December 31, 2018, 2019 and 2020 our exposure to credit risk and ECLs for these trade receivables are insignificant.

(i) Guarantees provided by us

For properties that are pre-sold whose development has not been completed, we typically provide guarantees to banks in connection with the customers’ borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of an individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand us to repay the outstanding loan and any interest accrued thereon. Under such circumstances, we are able to forfeit the sales deposit received and resell the repossessed properties. Therefore, our management considers that any loss incurred would be likely to recovered as long as it is arising from such guarantee provided by us. Our management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts.

(ii) Loans provided to associates and non-controlling interests of subsidiaries

For receivables due from associates and non-controlling interests of subsidiaries, we consider that the credit risk arising from these receivables is significantly mitigated by related property development projects held by these associates and subsidiaries, with reference to the estimated market value of those property development projects.

(iii) Loans provided to third parties

For loans provided to third parties, whose loss allowance is measured on an individual basis, our management assesses whether there is a significant increase in credit risk arising from default of a counterparty primarily based on borrowers' and guarantor's specific information such as their past due status and their liquidities from other sources available without undue cost.

During the year ended December 31, 2020, a total loss allowance of RMB139 million was recognized on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees or whose credit risk increased. Therefore, a loss allowance based on 12-month ECLs of RMB6 million and lifetime ECLs of RMB133 million have been recognized thereon. A reversal of an impairment loss of RMB13 million was recognized in the consolidated profit or loss due to the repayment of loans provided to a third party during the year.

During the year ended December 31, 2019, a total loss allowance of RMB102.0 million was recognized on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees and with an outstanding balance totalled RMB102 million as at December 31, 2019. Our management determined that the credit risks of such balances of RMB102 million increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB102 million has been recognized thereon.

As at December 31, 2018, within the gross balance of the loans provided to third parties guaranteed by individual(s) of RMB852 million, for which a loss allowance of RMB852 million has been recognized on the whole balances, a total balance of approximately RMB521 million was originated during the year ended December 31, 2018. As at December 31, 2018, no loss allowance was recognized on a gross balance of loans provided to a third party indirectly controlled by individual(s) of RMB150 million and certain loans provided to other third parties of RMB403 million measured at lifetime ECLs, primarily after taking into account the land and properties and shares of companies with property development projects in the PRC obtained by us as collaterals, with estimated values as determined by our management with reference to the market prices of comparable land and properties in the relevant locations and the estimated values exceeded the gross balances of these loan balances totalled RMB553 million.

During the year ended December 31, 2018, the credit risks of certain loans provided to a number of companies indirectly owned by individual(s) or guaranteed by individual(s) (collectively, the "**Individuals**"), with an outstanding balance totalled RMB1,002 million as at December 31, 2018, increased significantly since their initial recognition, and, therefore, a loss allowance based on lifetime ECLs totalled RMB852 million has been recognized against these balances. Our management's assessment which resulted such significant increase in the credit risks of the above balances has been taking into account of an adverse report of an investigation involving the Individuals in China, setting out the possibility of losing contact with the Individuals, the consequential uncertainty over our ability to enforce the guarantees provided by the Individuals, and the feasibility of realizing the estimated value of other collaterals held by us against these outstanding loans balance.

Liquidity Risk

Historically, we relied to a great extent on proceeds received from pre-sale of property units to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of our current real estate projects will be sufficient to meet our needs, our operating plan requires us to raise additional funds to finance the development and construction of our current real estate projects. If we are unable to raise additional equity or debt financing, our expansion plans and operations might need to be curtailed.

Our policy is to regularly monitor current and expected liquidity requirements and our compliance with lending covenants to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirement in the short and longer term.

Interest Rate Risk

We are exposed to interest rate risks, primarily relating to our bank borrowings subject to negotiation on annual basis. As of December 31, 2018, 2019 and 2020, the annual interest rates of our deposits at bank ranged from 0.1% to 2.75%, 0.1% to 2.75% and 0.1% to 2.75%, respectively. We undertake debt obligations to support our property development and general working capital needs. Upward fluctuations in interest rates increase the cost of our financing. Fluctuations in interest rates can also lead to fluctuations in the fair value of our debt obligations. In 2007, PBOC increased the one-year lending rate six times from 6.12% to 7.47%. Beginning in 2008, PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31%. The benchmark one-year lending rate applicable in 2009 remained at 5.31%, and was increased to 6.56% in 2011 and remained at 6.00% in 2012 and 2013, respectively. We do not currently use any derivative instruments to modify the nature of our debt so as to manage our interest rate risk. However, our management will consider hedging significant interest rate exposure should the need arise.

An increase in interest rates may also adversely affect our prospective purchasers' ability and cost to obtain financing and depress the overall housing demand in China. On September 27, 2007, PBOC raised the relevant PBOC benchmark interest rate to 7.83%, 27 basis points higher than the previously benchmark interest rate, and the minimum property mortgage loan rate over property mortgages with a term over five years was 6.66%. On October 27, 2008, PBOC reduced the minimum mortgage loan interest rate to 70% of the relevant PBOC benchmark interest rate. As of December 31, 2020, the minimum property mortgage loan interest rate for property mortgages with a term over five years was 3.25%.

As of December 31, 2018, 2019 and 2020, we estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would decrease/increase our profit after tax and retained profits by approximately RMB2.0 million, RMB4.4 million and RMB2.1 million, respectively, and would increase/decrease our properties under development and completed properties held for sale, and investment properties, property and equipment and land development for sale, by approximately RMB14.2 million, RMB10.6 million and RMB5.5 million, respectively.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials, primarily steel and cement, for our property developments. We procure the raw materials, such as cement and steel, and therefore we bear the risks of fluctuation in the costs of these materials. We currently do not engage and do not expect to engage in commodities hedging activities in the future.

Foreign Exchange Rate Risk

Substantially all of our revenues and expenses are denominated in Renminbi. Our exposure to foreign exchange risk relates primarily to the Notes, as well as notes and bank deposits in U.S. dollars and other foreign currencies. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. Although in general our exposure to foreign currency risks should be limited, the value of your investment in our Notes will be affected by the foreign exchange rate between U.S. dollars and Renminbi because the value of our business is effectively denominated in Renminbi, while the Notes will be traded in U.S. dollars. Because Renminbi is not freely convertible, our ability to reduce the foreign exchange risk is limited. Please refer to “Risk Factors — Risks Relating to Doing Business in China — Fluctuations in the value of the Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries” for additional risk disclosure.

Fluctuations in exchange rate may adversely affect the value, translated or converted into U.S. dollars, of our net assets and earnings. There can be no assurance that any future movements in the exchange rate of the Renminbi against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition. We believe that significant depreciation in the Renminbi against the U.S. dollar may have an adverse impact on our ability to repay the Notes.

Inflation

According to the National Bureau of Statistics of China, China’s overall national inflation rate, as represented by the general consumer price index, was 102.1%, 102.9% and 102.5% in 2018, 2019 and 2020, respectively. Deflation could negatively affect our business as it might be a disincentive for prospective property purchasers to make purchases.

NON-GAAP FINANCIAL MEASURES

We use EBITDA to provide additional information about our operating performance. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

EBITDA for any period is calculated as our total comprehensive income for the period plus income tax, depreciation, net financial expenses and capitalized interest changed to cost of sales, but excluding valuation gains on investment properties, other income, other operating expenses, share of profits less losses of associates and other comprehensive income. EBITDA is a widely used financial indicator of a company's ability to service and incur debt and is not a standard measure under IFRS. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for tax, finance income, finance costs and other non-operating cash expenses. EBITDA does not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as selling expenses and administrative expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes.

EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definitions. Investors should also note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes.

The following table presents a reconciliation of our profit for the year under IFRS to our definition of EBITDA.

	For the year ended December 31,			
	2018	2019	2020	2020
	<i>(RMB millions)</i>			<i>(US\$ millions)</i>
Total comprehensive income				
for the year	224.8	3,212.1	1,296.1	198.6
Adjustments:				
Income tax	366.0	803.2	547.2	83.9
Depreciation	55.1	69.4	138.2	21.2
Net financial expenses ⁽¹⁾	31.4	(111.2)	146.0	22.4
Valuation gains on investment properties	(888.7)	(529.5)	(42.6)	(6.5)
Capitalized interest charged to cost of sales ..	1,136.7	799.7	657.3	100.7
Other income	(278.9)	(2,521.5)	(1,564.7)	(239.8)
Other operating expenses	990.4	182.9	224.2	34.4
Share of profit less losses of associates	28.2	(12.9)	19.6	3.0
Other comprehensive income	18.0	3.0	(12.2)	(1.9)
EBITDA ⁽²⁾	1,683.0	1,895.2	1,409.1	215.9

Notes:

- (1) Net financial expenses are calculated as finance costs minus finance income.
- (2) EBITDA for any year is calculated as our total comprehensive income for the year plus income tax, depreciation, net financial expenses and capitalized interest charged to cost of sales, but excluding valuation gains on investment properties, other income, other operating expenses, share of profits less losses of associates and other comprehensive income. Capitalized interest charged to cost of sales in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 were based on actual data. EBITDA is a widely used financial indicator of a company's ability to service and incur debt and is not a standard measure under IFRS. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for tax, finance income, finance costs and other non-operating cash expenses. EBITDA does not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as selling expenses and administrative expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definitions. Investors should also note that EBITDA as presented herein is 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our total comprehensive income for the year under IFRS to our definition of EBITDA.

REGULATORY OVERVIEW

Set out below is an overview of key recent regulatory developments relating to the property industry in China, many of which are directed at the residential property sector.

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the PRC Law on Administration of Urban Real Estate (the “**Urban Real Estate Law**”) (《中華人民共和國城市房地產管理法》 promulgated by the Standing Committee of the National People’s Congress, effective in January 1995, as amended in August 2007, August 2009 and August 2019, a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (the “**Development Regulations**”) (《城市房地產開發經營管理條例》 promulgated by the State Council in July 1998, as amended in January 2011, March 2018, March 2019 and March 2020, an enterprise which is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign invested enterprises.

Under the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) promulgated by MOFCOM and NDRC in June 2017, the construction and operation of cinemas fall within the category of industries in which Chinese parties shall hold a relative majority of shares and other real estate development falls within the category of industries in which foreign investment is permitted.

On June 28, 2018, the NDRC and the MOFCOM promulgated the Special Management Measures (Negative List) for the Access of Foreign Investment (2018) (外商投資准入特別管理措施 (負面清單) (2018年版)) (the “**2018 Negative List**”), which replaced the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) since July 28, 2018. On June 23, 2020, the NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施(負面清單)》(2020年版)) (the “**Negative List**”), which became effective on July 23, 2020. The Negative List sets out the ownership requirements, requirements for senior

executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment. The development and operation of real estates is not listed on the Negative List.

A foreign investor intending to engage in the development and operation of real estate may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and administrative regulations regarding foreign invested enterprise.

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued a notice for Adjusting the Portion of Capital for Fixed Assets Investment (《國務院關於調整固定資產投資項目資本金比例的通知》) in May 2009. Under the limit of capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other real estate development projects is adjusted from 35% to 30%.

In order to promote the adjustment of investment structure, the State Council issued a notice for Adjusting and Perfecting the Capital System for Fixed Assets Investment (《國務院關於調整和完善固定資產投資項目資本金制度的通知》) in September 2015. Under the limit of capital ratio for protected housing projects and ordinary commodity housing projects shall remain unchanged at 20%, and the capital ratio for other real estate development projects is adjusted from 30% to 25%.

In July 2006, the Ministry of Construction, the Ministry of Commerce, the NDRC, PBOC, the State Administration for Industry and Commerce and SAFE promulgated the Opinions on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) or Circular No. 171.

According to the Opinions, a foreign investor must comply with the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing real estate in China other than for self-use shall, subject to the principle of commercial existence, apply for the establishment of a foreign-invested enterprise pursuant to the regulations relevant to foreign investment in real estate, and conduct relevant operations within the authorized business scope after obtaining approvals from the relevant government authorities and upon completion of the relevant registrations.
- If the total investment amount of a foreign-invested real estate development enterprise exceeds or equals to US\$10 million, the registered capital shall not be less than 50% of the total investment amount of the enterprise. If the total investment amount is less than US\$10 million, the current rules on registered capital shall apply.
- A transfer of projects or shares in a foreign-invested real estate development enterprise, and the acquisition of a domestic real estate development enterprise by foreign investors shall be approved by the commerce authorities in strict compliance with the relevant laws, regulations and policies. The investor should submit: (a) a letter of guarantee pledging to abide by the State-owned Land-Use Right Grant Contract, the Permit for Land Planning for Construction Purpose and the Permit for the Planning of

Construction Projects; (b) the State-owned Land-Use Certificate; (c) the certification of a change of registration issued by the relevant construction administration authorities; and (d) the certification of tax payment issued by the relevant tax authorities.

- Foreign investors acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring domestic investors' equity interest in an equity joint venture, shall make proper arrangements for the real estate enterprise's employees and bank loan repayment. The foreign investors shall pay the transfer price in a lump sum and with their own capital. Foreign investors with unfavourable records are prohibited from involvement in such real estate activities in China.

In August 2006, the General Office of MOFCOM issued a notice on the implementation of the Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知》).

The notice requires that, the registered capital of a foreign invested real estate enterprise, or FIREE, shall not be less than 50% of its total investment if its total investment exceeds US\$3.0 million, and the registered capital of a FIREE shall not be less than 70% of its total investment if its total investment is US\$3.0 million or less.

In September 2006, SAFE and the Ministry of Construction promulgated the Notice of the State Administration of Foreign Exchange and Ministry of Construction on Regulating the Administration of Foreign Exchange in Real Estate Market (《關於規範房地產市場外匯管理有關問題的通知》), which was amended on May 4, 2015, sets forth the specific regulations regarding to the procedure of purchasing real estate by foreign enterprises and individuals. The notice further requests that where a FIREE fails to acquire a Certificate for Using State-owned Land or to make its project development capital reach 35% of the total investments of the project, it shall not borrow any foreign debt, and the foreign exchange bureau shall not accept the registration of its foreign debt or approve the conversion of foreign debt into RMB.

When a foreign enterprise or individual merges a domestic real estate enterprise by way of equity transfer or by any other means or takes over the equity shares from the Chinese shareholder in a joint venture, if it/he fails to pay the transfer price in a lump sum with its/his own fund, the foreign exchange bureau shall not accept the registration or alteration of its/his foreign exchange.

In August 2015, the Ministry of Construction, the Ministry of Commerce, the NDRC, PBOC, the State Administration for Industry and Commerce and SAFE promulgated the Opinions on Adjusting Policies of Admittance and Administration of Foreign Capital in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》). According to the Opinion, some policies in Circular No. 171 are adjusted as follows:

- The ratio of registered capital to total investment of foreign invested real estate companies shall be subject to the Tentative Regulations of the State Administration for Industry and Commerce on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures (《國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定》), which sets forth the specific policies as follows:

- where the total amount of investment of a foreign-invested enterprise is less than USD three million (inclusive), its registered capital shall be at least 7/10 of the total investment.
- where the total amount of investment of a foreign-invested enterprise values from USD three million to USD ten million (including USD ten million), the registered capital shall be at least 1/2 of the total amount of investment; thereinto, where the total amount of investment is less than USD 4.2 million, the registered capital shall be no less than USD 2.1 million.
- where the total amount of investment of a foreign-invested enterprise is from USD 10 million to USD 30 million (including USD 30 million), the registered capital shall be at least 2/5 of the total amount of investment; thereinto, where the total amount of investment is less than USD 12.5 million, the registered capital shall be no less than USD 5 million.
- where the total amount of investment of a foreign-invested enterprise is more than USD 30 million, the registered capital shall be at least 1/3 of the total amount of investment; thereinto, where the total amount of investment is less than USD 36 million, the registered capital shall be no less than USD 12 million.
- The requirement that a foreign invested real estate company must pay the registered capital in full amount before handling the procedures for domestic loans, foreign loans, and settlement of foreign exchange loans is hereby cancelled.

In May 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (the “**No. 50 Notice**”) (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》), which was amended in October 2015. Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For establishment of a foreign invested real estate enterprise, land use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the establishment will not be approved by the authorities. For existing foreign invested company who intends to engage in real estate development or operation business or intends to engage in the operation or development of new real estate projects, they should undertake relevant procedures to expand business scope or enlarge the operation scale with the approval authority.

No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of round trip investment (includes the same de facto controller). It also prohibits Chinese or foreign investors in foreign-invested real estate joint ventures to reach any fixed return related term, or any term to the same effect, for either party.

Registration shall be immediately filed according to applicable laws with the MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC governmental authorities; foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with the MOFCOM.

SAFE issued a Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Property Registered with MOFCOM (the “**No. 130 Notice**”) (《關於下發第一批通過商務備案的外商投資地產項目名單的通知》) on July 10, 2007, further regulating foreign investment in real estate sector in China. According to No. 130 Notice, on or after June 1, 2007, real estate enterprises with foreign investment as filed with MOFCOM (including due to establishment and capital increase) will not be permitted to borrow money from overseas, including shareholder loans and foreign commercial loans, or will not be approved to settle foreign exchange of foreign debt. Further, for those which obtain foreign investment approval certificates on or after June 1, 2007 but fail to file with MOFCOM, neither foreign exchange registration nor foreign exchange alteration registration will be effected with SAFE or its branches, and as a result, foreign exchange under capital projects will not be settled or purchased.

The No. 130 Rule was abolished on May 13, 2013 by the Notice on Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Supporting Documents (《國家外匯管理局關於印發〈外商投資者境內直接投資外匯管理規定〉及配套件的通知》) (“**No. 21 Notice**”) which was promulgated by SAFE on May 10, 2013 and amended on October 10, 2018. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the No. 130 Rule have been reflected in the Measures for the Administration of Foreign Debt Registration (《外債登記管理辦法》) (“**No. 19 Notice**”) issued by SAFE on April 28, 2013 and amended on May 4, 2015.

In November 2010, the General Office of MOFCOM issued a Notice on Strengthening Management to Registration of Foreign Investment in the Real Estate Sector, (《關於加強外商投資房地產業審批備案管理的通知》). Foreign invested real estate enterprises shall not generate revenues through purchasing and selling completed real estate properties and/or real estate properties under construction. Local commerce administration authorities shall not accept registration of investment companies involving development and management of real estate.

On March 15, 2019, the National People’s Congress of the PRC adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, with a view toward unifying and streamlining the foreign investment framework into China which comes into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China
- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council

The Foreign Investment Law establishes a nationwide “pre-establishment national treatment and negative list” management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the “Special Administrative Measures (Negative List) for Foreign Investment Access.”

According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

On December 26, 2019, the State Council issued the Regulation on Implementing the Foreign Investment Law of the People’s Republic of China effective from January 1, 2020. On December 30, 2019, MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Information Report of Foreign Investment (《外商投資信息報告辦法》), according to which, since January 1, 2020, the relevant reports to the commerce authorities through the enterprise registration system maintained by State Administration for Market Regulation will be required for the establishment of foreign-invested enterprises and the subsequent changes, instead of filing with or obtaining approvals from the commerce authorities.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the Provisions on Administration of Qualifications of Real Estate Developers (the “**Provisions on Administration of Qualifications**”) (《房地產開發企業資質管理規定》) promulgated by the Ministry of Construction in March 2000, as amended in May 2015 and December 2018, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Approval measures of Class 2 or lower qualifications are formulated by the construction authorities at the provincial level. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 square meters and the specific scale is subject to confirmation by the construction authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and

operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and operation of real estate within its approved scope of business and may not engage in business which is limited to another classification.

Pursuant to the Provisions on the Administration of Qualifications, the qualifications of each class of real estate developments are as follows:

- **Class 1 qualification:** (1) over five years of operating experience in real estate development is required; (2) in the past three years, the accumulative GFA completed shall be not less than 300,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for five consecutive years; (4) over a GFA of 150,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested last year; (5) the professional management team shall consist of no less than 40 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 20 persons and there shall be no less than four accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee (住宅品質保證書) and Residential User Manual (住宅使用說明書) shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality.
- **Class 2 qualification:** (1) over three years of operating experience in real estate development is required; (2) in the past three years, the accumulative GFA completed shall be not less than 150,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for three consecutive years; (4) over a GFA of 100,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested last year; (5) the professional management team shall consist of no less than 20 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 10 persons and there shall be no less than three accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality.
- **Class 3 qualification:** (1) over two years of operating experience in real estate development is required; (2) the accumulative GFA completed shall be not less than 50,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for two consecutive years; (4) the professional management team shall consist of no less than 10

persons with titles and majoring in architecture, construction, finance, real estate and economics, and the number of management staff with professional titles of intermediate level or above shall be no less than five persons and there shall be no less than two accountants holding professional qualification certificates; (5) the person-in-charge of, among others, engineering technology and finance shall hold professional titles of the intermediate level or above and the person-in-charge of other departments, including statistics, shall hold professional titles of the primary level or above; (6) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (7) there shall not be any occurrence of any major accident relating to construction quality.

- **Class 4 qualification:** (1) over one year of operating experience in real estate development is required; (2) the passing rate of quality of construction work completed shall be 100%; (3) the professional management team shall consist of no less than five persons with titles and majoring in architecture, construction, finance, real estate and economics, and there shall be no less than two accountants holding professional qualification certificates; (4) the person-in-charge of engineering technology shall hold professional titles of the intermediate level or above and the person-in-charge for finance shall hold professional titles of the primary level or above, and professional statistician(s) shall be appointed; (5) in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (6) there shall not be any occurrence of any major accident relating to construction quality.

In addition, pursuant to the Provisions on Administration of Qualifications, newly-established real estate developer shall make application with the competent authorities for a tentative qualification certificate (暫定資源證書) within 30 days from the date of the business license. Developer applying a tentative qualification certificate shall fulfill the requirements of class 4 qualification or above. The validity period of the certificate is 1 year. Regulatory authorities of real estate development may extend the validity of the tentative qualification certificate depending on the operation of the developer, provided that the extension shall not exceed two years. In the event that no development project has been carried out within one year since the issuance date of the tentative qualification certificate, the validity of tentative qualification certificate shall not be extended.

The qualification of a property developer should be subject to annual inspection. The Ministry of Construction or its entrusted institution is responsible for carrying out the annual inspection of real estate developers with Class 1 qualification. The construction authorities at the provincial level formulate annual inspection measures for real estate developers with Class 2 or lower qualifications.

DEVELOPMENT OF A REAL ESTATE PROJECT

According to the Interim Provisions on Approving Foreign Investment Project (《外商投資項目核准暫行管理辦法》) promulgated by NDRC in October 2004, approval of NDRC is required for foreign investment projects with total investment (or amount of capital increase) of US\$100 million or more within the category of encouraged or permitted foreign investments and those with total investment (or amount of capital increase) of US\$50 million or more within the category of restricted foreign investments. Other foreign investments in China will require only local approval.

According to the Provisions on Approving and Record-filing of Foreign Investment Project (《外商投資項目核准和備案管理辦法》) promulgated by NDRC in May 2014, the Interim Provisions on Approving Foreign Investment Project shall be repealed as of June 17, 2014. The following projects requiring China holding (including relative share holding) which are listed in the Catalogue for the Guidance of Foreign Investment Industries shall be approved by the NDRC: (1) encouraged projects with total investment (including capital increase) amounting to US\$300 million or above; (2) restricted projects (excluding real estate projects) with total investment (including capital increase) amounting to US\$50 million or above. Real estate projects falling into the restricted category and other restricted projects with total investment (including capital increase) less than US\$50 million, as listed in the Catalogue for the Guidance of Foreign Investment Industries, shall be approved by the provincial government. The encouraged projects requiring China holding (including relative share holding) with total investment (including capital increase) less than US\$300 million, as listed in the Catalogue for the Guidance of Foreign Investment Industries, shall be approved by the local government.

According to Several Opinions on Further Utilizing Foreign Investment (《關於進一步做好利用外資工作的若干意見》) promulgated by the State Council on April 6, 2010, an encouraged or permitted project with a total investment (including capital increase) of less than US\$300 million in the Catalog for the Guidance of Foreign Investment Industries, or Catalog, shall be verified and approved by the relevant provincial development and reform commission unless the Catalog requires it to be verified and approved by the relevant department of the State Council. The verification and approval rights to restricted projects will not be delegated to local level temporarily.

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land (the “**Interim Regulations on Grant and Assignment**”) (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council in May 1990 and amended on November 2020, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law and the Interim Regulations on Grant and Assignment, the land administration authority at the city or county level may enter into a land use rights grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Land (《建設用地審查報批管理

辦法》) promulgated by the Ministry of Land and Resources in March 1999, as amended in November 2010 and November 2016, and the Measures for Administration of Preliminary Examination of Construction Project Land (《建設項目用地預審管理辦法》) promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004, November 2008 and November 2016. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction land to the construction entity or the developer.

According to the Urban Real Estate Law, a land user who obtains land use rights under the grant system must develop the land according to the land usage as indicated in the land use rights grant contract and must commence the development within the time frame agreed to under the land use rights grant contract.

According to the Regulations on Idle Land Administration (《閒置土地處置辦法》) promulgated by the Ministry of Land and Resources on April 28, 1999, as amended in June 2012, it shall be idle land which the land user fails to commence developing after one year from the construction commencement date stipulated in the state-owned construction land use rights grant contract or in the approval of premium-free allocation. The land may also be treated as idle land and may be subject to land idle fee or forfeiture, if the developed land area is less than one-third of the total land area under the land use rights grant contract or the sum already expended on the development of the land is less than one-fourth of the total investment of the project and the suspension of development of the land has lasted for one year or more.

According to the Regulations on Idle Land Administration, if the land user fails to commence developing the land after one year from the construction commencement date, then the local land administration authority, with approval by the local government, shall charge the land user a “land idle fee” of 20% of the land premium, which is not permitted to be disbursed from the cost. If the land user fails to commence development of the relevant land after two years from the deadline, with approval by the local government, the land user’s land use rights shall be forfeited by local land administration authority without compensation. However, the foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions. Where the land user reserves or speculates lands on purpose by violating laws or regulations, or breaching contractual obligations or land allotment letter, the local land administration authority shall not accept its new land use application or registration of transfer, lease, charge and change of its idle land. Relevant local land use administration departments shall inform finance administration departments of the information of idle land.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use (《關於促進節約集約用地的通知》), which urges the full and effective use of existing construction land. The notice also emphasizes the strict enforcement of the current rules on idle land. If a piece of land has been idled for two years or more, it must be taken back free of charge in accordance with laws and regulations, and rearranged for any other uses; if the land does not meet the statutory conditions for being taken back, it must be timely dealt with and fully used through changing usage, replacement by parity value, temporary usage or

incorporation into government reserves. If a piece of land has been idled for one year or more but less than two years, an idle land fee must be collected at a price of 20% of the transfer or allotment price. Financial institutions shall not grant loans to illegal land use projects and such projects shall not be approved for public listing.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992, as amended in January 2011, the grantee under a land use rights grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of the National People's Congress in October 2007, as amended in April 2015 and April 2019, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority. According to the Law of the People's Republic of China on Urban and Rural Planning, a construction entity shall return the land or compensate relevant parties if it gets the approval of land use right without a permit for construction works planning. Such land use right approval shall be forfeited by the relevant authority. If a construction entity starts a project construction without obtaining a planning permit or violates the provisions of the planning permit, it will be punished by local planning administration authorities by way of stopping construction, imposing a fine based on construction costs or removing the completed construction.

According to Regulation on the Expropriation of Buildings on State-owned Land and Compensation (《國有土地上房屋徵收與補償條例》), promulgated by the State Council on January 21, 2011, local government shall decide expropriation of buildings based on public interests. Construction entities shall be prohibited from participating in relocation activities.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction in October 1999, as amended in July 2001, June 2014 and September 2018.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Regulations Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (“**Acceptance Examination Measures**”) (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013. The developer must also report details of the acceptance examination according to the Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction in April 2000, as amended in

October 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

There are several laws and regulations regulating environment protection in the real estate industry in the PRC, including Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), Regulation of Environment Protection in Construction Projects (《建設項目環境保護管理條例》), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and Decision of the State Council on Several Issues Concerning Environmental Protection (《國務院關於環境保護若干問題的決定》). According to such laws and regulations, a real estate developer shall submit a report of environmental impacts before receiving approval from relevant authority to start the construction. A construction enterprise shall, upon completion of a construction project, file an application with the competent department of environmental protection administration for acceptance checks on completion of matching construction of environmental protection facilities required for the construction project.

There are several laws and regulations in the PRC regarding to the civil air defense project construction, including Law of the People's Republic of China on National Defense (《中華人民共和國國防法》), Civil Air Defense Law of the People's Republic of China (《中華人民共和國人民防空法》), Civil Code of the People's Republic of China (《中華人民共和國民法典》) and Measures of the Development and Utilization of Civil Air Defense Construction during the peacetime (《人民防空工程平時開發利用管理管辦法》). According to such laws and regulations, basements that will be used for air defense in time of war shall be constructed in new buildings of cities for civil use. If any construction project cannot have basements due to any geological reason, fees for substitute site construction shall be paid. Investors of air defense construction shall be entitle to any benefits generated from its usage and shall manage such construction in the peacetime. Civil use of air defense construction shall be registered in relevant air defense authority.

Several laws and regulations specific fire protection in real estate development, including Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) and Interim Measures of Inspection and Evaluation to Fire Protection Construction (《建築工程消防驗收評定暫行辦法》).

According to such laws and regulations, a real estate project shall get approval from or filing with relevant public security and fire protection authorities for fire protection design before the construction is started and subject to a fire protection as-built acceptance inspection.

LAND FOR PROPERTY DEVELOPMENT

In April 1988, the National People's Congress amended the PRC Constitution (《中華人民共和國憲法》) to permit the transfer of land use rights for value. And in December 1988, the Standing Committee of the National People's Congress amended the Land Administration Law (《土地管理法》) to permit the transfer of land use rights for value.

Under current PRC laws and regulations on land administration, land for property development may be obtained only by grant except for land use rights obtained through allocation.

In May 2002, the Ministry of Land and Resources promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights By Way of Tender, Auction and Listing-For-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the “Rules”), which was implemented on July 1, 2002 and was amended in September 2007. Pursuant to the Rules, all land for commercial use, tourism, entertainment and commodity residential housing must be granted by way of tender, auction or listing for sale.

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Promoting the Sustainable Sound Development of Real Estate Market (《關於加強土地供應管理促進房地產市場持續健康發展的通知》), as amended in December 2010, which provides that land supply for luxury commodity housing shall be strictly controlled.

According to the Opinions on Certain Issues Relating to Voluntary Examination and Rectifying of Land Market (《關於進一步治理整頓土地市場秩序中自查自糾若干問題的處理意見》) promulgated by Ministry of Land and Resources on October 13, 2003, land must be restored to its original use if the development of such land fails to comply with the overall land use requirements, unless such land has been developed for construction and restoration is impossible to achieve, in which case the overall land use requirements shall be modified so the respective amount of basic farmland, cultivated land and land for building will remain unchanged. Similarly, restoration of land to farmland or to its original use is required when a land development project lacks construction feasibility or is short of project funding, even though a proper approval is in place. Idle land that has been supplied for construction purposes shall be disposed of according to relevant stipulation governing idle land. However, exceptions are allowed when pre-approval has been granted by local authorities, or if a project development contract has been executed and between local authorities and developers prior to July 1, 2002. On March 21, 2004, the Ministry of Land and Resources together with the Ministry of Supervision promulgated the Notice of Enforcing and Supervising the Transfer of Operative Land Use Rights Through Tenders, Bidding and Public Auction (《關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知》), which expressly required that after August 31, 2004, no transfer of land use rights will be allowed in the form of agreement.

On November 18, 2009, the Ministry of Finance, the MLR, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC jointly issued a Notice on Further Strengthen the Management of Revenue and Expenditure from Land Granting, (《關於進一步加強土地出讓收支管理的通知》) to require a minimum down payment of 50% of the land premium relating to land purchases from the PRC government. The notice also provides that the installment period stipulated in the relevant land use rights grant contracts may not exceed one year, provided that, for special projects, upon collective approval by the relevant government authorities, the installment period stipulated in the relevant land use rights grant contracts can be two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

In March 2010, the Ministry of Land and Resource of the PRC issued the Notice on Several Issues concerning the Reinforcement on Provision and Supervision over the Land Use for Property Development (《關於加強房地產用地供應和監管有關問題的通知》), which shortens the time for payment of the land price by successful bidder of land. In April 2010, the State Council issued the Notice of Resolutely Curbing the Rise of Housing Price in Certain Cities (《國務院關於堅決遏制部份城市房價過快上漲的通知》), according to which, when real estate development enterprises participate in the auction, development and construction of land, their shareholders shall not provide loans, lending, guarantee or other relevant financing activities to them in violation of regulations.

In September 2010, the Ministry of Land and Resources and the Ministry of Construction issued the Notice on Further Strengthening the Control of Land Transfer (《關於進一步加強房地產用地和建設管理調控的通知》) regarding land authorities to prohibit real estate developers and their controlling shareholders who have engaged in illegal activities (such as obtaining land use rights through fraudulent means, transferring land use rights improperly, holding land which has been idled for more than one year due to the fault of the developer or the controlling shareholders) from participating in land bidding process until the illegal activities have been rectified.

In January 2011, the General Office of the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》) which specifies that if a real estate developer fails to obtain the construction permits or fails to commence the construction within two years from the designation of land for real estate development, the granted land use rights will be forfeited and an idle land penalty will be imposed. A real estate developer is further restricted from transferring land and real estate development projects if the amount of real estate development investment (excluding the land grant fee) incurred is less than 25% of the total investment amount in respect of the subject project. The Ministry of Land and Resources issued the Notice of Diligently Carrying Out Real Estate Land Use Management and Regulation (《關於做好2012年房地產用地管理和調控重點工作的通知》) on February 15, 2012, requiring land users to submit written reports to land and resources departments at the time of or prior to project commencement and completion.

On April 1, 2017, the MOHURD and the Ministry of Natural Resources jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (《關於加強近期住房及用地供應管理和調控有關工作的通知》) which provides, among others, that cities and counties that have more than one million inhabitants are required to make three-year (2017–2019) and a five-year (2017–2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing. Where such period is longer than 36 months, no more land is to be supplied. Land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months and more land shall be provided in the case of a period of longer than six months but shorter than 12 months. However, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities are required to adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers will be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit.

On May 19, 2018, the MOHURD issued the Notice on Further Regulating and Controlling the Real Estate Market (《關於進一步做好房地產市場調控工作有關問題的通知》), which provided that local authorities shall targetedly enhance the effective supply of housing and land, increase the proportion of medium-and-low-priced and medium-and-small-sized ordinary commercial housing in the newly-built commercial housing, and improve the methods of supplying the land of commercial housing. Particularly, Hot Cities shall increase the proportion of residential land, and the proportion of residential land to urban construction land is suggested not to be lower than 25%. The supply of rental housing land and joint-property housing land shall be enhanced and the supply of public rental housing land shall be guaranteed. The proportion of public rental housing land, rental housing land and joint-property housing land in the new residential land is targeted to reach or exceed 50% in 3-5 years. In addition, Hot Cities shall promote the diversification of land supply entities. The state-owned land whose use right is obtained by non-real-estate enterprises legally may be used as rental housing land if its ownership remains unchanged and its use is in line with the overall land use planning and the urban and rural planning.

SALE OF COMMODITY PROPERTIES

Under the Measures for Administration of Sale of Commodity Houses (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, sale of commodity houses can include both sales before the completion of the properties (the “**pre-sale**”) and sales after the completion of the properties (the “**post-completion sale**”). Commodity buildings may be put to post-completion sale after they have passed the clearance examination and satisfied the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Buildings (the “**Pre-sale Measures**”) (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and in July 2004, and the Development Regulations. The Pre-sale Measures provide that any pre-sale of commodity buildings is subject to specified procedures. According to the Development Regulations and the Pre-sale Measures, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authority for a permit for pre-sale. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a permit for construction works planning and a permit for commencement of works have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained; and

- a permit for pre-sale of commodity buildings has been obtained through pre-sale registration.

The proceeds of pre-sale of commodity buildings must be used to the relevant project construction.

According to the Measures for Administration of Sale of Commodity Houses, the real estate developer shall not sell commodity housing by means of rebated sale or any such means in disguised forms. The real estate developer may not sell uncompleted commodity housing by the after-sale lease guarantee or by any such means in disguised forms.

According to the Notice on Promoting the Stable and Sound Development of the Real Estate Market promulgated by the General Office of the State Council, local governments shall decide the minimum scale of pre-sales rationally based on local practice and may not issue separate pre-sale permits by floor or unit.

In April 2010, the Ministry of Housing and Urban-Rural Development of the PRC issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》), which set forth certain measures to enhance the regulation of pre-sales of commodity housing. Real estate developers are strictly prohibited from pre-selling commodity housing without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, real estate developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit.

TRANSFER OF REAL ESTATE

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate 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 together. The parties to a transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land use rights as provided by the land use rights grant contract and a land use right certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or
- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads,

telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.

- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term provided in the land use rights grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land use rights grant contract or a new land use rights grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes.

LEASES OF BUILDINGS

The Civil Code of the PRC which became effective on January 1, 2021 defines a leasing contract as a contract whereby the lesser delivers to the lessee the lease item for it to use or accrue benefit from, and the lessee pays the rent.

The lease term may not exceed 20 years. If the lease term exceeds 20 years, the portion of the lease term beyond the initial twenty year period is invalid. At the end of the lease term, the parties may renew the lease, provided that the renewed term may not exceed 20 years commencing on the date of renewal. Where the lease term is six months or longer, the lease shall be in writing. If the parties fail to adopt a writing form, the lease is deemed an indefinite lease.

Under the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Buildings (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development in December 2010, being effective from February 2011, parties to a lease of a building must enter into a lease contract. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

MORTGAGES OF REAL ESTATE

Under the Civil Code of the PRC which became effective on January 1, 2021 promulgated by the Standing Committee of the National People's Congress in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage must be

simultaneously created on the land use rights of the land on which the building is situated. When a mortgage is created on land obtained by way of grant, a mortgage must be simultaneously created on the ownership of the building which is on the land. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under “third party rights” on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issuance of the certificates evidencing the rights and ownership to the real estate.

PBOC issued a Circular on Further Strengthening the Management of Loans for Property Business (《關於進一步加強房地產信貸業務管理的通知》) in June 2003 to tighten the requirements for banks to provide loans for the real property business as follows:

- Property development loans may be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be property restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property developers with commodity houses of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring.
- Commercial banks may not grant loans to property developers without “State-Owned Land Use Rights Certificate”, “Construction Land Planning Permit”, “Construction Work Planning Permit” and “Construction Work Commencement Permit.”
- While property developers apply for bank loans, their own capital, i.e. owner’s equity, shall not be less than 30% of the total investment required for the project. Commercial banks are prohibited from lending to property developers solely for the payment of land premiums. A loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a cross-region way.
- 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 down-payment by the borrower remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the down-payment by the borrower should be approximately increased.
- When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan may not be

more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area (《套型建築面積》) of 90 square meters or more, effective on June 1, 2006. See “— *Measures on Stabilizing Housing Price*” below.

In a Circular on Facilitating the Continuously Healthy Development of Property Market (《關於促進房地產市場持續健康發展的通知》) issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity residential houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development.

They included, among others, strengthening efforts in housing provident fund collections and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by China Banking Regulatory Commission in August 2004, commercial banks may not provide any loan in any form for a project without the State-owned Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. Any property developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

Under the Notice of the People’s Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (《中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) issued by PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

In May 2006, the General Office of the State Council issued an opinion developed by the Ministry of Construction (and relevant departments) on Adjustment of Housing Supply Structure and Stabilization of Property Prices (《關於調整住房供應結構穩定住房價格的意見》). According to the opinion, in order to curtail the rapid rise in property prices, from June 1, 2006, the minimum amount of down payment for individual housing shall not be less than 30%. However, considering the housing needs of low- and middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 square meters per unit remains unchanged, and shall not be less than 20%.

In September 2007, PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (《關於加強商業性房地產信貸管理的通知》) to further regulate the management of credit loans for commercial real estate. These measures include:

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land use rights certificate, construction land planning permit, construction work planning permit and a construction permit;
- prohibiting commercial banks from lending to property developers solely for the payment of land premiums;
- for commodity housing that has been vacant for three years, a commercial bank shall not accept them as collateral for a loan. In principle, a loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a project of different location. For a loan, the use of which is really needed in a non-local real estate development project and for which the relevant risk control measures have been implemented, a commercial bank shall report on it to the regulatory authority for archival purposes before the loan is made;
- requiring banks to support funding needs of borrower purchasing their first small and medium self-occupied flat, and to grant loans only to individuals who have purchased flats the main structure of which have been topped out;
- the minimum down payment for a first unit of self-occupied flat with a GFA of less than 90 square meters per unit shall not be less than 20%. The minimum amount of down payment for a first unit of self-occupied flat with a GFA of over 90 square meters per unit shall not be less than 30%. The minimum down payment for the second unit or more payable by an individual who has obtained a mortgage to purchase the first flat shall not be less than 40%, the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased; and
- commercial properties purchase by loans shall have been completed and passed completion acceptance inspection; and for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

According to the Supplementary Notice of the People's Bank of China and China Banking Regulatory Commission on Strengthening the Administration of Commercial Real Estate Loans (《關於加強商業性房地產信貸管理的補充通知》) issued in December 2007, the number of loans granted to a borrower shall be determined on the basis of loans granted to the borrower's family (including the borrower, his/her spouse and his/her underage children).

According to the requirement under a notice issued by PBOC and CBRC on Promoting Economical and Intensive Utilization of Land Through Financing (《關於金融促進節約集約用地的通知》) in July 2008, when the land and resource authority confirms that a developer has only developed less than 1/3 of the whole area or has only invested less than 1/4 of the total investment after the lapse of one full year from the date of commencing the construction of a real estate project as stipulated in the land transfer contract, a financial institution shall be prudent in granting loans to it and rigidly control extended loans or rolling credits to it. When the land and resource authority confirms that the construction use land for a real estate

project has been idled for two years or longer, it is prohibited to grant any loan a real estate development for the given project or other loans with the construction use land of such project as collateral (including the asset protection business).

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》), which provides that, effective from October 27, 2008, the float-down range for interest rate for individual residential mortgage loans is expanded and the ratio of down payments is adjusted. As a result, the minimum interest rate for individual residential mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (《關於促進房地產市場健康發展的若干意見》). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

According to an opinion on Adjusting the Portion of Capital for Fixed Assets Investment (《關於調整固定資產投資項目資本金比例的通知》) issued by the State Council in May 2009, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other real estate projects is adjusted from 35% to 30%. According to a notice for Adjusting and Perfecting the Capital System for Fixed Assets Investment (《國務院關於調整和完善固定資產投資項目資本金制度的通知》) issued by the State Council in September 2015, the capital ratio for protected housing projects and ordinary commodity housing projects shall remain unchanged at 20%, and the capital ratio for other real estate development projects is adjusted from 30% to 25%.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), provides that the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%.

In April 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》), which increases (i) the amount of down payment to 30% of the property price for the purchase of the first property over 90 sq.m.; the amount of down payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (iii) the amount of down payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies.

According to the Notice on Issues concerning the Improvement of Differential Housing Credit Policies jointly issued by of PBOC and China Banking Regulatory Commission (《關於完善差別化住房信貸政策有關問題的通知》) on September 29, 2010, all commercial banks shall suspend granting housing loans to families for purchasing the third or more housing units; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for one year or longer.

For the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price. For the real estate developers which leave any land idle, change the usage and nature of land, delay the time of initiating project and completion of construction, hold back housing units for future sale, or have other records of violations of laws or regulations, all commercial banks shall suspend granting loans to them for new projects development and suspend the extension of loans.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Promoting the Adjustment and Control of Real Estate Market (《關於進一步做好房地產市場調控工作有關問題的通知》), according to which, the minimum down payment in respect of mortgage loans on purchases of second residential properties by families is increased to 60% of the purchases price and the applicable mortgage rate must be at least 1.1 times of the relevant benchmark lending rate published by PBOC.

To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice of the PBOC and the CBRC on Further Improving Housing Financial Services (《關於進一步做好住房金融服務工作的通知》) in September 2014, which provides where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

In March 2015, the PBOC, the CBRC and the MOHURD jointly issued the Notice on Relevant Issues Concerning the Individual Housing Loan Policy (《關於個人住房貸款政策有關問題的通知》) to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. The notice also provides that (i) where a family applies for a housing reserve loan to buy the first residential property, the minimum down payment will be 20% of the property price; and (ii) where a family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions, the minimum down payment will be 30% of the property price.

In August, 2015, the MOHURD, the Ministry of Finance and the PBOC jointly issued the Notice on Adjusting the Minimum Down Payment Ratio for the Purchase of Housing Units with Individual Housing Provident Fund (《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》) to lower the minimum down payment to 20% for the family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions. In Beijing, Shanghai, Guangzhou and Shenzhen, the minimum down payment of applying for housing reserve loan to buy a second residential property can be decided by local government in combination with local reality.

On September 24, 2015, the PBOC and the CBRC jointly issued the Notice of the PBOC and the CBRC on Issues concerning Further Improving the Differential Housing Credit Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》) to lower the minimum down payment required for homebuyers acquiring their first self-used ordinary residential property to 25% of the purchase price in the cities where restrictions on purchase of residential property are not being implemented.

On February 1, 2016, the PBOC and the CBRC jointly issued the Notice on Issues Concerning Adjusting the Individual Housing Loan Policies (《關於調整個人住房貸款政策有關問題的通知》), which provides that in cities where restrictions on the purchase of residential property are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid their previous loan and are obtaining a further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of 40%.

TRUST FINANCING

Pursuant to the Measures on Administration of Trust Companies (《信託公司管理辦法》), which became effective on March 1, 2007, “trust companies” shall mean the financial institutions which are incorporated in accordance with the Company Law of the People’s Republic of China and are engaged mainly in trust business in the PRC. “Trust business” shall mean the business operation that the trust company undertakes as a trustee of a trust and handles the trust matters under a fiduciary capacity for the purpose of operating business and receiving remunerations. The minimum amount of registered capital of a trust company shall be RMB300 million or the equivalent value in a freely convertible currency.

On October 28, 2008, the CBRC issued the Notice on Strengthening Regulation over the Operation of the Real Estate Business and the Securities Business of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》). On November 12, 2010, the CBRC issued the Notice on Risk Alert for Trust Companies’ Real Estate Business (《關於信託公司房地產信託業務風險提示的通知》) and on February 11, 2010 the General Office of CBRC promulgated the Notice on Strengthening the Supervision of Trust Companies’ Real Estate Trust Business (《關於加強信託公司房地產信託業務監管有關問題的通知》). These rules require all trust companies to conduct self-examination immediately on the compliance risk of the real estate trust business. Business compliance and risk exposure shall be analyzed on case-by-case basis, including whether the real estate development projects to which loans were

issued by trust companies have satisfied the conditions such as the availability of all the “Four Permits” (namely, the land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit), whether the real estate developer or its controlling shareholder have obtained Class 2 qualification, and whether capital ratio of the project has reached the national minimum requirement. All banking regulatory bureaus shall strengthen compliance supervision and risk control over real estate business of trust companies within their jurisdiction. If problems are discovered during self-examination and inspection, measures shall be taken immediately to order the trust company for rectification and non-compliance behavior shall be penalized in accordance with the relevant rules and regulations.

Pursuant to the Notice on Strengthening the Supervision of Trust Companies’ Real Estate Business (《關於加強信託公司房地產業務監管有關問題的通知》), trust companies may not offer loans for land acquisitions or early-stage land development and may only grant loans to eligible property developers who satisfy all the specific requirements.

REAL ESTATE MANAGEMENT

According to the Negative List, property management falls within the category of permitted foreign-invested industries.

According to the Regulation on Real Estate Management (《物業管理條例》) enacted by the State Council on June 8, 2003 and effective on September 1, 2003, amended on August 26, 2007, February 6, 2016 and March 19, 2018, respectively, the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than half of the owners who in the aggregate hold more than 50% of the total un-communal area of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

INSURANCE

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third-party’s liability risk, employer’s liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (《關於切實穩定住房價格的通知》) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the

real estate market. In April 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and resources, PBOC, the State Taxation Bureau and the China Banking Regulatory Commission jointly issued the Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) with the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years of his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small GFA and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden.

In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Bureau of Statistics, the State Taxation Bureau and CBRC jointly issued Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (《關於調整住房供應結構穩定住房價格意

見的通知》)。The Opinions reiterated the existing measures and introduced new measures to further curb fast increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among the others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of GFA of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area (套型建築面積) less than 90 square meters per unit (including affordable housing) and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

In December 2008, the General Office of the State Council issued the rules on the Opinion on Promoting the Healthy Development of Real Estate Market (《關於促進房地產市場健康發展的若干意見》), which provides that, in order to expand domestic demand and encourage consumption in ordinary residential housing, a business tax relief policy for real property transfers will be implemented for one year in relation to residential property conveyance. Business tax is exempted for any transfer of ordinary housing purchased and held by individuals for at least two years, as opposed to five years previously; any transfer of ordinary housing purchased by individuals for less than two years is subject to business tax based on the difference between the sale price from such transfer and the original purchase price, as opposed to the full sale price. Any transfer of non-ordinary housing purchased by individuals for at least two years, as opposed to five years previously, is subject to business tax based on the difference between the gain from such transfer and the original purchase price. Any transfer of non-ordinary housing purchased by individuals for less than two years remains subject to business tax based solely on the sale price from such transfer. The above mentioned policy is tentatively scheduled to be enforced until December 31, 2009.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans

(《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》) which provides that, as of October 27, 2008, the float-down range for interest rate for commercial individual housing loans will be expanded and the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self-occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity.
- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions.
- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective.
- The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

Pursuant to the Circular of the General Office of the State Council on Issues concerning Regulation and Control of Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》) dated January 26, 2011, generally, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (i) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one additional house (including the new commodity residential house or a second hand one); and (ii) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses or a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

The State Council General Office of the PRC promulgated the Notice on Further Regulation and Control of Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) on February 26, 2013, introducing six policy measures to control the real estate market, including: a) improving the accountability system for stabilization of house prices; b) strictly controlling over house purchase for speculation; c) increasing the supply of ordinary residential houses and the land supply of residential houses; d) accelerating the planning and construction of subsidized housing projects; e) tightening the market regulations and forecast management; and f) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

The highlights of the measure for “control over house purchase for speculation” under the notice are as follows:

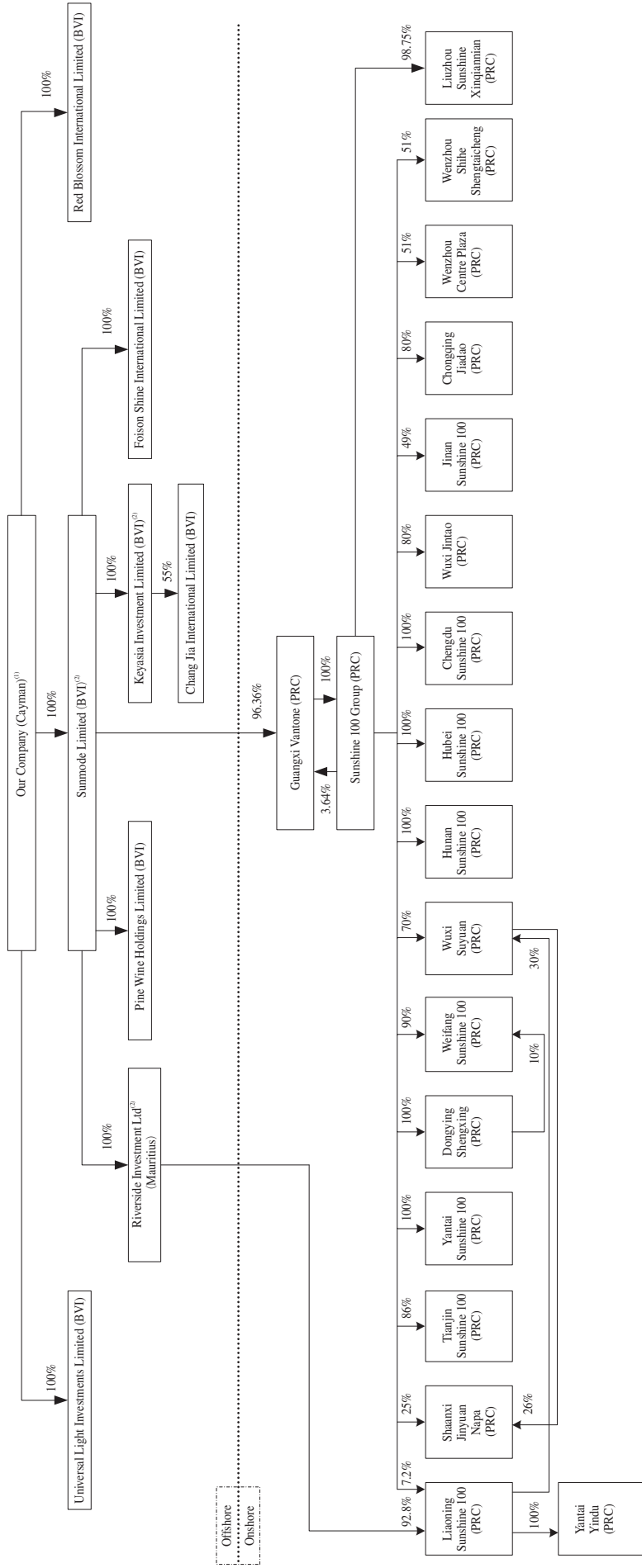
- Continuous enforcement of stringent restrictions on commodity housing purchases.
- For cities with soaring house prices, the local branches of PBOC may further increase the proportion of down payments and interest rates for second-home buyers according to the price control targets and policy requirements for newly-constructed commodity housing of the local governments.
- The taxation department and the housing and urban-rural development department shall work closely together to impose personal income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data.

The notice also stipulated that if the number of small- and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their regulatory systems. For overpriced pre-sale commodity housing projects in breach of the guidance of the housing and urban-rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

On March 23, 2016, the Ministry of Finance and the State Administration of Taxation promulgated the Notice on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改征增值稅試點的通知》), which provides that, effective from May 1, 2016, (1) the sale of any house that has been bought for less than two years by any individual shall be subject to a VAT rate of 5% in respect of the full amount of the sales proceeds; the sale of any house that has been bought for two years or longer by any individual may be exempted from VAT. This policy applies to regions other than Beijing Municipality, Shanghai Municipality, Guangzhou City, and Shenzhen City; (2) the sale of any house that has been bought for less than two years by any individual shall be subject to a VAT rate of 5% in respect of the full amount of the sales proceeds; the sale of any non-common house that has been bought for two years or longer by any individual shall be subject to a VAT rate of 5% in respect of the sales proceeds less the original purchase price of the house paid by the individual; the sale of any common house that has been bought for two years or longer by any individual may be exempted from VAT. This policy only applies to Beijing Municipality, Shanghai Municipality, Guangzhou City, and Shenzhen City.

OUR CORPORATE STRUCTURE

The following diagram illustrates our simplified corporate structure including major subsidiaries as of the date of this Offering Memorandum.



Note:

- (1) Our Company has 13 offshore subsidiaries and 161 onshore subsidiaries in total including the subsidiaries shown above.
- (2) Sunmode Limited, Riverside Investment Ltd and Keyasia Investment Limited are Subsidiary Guarantors of the Notes.

LIST OF GROUP ENTITIES IN OUR CORPORATE STRUCTURE

Offshore

SUNMODE LIMITED (BVI)	新進有限公司
Riverside Investment Ltd (Mauritius)	
Chang Jia International Limited (BVI)	長佳國際有限公司
Lofty Talent Limited (BVI)	崑駿有限公司
KEYASIA INVESTMENTS LIMITED (BVI)	基亞投資有限公司
East Talent Properties Limited (HK)	東泰置業有限公司
Victory Land Properties Limited (HK)	凱龍置業有限公司
Foison Shine International Limited (BVI)	豐陽國際有限公司
Pine Wine Holdings Limited (BVI)	松華控股有限公司
Red Blossom International Limited (BVI)	紅盛國際有限公司
Universal Light Investments Limited (BVI)	宇光投資有限公司
Sky Blossom Limited (HK)	天寶誠有限公司
Sky Honour Limited (HK)	天翰有限公司

Onshore

Guangxi Vantone Real Estate Co., Ltd.	廣西萬通房地產有限公司
Sunshine 100 Real Estate Group Co., Ltd.	陽光壹佰置業集團有限公司
Beijing Century Chengjing Investment Co., Ltd.	北京世紀程景投資有限公司
Beijing Sunshine 100 Assets Operation Co., Ltd.	北京陽光壹佰資產經營有限公司
Beijing Sunshine 100 Property Services Co., Ltd.	北京陽光壹佰物業服務有限公司
Beijing Sunshine Star International Management Consulting Co., Ltd.	北京陽光之星國際管理諮詢有限公司
Beijing Yibang Real Estate Development Co., Ltd.	北京益邦房地產開發有限公司
Luen Thai (Qingyuan) Real Estate Co., Ltd.	聯泰(清遠)房地產有限公司
Qingyuan Liantou Properties Limited	清遠聯投置業有限公司
Guangxi Sunshine 100 Asset Management Co., Ltd.	廣西陽光壹佰資產管理有限公司
Guilin Pingle Sunshine 100 Real Estate Investment Co., Ltd.	桂林平樂陽光壹佰置業有限公司
Guilin Pingle Sunshine 100 Nonglinye Co., Ltd.	桂林平樂陽光壹佰農林業有限公司
Guangxi Lijin Hotel Management Co., Ltd.	廣西儷錦酒店投資管理有限公司
Liuzhou Hedingshun Commercial Investment Co., Ltd.	柳州和鼎順商業投資有限公司
Liuzhou Lisheng Hotel Management Co., Ltd.	柳州麗笙酒店管理有限公司
Liuzhou Sunshine 100 Real Estate Co., Ltd.	柳州陽光壹佰置業有限公司
Liuzhou Yuandingchang Commercial Investment Co., Ltd.	柳州元鼎昌商業投資有限公司
Nanning Sunshine 100 Real Estate Co., Ltd.	南寧陽光壹佰置業有限公司
Nanning Zhuangye Real Estate Development Co., Ltd.	南寧壯業房地產開發有限責任公司
Hubei Sunshine 100 Real Estate Development Co., Ltd.	湖北陽光一百房地產開發有限公司
Wuhan Sunshine 100 Real Estate Co., Ltd.	武漢陽光壹佰置業有限公司
Hunan Hui Jin Decoration and Resign Co., Ltd.	湖南滙金裝飾設計工程有限公司
Sunshine 100 Real Estate (Hunan) Development Co., Ltd.	陽光壹佰(湖南)置業發展有限責任公司
Wuxi Liaohongtian Construction and Decoration Co., Ltd	無錫遼紅天建築裝飾工程有限公司
Wuxi Suyuan Real Estate Co., Ltd.	無錫蘇源置業有限公司
Wuxi Wanyi Nonglin Co., Ltd.	無錫萬怡農林有限公司

Liaoning Yingda Weihua Real Estate Development Co., Ltd.	遼寧鷹達衛華房地產開發有限公司
Shenyang Sunshine 100 Real Estate Planning and Operation Co., Ltd.	瀋陽陽光壹佰房產策劃運營有限公司
Sunshine 100 Real Estate (Liaoning) Co., Ltd.	陽光一百置業(遼寧)有限公司
Dongying Shengxing Real Estate Co., Ltd.	東營勝興置業有限公司
Dongying Wanyi Commerce and Trade Co., Ltd.	東營萬怡商貿有限責任公司
Weifang Sunshine 100 Real Estate Co., Ltd.	濰坊陽光壹佰置業有限公司
Yantai Yindu Real Estate Co., Ltd.	煙台銀都置業有限公司
Yantai Sunshine 100 Commercial Development Co., Ltd.	煙台陽光壹佰商業發展有限公司
Yantai Sunshine 100 Property Management Services Co., Ltd.	煙台陽光壹佰物業管理服務有限公司
Yantai Sunshine 100 Real Estate Development Co., Ltd.	煙台陽光壹佰房地產開發有限公司
Sunshine 100 Real Estate (Chengdu) Co., Ltd.	陽光壹佰置業(成都)有限公司
Tianjin Mart Time Commercial Investment Management Co., Ltd.	天津瑪特時光商業投資管理有限公司
Tianjin Meidinghui Commercial Investment Management Co., Ltd.	天津美鼎惠商業投資管理有限公司
Tianjin Sentai 100 Real Estate Investment Co., Ltd.	天津森泰壹佰置業投資有限公司
Tianjin Sunshine 100 Property Services Co., Ltd.	天津陽光壹佰物業服務有限公司
Tianjin Sunshine 100 Real Estate Development Co., Ltd.	天津陽光壹佰房地產開發有限公司
Tianjin Wanyi Real Estate Asset Operation Co., Ltd.	天津萬怡房地產經營有限公司
Hangzhou Hengxin 100 Industrial Co., Ltd.	杭州恒信壹佰實業有限公司
Jinan Sunshine 100 Real Estate Development Co., Ltd.	濟南陽光壹佰房地產開發有限公司
Chengdu Sheng Teng Xiang Construction and Decoration Co., Ltd.	成都盛騰翔建築裝飾工程有限公司
Guilin Pingle Sunshine 100 Travel Co., Ltd.	桂林平樂陽光壹佰旅遊有限公司
Chengdu Zhanyu Enterprise Management Co., Ltd.	成都文創展宇企業管理有限公司
Shenyang 100 Department Store Co., Ltd.	瀋陽壹佰百貨有限公司
Weifang Jinma Business Operation Co., Ltd.	濰坊金馬商業運營有限公司
Guangxi Jingqi Investment Co., Ltd.	廣西景祺投資有限公司
Guilin Sunshine 100 Real Estate Co., Ltd.	桂林陽光壹佰置業有限公司
Liuzhou Sunshine Xinqiannian Real Estate Development Co., Ltd.	柳州陽光新千年房地產開發有限公司
Yantai Sunshine Shengtong Investment Co., Ltd.	煙台陽光盛通投資有限公司
Guangxi Rongyue Consulting Services Co., Ltd.	廣西榮悅諮詢服務有限公司
Lijiang Snow Mountain Investment Co., Ltd.	麗江雪山投資有限責任公司
Shenzhen Qianhai Xingshuntong Co., Ltd.	深圳市前海興順通實業有限公司
Wenzhou Shihe Shengtaicheng Development Co., Ltd.	溫州世和生態城開發有限公司
Wenzhou Center Plaza Construction Development Co., Ltd.	溫州中心大廈建設發展有限公司
Shanghai Zhentong Trading Co., Ltd.	上海臻通貿易有限公司
Wuxi Sunshine 100 Business Management Co., Ltd.	無錫陽光壹佰商業管理有限公司
Wuxi Jintao Real Estate Development Co., Ltd.	無錫金濤置業發展有限公司
Yixing Yuandian Culture Development Co., Ltd.	宜興原點文化發展有限公司
Changzhou Kailei Real Estate Co., Ltd.	常州凱雷置業有限公司
Wuxi Yitou Development Co., Ltd.	無錫藝投開發有限責任公司
Hunan Huiyi Enterprise management Co., Ltd.	湖南匯益企業管理有限公司

Chongqing Jiadao Real Estate Development Co., Ltd.	重慶嘉道房地產開發有限公司
Nianhua (Beijing) Culture & Creative Development Co., Ltd.	拈花(北京)文化創意發展有限公司
Sunshine 100 Property Development Co., Ltd.	陽光壹佰物業發展有限公司
Chongqing Rambo Family Hotel Property Services Co., Ltd.	重慶蘭博世家酒店物業服務有限公司
Chongqing Himalaya Hotel Property Management Co., Ltd.	重慶喜馬拉雅酒店物業管理有限公司
Wenzhou Sunshine 100 Property Service Co., Ltd.	溫州陽光壹佰物業服務有限公司
Chongqing Sunshine 100 Hotel Management Co., Ltd.	重慶陽光壹佰酒店管理有限公司
Weifang Liyi Hotel Management Co., Ltd.	濰坊麗怡酒店管理有限公司
Xizang Sunshine 100 Sales and Marketing Management Co., Ltd.	西藏陽光壹佰營銷管理有限公司
Huizhou Sunshine 100 Real Estate Co., Ltd.	惠州陽光壹佰置業有限公司
Zhongcheng Sunshine 100 Real Estate Development Co., Ltd.	中程陽光房地產開發有限公司
Chongqing Sunshine 100 Business Operation Management Co., Ltd.	重慶陽光壹佰商業運營管理有限公司
Chengdu Yibai Real Estate Co., Ltd.	成都壹佰置業有限公司
Wuhan Yihaijiaye Real Estate Development Co., Ltd.	武漢易海嘉業房地產開發有限公司
Wuhan Xinghe Century Construction and Decoration Co., Ltd.	武漢興和世紀建築裝飾工程有限公司
Chongqing Chengfuyan Catering Management Co., Ltd.	重慶程府宴餐飲管理諮詢有限公司
Xinglong Zhongcheng Sunshine Real Estate Development Co., Ltd. (Formerly known as “Xinglong Beidaqingniao Wireless Interconnect Investments Co., Ltd.”)	興隆縣中程陽光房地產開發有限公司 (原“興隆縣北大青鳥無線互聯投資有限公司”)
Xinglong Huamao Construction Development Co., Ltd.	興隆縣華貿建設開發有限公司
Shenzhen Shoujia Holdings Ltd.	深圳首佳控股有限公司
Putian Sunshine 100 Enterprises Management Services Co., Ltd.	莆田陽光壹佰企業管理服務有限公司
Yantai Sunshine 100 Youchuang Enterprises Management Consulting Co., Ltd.	煙台陽光壹佰優創企業管理諮詢有限公司
Jiangsu Xima Real Estate Co., Ltd.	江蘇喜馬置業有限公司
Zhenjiang Wenjin Real Estate Co., Ltd.	鎮江文津置業有限公司
Ningbo Sunshine 100 Culture Travel Development Co., Ltd.	寧波陽光壹佰文化旅遊發展有限公司
Guilin Pingle Bieju Language & Culture Communications Co.,Ltd.	桂林平樂別居語言文化傳播有限公司
Wenzhou Wajianghui Commercial Operation & Management Co.,Ltd.	溫州區瓦江匯商業運營管理有限責任公司
Putian Sunshine 100 Property Mangement Co., Ltd.	莆田陽光壹佰物業服務有限公司
Wuxi Xima Hotel Management Co., Ltd.	無錫喜馬酒店管理有限公司
Guangxi Sunshine 100 Real Estate Investment Co., Ltd.	廣西陽光壹佰置業投資有限公司
Tianjin Lijin Real Estate Co., Ltd.	天津麗津嘉業房地產有限公司
Suizhou Sunshine 100 Real Estate Co., Ltd.	隨州陽光一百置業有限公司
Changzhou Golden Oak Business Management Co., Ltd.	常州金橡樹商業管理有限公司

Changsha Sunshine 100 Real Estate Development Co., Ltd.	長沙陽光壹佰置業發展有限公司
Wenzhou Qirui Real Estate Development Co., Ltd.	溫州麒瑞房地產開發有限責任公司
Yunnan Panzhong Business Management Co., Ltd.	雲南磐眾商業管理有限責任公司
Tianjin Sunshine 100 Business Management Co., Ltd.	天津陽光壹佰商業管理有限公司
Hebei Sunshine 100 Real Estate Development Co., Ltd.	河北陽光壹佰房地產開發有限公司
Hainan Sunshine 100 Real Estate Development Co., Ltd.	海南陽光壹佰房地產開發有限公司
Henan Sunshine 100 Real Estate Development Co., Ltd.	河南陽光壹佰房地產開發有限公司
Shenzhen Zhuoyi Investment Management Co., Ltd.	深圳卓意投資管理有限公司
Xinglong Zhongcheng Hengwei Real Estate Development Co., Ltd.	興隆縣中程恒偉房地產開發有限公司
Xinglong Zhongcheng Zhuxiang Real Estate Development Co., Ltd.	興隆縣中程築翔房地產開發有限公司
Xinglong Zhongcheng Zhuzhang Real Estate Development Co., Ltd.	興隆縣中程築彰房地產開發有限公司
Tianjin Hechen Construction and Decoration Co., Ltd.	天津合宸建築裝飾工程有限公司
Wuxi Zhanyu Business Management Co., Ltd.	無錫展宇商業管理有限公司
Tianjin Zhicheng Xinlian Commerce and Trade Co., Ltd.	天津誌晟新聯商貿有限公司
Xi'an Xinqiao 100 Real Estate Co., Ltd.	西安信橋壹佰置業有限公司
Qingyuan Weikang Business Management Co., Ltd.	清遠威康商業管理有限公司
Guangdong Jinlve Industrial Investment Co., Ltd.	廣東金略實業投資有限公司
Xinglong Sunshine 100 Real Estate Development Co., Ltd.	興隆縣陽光壹佰房地產開發有限公司
Shann'xi Jinyuan Napa Real Estate Development Co., Ltd.	陝西金源納帕房地產開發有限公司
Yueyang 100 Real Estate Co., Ltd.	岳陽陽光壹佰置業有限責任公司
Shenyang Youtan Cultural Communication Co., Ltd.	沈陽優檀文化傳播有限公司
Jinan Yihai Guanghe Real Estate Co., Ltd.	濟南易海光合置業有限公司
Jinan Wanyi Property Services Co., Ltd.	濟南萬怡物業服務有限公司
Beijing Xima Asset Management Co., Ltd.	北京喜瑪資產管理有限公司
Yueyang Himalaya Hotel Management Co., Ltd.	岳陽喜馬拉雅酒店管理有限公司
Yueyang Lixin Cultural Tourism Development Co., Ltd.	岳陽利信文化旅遊發展有限公司
Yancheng 100 Real Estate Development Co., Ltd.	鹽城壹佰置業發展有限公司
Jinan Shanghe Business Management Co., Ltd.	濟南上和商業管理有限公司
Hunan Sunshine 100 Real Estate Development Co., Ltd.	湖南陽光壹佰房地產開發有限公司
Wenzhou Zhongxin Haoyuan Investment Co., Ltd.	溫州中信昊園投資有限公司
Chongqing Sunshine 100 Cultural and Art Development Co., Ltd.	重慶陽光壹佰文化藝術發展有限公司
Beijing Jiaye Star Property Development Co., Ltd.	北京佳業之星房地產開發有限公司
Tianjin Langyida Enterprise Management Co., Ltd.	天津琅壹達企業管理有限公司
Liuzhou Liuyun Real Estate Co., Ltd.	柳州柳韻房地產有限公司
Wenzhou Jiaxing Real Estate Development Co., Ltd.	溫州嘉行房地產開發有限公司
Wenzhou Chuangsheng Real Estate Development Co., Ltd.	溫州創聖房地產開發有限公司
Xinglong Kaisa Real Estate Development Co., Ltd.	興隆縣佳兆業房地產開發有限公司

Jilin Huitong Landscaping Construction Co., Ltd.	吉林省輝通綠化工程有限公司
Jilin Yulin Agriculture Co., Ltd.	吉林省禹林農業有限公司
Jilin Lesi Garden Co., Ltd.	吉林省樂思園林有限公司
Hunan Boshen Sales Co., Ltd.	湖南佰榮銷售有限公司
Xinglong Longrong Commercial Management Co., Ltd.	興隆縣隆榮商業管理有限公司
Liuzhou Youtan Cultural Communication Co., Ltd.	柳州優檀文化傳播有限公司
Shenyang Youtan Cultural Communication Co., Ltd.	沈陽優檀文化傳播有限公司
Xi'an Sunshine 100 Real Estate Co., Ltd.	西安陽光壹佰置業有限責任公司
Xinglong Zhongcheng Jiaye Real Estate Development Co., Ltd.	興隆縣中程佳業房地產開發有限公司
Sunshine 100 (Ningbo) Technology and Culture Co., Ltd.	陽光壹佰(寧波)科技文化有限公司
Wuzhou Liuyun Investments Co., Ltd.	梧州柳韻投資有限公司
Yunan Sunshine 100 Sales Co., Ltd.	雲南陽光壹佰營銷有限公司
Yantai Sunshine Star Shopping Center Management Co., Ltd.	煙台陽光之星購物中心管理有限公司
Xinglong Zhuxiang Technology Co., Ltd.	興隆縣築翔科技有限公司
Yixing Jinjia Real Estate Co., Ltd.	宜興市金嘉置業有限公司
Yixing Jinwo Real Estate Co., Ltd.	宜興市金沃置業有限公司
Yixing Jinyu Real Estate Co., Ltd.	宜興市金羽置業有限公司
Yixing Jinwei Real Estate Co., Ltd.	宜興市金瑋置業有限公司
Yantai Himalaya Hotel Management Co., Ltd.	煙台喜馬拉雅酒店管理有限公司
Yancheng 100 Enterprise Management Co., Ltd.	鹽城壹佰企業管理有限公司
Xinglong Xinye Construction Management Co., Ltd.	興隆縣鑫業建設管理有限公司
Fujian Zhensheng Investment Co., Ltd.	福建振盛投資有限公司
Fujian Chenyun Investment Co., Ltd.	福建辰運投資有限公司
Changchun Mingsheng Hotel Management Co., Ltd.	長春明昇酒店管理有限公司
Changchun Xinsheng Hotel Management Co., Ltd.	長春新昇酒店管理有限公司
Changchun Sunshien 100 Property Management Co., Ltd.	長春陽光壹佰物業管理有限公司
Weifang Kuiwen District 100 Education Co., Ltd.	濰坊市奎文區壹佰教育培訓學校有限公司
Yixing Youtan Culture Communication Co., Ltd.	宜興優檀文化傳播有限公司
Xinglong Weibang Construction Management Co., Ltd.	興隆縣偉邦建設管理有限公司

BUSINESS

OVERVIEW

We are a PRC real estate developer with a nationally recognized brand, “Sunshine 100 (陽光 100).” We commenced our business in 1994, and were among the earliest PRC real estate developers to develop large-scale mixed-use business complexes, which typically are combinations of offices, retail shops, hotels, apartments and ancillary facilities, in fast-growing second- and third-tier Chinese cities. We have also been developing multi-functional residential communities, which typically consist of a complementary mix of residential and commercial properties. We believe that second- and third-tier Chinese cities, benefiting from continuous urbanization in China, present growth potential for property development that exceeds the national average.

Since 1994, we have selectively entered over 24 cities in China, consisting of 13 second-tier cities that are China’s regional economic centers (Tianjin, Chongqing, Wuhan, Changsha, Jinan, Nanning, Shenyang, Chengdu, Wuxi, Wenzhou, Yantai, Changzhou and Xi’an) and 11 third-tier or below cities that are important high-growth cities in their respective provinces (Dongying, Liuzhou, Weifang, Guilin, Qingyuan, Yixing, Lijiang, Chengde, Putian, Yueyang and Wuzhou). We typically select second- and third-tier cities with sizeable economies that we believe possess the potential for rapid future growth in the property sector.

By developing mixed-use business complexes, we expect to become local landmarks and form new urban centers, and multi-functional residential communities in second- and third-tier Chinese cities, we hope to bring a cosmopolitan lifestyle to the affluent local population and the emerging middle class and white-collar professionals in these cities. At present, we are focusing on the development of three major product lines, the Himalayan high-end serviced apartments, cultural and commercial districts and Arles Towns. In addition, we provide property management services to our development projects and own hotels that we have developed in select locations.

As of December 31, 2020, we had a land reserve of approximately 10.47 million sq.m. in total GFA. As of the same date, we had, in terms of GFA attributable to us in our 42 projects, land reserves of 7.15 million sq.m., which included (i) completed and unsold properties and completed properties held for investment of approximately 1.55 million sq.m., (ii) properties under development of approximately 2.93 million sq.m. and (iii) properties held for future development of approximately 2.67 million sq.m., which included an aggregate planned GFA attributable to us of approximately 1.34 million sq.m. for which we had not obtained land use rights certificates. See “*Risk Factors — Risks Relating to Our Business — Our business may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, the relevant PRC governmental approvals for our property development projects.*”

We have received numerous awards in recognition of our brand reputation and high quality properties:

- In September 2020, we were awarded the “2020 TOP30 Brand of China Real Estate Companies”, the “2020 Best 100 of China Real Estate Developers Brand Value” and the “2020 Best 10 of North China Real Estate Developers Brand Value”.
- In May 2020, we were awarded the “2020 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths” by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute, ranking 87th, and were awarded the “2020 Best 5 China Real Estate Listed Companies with Strongest Innovation Capability”. In addition, we were also recognized among the “2020 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value” and “2020 Real Estate Company Worth Focusing by Capital Market” by the China Real Estate Top 10 Research Team.
- In March 2020, we were awarded the “2020 100 Best of China Real Estate Developers” and “2020 Best 10 of Cultural Tourism of China Real Estate Developers” by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute.
- In September 2019, we were recognized among “2019 TOP 30 Brand of China Real Estate Companies”.
- In June 2019, the Company was honored with the “Best Investment Value Award” at the “2019 China Financial Market Award Gala”.
- In May 2019, we were certified as the “2019 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value” and “2019 China Mainland TOP 10 Real Estate Companies Listed in Hong Kong by EVA (Economic Value Added)”.
- In September 2018, we were awarded the “2018 TOP 10 Urban Regeneration Projects – Best Urban Operator” and Sunshine 100 Himalaya was awarded “2018 TOP 10 Urban Micro-regeneration Cases – New Creation” at the 2nd China Urban Regeneration Forum.
- In May 2018, we were certified as “2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Economic Value Added” and “2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value”.
- In March 2018, we were awarded “2018 Excellent Business Model Award for China’s Real Estate Enterprises” and recognized as “Innovator of Commercial Real Estate Model in China”.

For the years ended December 31, 2018, 2019 and 2020, we recorded revenue of RMB7,579.1 million, RMB8,288.6 million and RMB5,759.7 million, respectively, and profit for the year of RMB242.8 million, RMB3,215.1 million, and RMB1,284.0 million, respectively. In terms of total contracted sales, we recorded RMB12,096.1 million, RMB10,337.6 million and RMB10,529.8 million, respectively.

RECENT DEVELOPMENTS

Redemption and cancellation of convertible bonds

As at March 1, 2021, the Company has repurchased and cancelled all of the outstanding 4.8% convertible bonds due 2023, initially issued with a total principal amount of HK\$750.0 million, in the open market.

For further details, please refer to the announcement of the Company published on the Hong Kong Stock Exchange dated March 1, 2021.

Issue of US\$120.0 million 12.0% Senior Notes due 2023

On January 29, 2021, the Company, the offshore subsidiaries of the Company providing guarantees for the notes and Haitong International Securities Company Limited (“**Haitong International**”), as the initial purchaser, entered into a purchase agreement in relation to the issue of US\$120.0 million 12.0% senior notes due 2023. Haitong International is the sole global coordinator, sole lead manager and sole bookrunner in connection with the issue of the 2023 Notes. The estimated gross proceeds from the issuance of the 2023 Notes, after deducting issue discounts in connection with the offering, amounted to approximately US\$119.9 million, which was intended to be used to repay existing indebtedness. The 2023 Notes were listed on The Singapore Exchange Securities Trading Limited on February 3, 2021.

For further details, see “Description of Other Material Indebtedness — 2023 Notes”.

OUR STRENGTHS

We believe that our strong market position is principally attributable to the following competitive strengths:

Successful key products — Cultural Commercial Street Complex, Himalaya Serviced Apartment and Arles Town

In recent years, we have developed Cultural Commercial Street Complex projects which are pedestrian streets or blocks lined with stand-alone retail shops and designed to be the cultural centers and “living rooms” of the cities where they are located. We further enhanced the projects’ market advantages by setting up the cultural campaigns combining modern, urban characteristics with the Sunshine 100 brand to bolster such project’s position as the city’s cultural center and living room.

Our Cultural Commercial Street Complexes typically have a GFA ranging from 150,000 sq.m. to 200,000 sq.m. consisting mainly of three- and four-story buildings for retail businesses. Our Cultural Commercial Street Complexes are typically developed such that the units comprising a Cultural Commercial Street Complex have similar specifications, which allows us to complete the development process at a relatively quicker pace. Our customers typically buy these commercial street units to operate businesses themselves or to rent out to retail businesses. In addition, in each of our Cultural Commercial Street Complexes, we also hold a certain number of units for investment purposes, which provide us with an additional source of revenue. By clustering retail businesses into an open yet defined space, we believe that this

format is beneficial to the value of the retail properties involved as it helps attract visitors and enhances the experience of consumers.

We believe we are one of the first property developers and one of the leading players in developing and operating Cultural Commercial Street Complexes.

In 2018, we launched our Sunshine 100 Cultural Commercial Street Complex projects and have expanded operations in Liuzhou, Yixing, Changsha and other cities. In 2019, Cultural Commercial Street Complex projects have matured. The completion of Changsha Phoenix Street and Changzhou Phoenix Street both achieved expected success. The opening of sale of Wuhan Phoenix Street was also met with popular response, with an average price of RMB44,000 per square metre. In addition, the Wuhan Phoenix Street project has obtained residential area at a low price from the government, which has significantly improved investment returns. This mode of commercial street complex with residential project is also being negotiated and implemented in other cities, which will become a new highlight for the development of Sunshine 100 in the future.

In 2020, under the COVID-19 pandemic, we placed more effort on the operation of Cultural Commercial Street Complex projects, adjusted its strategy in time, and successively commenced operation of the Putian, Wuzhou and Changsha Phoenix Commercial Street. In addition, the actual rental income received from the existing projects, Liuzhou Yaobu Old Town and Liuzhou City Plaza, increased by 5.22% in the first half of 2020 comparing to the corresponding period of the preceding year, which is contrary to the market trend.

In addition, we believe that our Himalaya projects have evolved as a leading brand of shared serviced apartments. Its mixed rental and sale model and unique ancillary services will generate high earnings and contribute to the Company's robust growth. Himalaya projects have had considerable growth in the past few years. For example, in Tianjin, our Himalaya projects recorded RMB575 million contracted sales in 2019 with a unit price of RMB49,000 per square metre, reflecting an increase in both parameters. The delivery and operation of our Himalaya projects in Chongqing and Tianjin have substantially enhanced recognition of our brand in the market. In the mean time, Himalaya projects have established their presence in Beijing, Yantai, Yueyang, Weifang and other cities, new projects are also under active negotiation.

Due to our premium brand and sophisticated experience in running Cultural Commercial Street Complexes, Arles Towns projects have seen consistent growth in sales and contribute significantly to overall contracted sales in recent years.

Nationwide, cross-region presence with large-scale, mostly low-cost land reserves with development potential tailored to our property developments

We believe that we have a nationwide, cross-region presence and large-scale land reserves with development potential. As of December 31, 2020, we had total land reserves of approximately 10.47 million sq.m. of attributable GFA located in over 24 cities across China. We believe that we benefit from our balanced regional presence as it helps reduce our reliance on any particular geographic region or type of city. Our strong reputation and solid track record have helped us secure development sites in high-growth locations, such as city centers, close suburbs and planned future city centers.

We pursue a prudent land acquisition strategy, seeking only land that we believe has development potential for the key products that we specialize in. The average land cost as of December 31, 2020 was approximately RMB1,200 per sq.m. As we entered our target cities relatively early, and as we possess a well-recognized brand and have proven execution capabilities, we have often been able to secure land at attractive prices, as local governments appreciate that our developments will help stimulate commercial activities in adjacent areas and accelerate urban development. Early land acquisition allows for greater flexibility in changing from residential to commercial, which caters to the optimization of our developments. The land parcels we acquire are often large in their respective neighborhoods, which has also contributed to our relatively low land acquisition costs as we benefit from scale and stronger bargaining power. In addition to acquisitions on our own, we also acquire land use rights through joint ventures with other developers and through primary land development.

We further expanded our land reserves for core products and obtained quality project land via low-cost equity investment or market acquisition, in particular the land parcels with development potential in the radiation areas of core economic zones, including the Yangtze River Delta region, the Pearl River Delta region and the Capital Economic Circle, providing strong support for us to continue to promote our commercial projects and expand our business coverage. In addition, over the years, we have set up primary land development projects in the Yangtze River Delta, the Pearl River Delta, and the Greater Beijing Circle. We have primary development land reserve in Xinglong and Wenzhou Lucheng District of more than 6,000 mu and 2,000 mu respectively, while the land area of cultural tourism-oriented projects contracted and intended exceed 3,000 mu. Our primary land development in Wenzhou and Xinglong has gradually matured. In the first half of 2020, due to the appreciation of the land market in Wenzhou, our land valuation in Wenzhou city area has increased by about 30%, and market entry will be promoted in the second half of the year. The land located at Xinglong West Station on the Beijing-Shenyang high-speed railway line has continued to benefit from the high-speed rail which is expected to commence operation at the end of 2020, making it one of the contributors for the Company's future profit growth. Our first project in Xinglong entered the market in the second half of 2020, and the market response was better than anticipated. It is expected that over 2,000 mu of primary development land will be approved for listing and sales in 2020 and the next few years. It is foreseeable that within the next decade, primary land development will become a growing focus for the continued profitability of our Company.

Experienced, stable management team with vision and a strong focus on execution to ensure our long-term growth

Our senior management has on average over 10 years of experience in the PRC real estate industry. Our founder and chairman, Mr. Yi Xiaodi, was one of the early leaders in the industry throughout its transformation in the early 1990s during China's transition to the market economy. Mr. Fan Xiaochong, our executive vice president who assists Mr. Yi in overseeing our day-to-day operations, also has over 20 years' experience in the PRC real estate industry. Members of our senior management have diverse backgrounds, having worked in PRC real estate companies, international corporations or professional service firms. We believe that such diversity enriches our management's industry and business management experience and enhances its ability to execute business plans, which we believe contributes to our ability to develop property offerings demanded by consumers in the PRC real estate market and generate satisfactory returns on our investment. We put great emphasis on talent

retention and team-building, and have established a systematic training and promotion system for employees and regular training programmes for members of management, with a conscious effort to internally produce senior executives for the future. As a result, our senior management team is relatively stable, having served us for an average of approximately 10 years.

Nationwide management platform, centralized sales and marketing team and long-term relationships with business partners, which enables us to execute multiple development projects across China

We have almost 20 years of experience expanding throughout China, developing and managing properties in multiple regions nationwide. We have established a centralized, nationwide management platform, which we believe enables us to rapidly replicate our business models and effectively expand into new regions. Through this centralized management platform, our management team at the headquarters is able to closely monitor the status of our projects and promptly react to any change in the local markets. As a result, we have been able to rapidly replicate our property developments and deliver high quality properties over 24 cities nationwide.

We engage a sales and marketing team that we centrally manage and deploy nationwide. The team formulates sales strategies and coordinates marketing activities on a national basis, taking into consideration requests and recommendations from our project teams in different regions. We believe that a centralized sales and marketing team is important in ensuring high quality customer service and consistency in the execution of sale plans. For instance, before we launched the pre-sale of Qingyuan Sunshine 100 Arles (formerly know as “**Qingyuan Mango Town**”) on May 12, 2013, we organised a sales team comprised of 95 sales personnel recruited locally in Qingyuan and 140 experienced sales personnel from nine other project companies. We provided professional training and preparation for two months to further strengthen the sales team’s sales skills and knowledge of the project and the local property market.

We have established long-term partnerships with well-known architects, construction contractors and investors to support our national expansion. We have collaborated with renowned international architecture firms, such as Denton Corker Marshall, Tadao Ando and Schmidt Hammer Lassen, to help translate our architectural vision and philosophy into designs with our character. We have also cooperated with leading Chinese national or regional construction contractors, such as China State Construction Engineering Corporation. Furthermore, we have had substantial experience cooperating with large PRC enterprises, such as Yan Kuang, Tianjin Nongken Group and Guangxi Communications Investment Group Co., Ltd., which we believe enhances our ability to secure financing, project development and other opportunities. In addition, we believe the participation and support of affiliates of Warburg Pincus LLC as a financial investor enhances the efficiency and transparency of our management, which we believe is beneficial to us in the long term.

Established well-known brand widely acknowledged by the industry and across China

We focus on bringing a cosmopolitan lifestyle to the emerging middle class and white-collar professionals in China. We believe that we enjoy relatively high recognition and loyalty in China, especially among our target customers, due to our nationally recognized brand,

Sunshine 100, which we believe is associated with a young and international image, innovative architectural styles and clear customer positioning.

We have received numerous awards in recent years in recognition of our brand reputation and high quality properties:

- In September 2020, we were awarded the “2020 TOP30 Brand of China Real Estate Companies”, the “2020 Best 100 of China Real Estate Developers Brand Value” and the “2020 Best 10 of North China Real Estate Developers Brand Value”.
- In May 2020, we were awarded the “2020 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths” by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute, ranking 87th, and were awarded the “2020 Best 5 China Real Estate Listed Companies with Strongest Innovation Capability”. In addition, we were also recognized among the “2020 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value” and “2020 Real Estate Company Worth Focusing by Capital Market” by the China Real Estate Top 10 Research Team.
- In March 2020, we were awarded the “2020 100 Best of China Real Estate Developers” and “2020 Best 10 of Cultural Tourism of China Real Estate Developers” by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute.
- In September 2019, we were recognized among “2019 TOP 30 Brand of China Real Estate Companies”.
- In June 2019, the Company was honored with the “Best Investment Value Award” at the “2019 China Financial Market Award Gala”.
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- In September 2018, we were awarded the “2018 TOP 10 Urban Regeneration Projects – Best Urban Operator” and Sunshine 100 Himalaya was awarded “2018 TOP 10 Urban Micro-regeneration Cases – New Creation” at the 2nd China Urban Regeneration Forum.
- In 2018, we were recognized as “2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Economic Value Added,” “2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value,” “2018 Excellent Business Model Award for China’s Real Estate Enterprises,” and “Innovator of Commercial Real Estate Model in China.”

OUR STRATEGIES

We aim to become one of the largest and most profitable developers in second- and third-tier cities in China by focusing on the development of our key products, namely Cultural

Commercial Street Complexes, Himalaya Serviced Apartments and Arles Towns, in second- and third-tier cities in China. To achieve this goal, we plan to implement the following strategies:

Continue to implement the strategic deployment of differentiated real estate projects including Cultural Commercial Street Complexes, Himalaya Serviced Apartments and Arles Towns to build real estate projects with characteristics that can satisfy consumer demand in the new era.

We will integrate cultural elements in our business. We plan to enhance cultural orientation of our projects through our specially established Cultural Tourism Business Division and Cultural Creativity Development Company which aim to advise us on developing projects with distinct features through the use of campaigns and brands and based on local special characteristics. Our future management focus will be on transformation from a development company into an operation and service company for continuous creation of high quality commercial real estate operation to provide brand new social scenes for cities through operation. We will also continue to develop on the asset-light operation cooperation model, capitalize on our own brand and sales advantages and continually enhance our management operation and resource integration capabilities through projects with minority interests.

According to China Index Academy, China's urbanization is expected to continue at a rapid pace, which we believe will continue to present opportunities for property development in second- and third-tier Chinese cities. In particular, as less-developed second- and third-tier Chinese cities rapidly expand, we believe there will be sustained demand for Cultural Commercial Street Complexes in emerging CBDs in such cities. We intend to leverage our established position, first mover's advantage and brand recognition in second- and third-tier cities to continue to develop Cultural Commercial Street Complexes as local landmarks. With our knowledge and experience accumulated from developing Cultural Commercial Street Complexes, we aim to increase our market share in central locations in the second- and third-tier cities in which we already operate or that we have yet to enter. We believe that we will be able to selectively expand into second- and third-tier Chinese cities with great development potential and rapid economic growth on a nationwide basis.

We plan to develop supporting facilities and establish service standards for the Cultural Commercial Street Complexes of the Group, building good reputation and setting up competition threshold. We also plan to promote these products in other cities around China, and further enhance their competitiveness and brand influence. We believe that our key products have potential for further development. The Cultural Commercial Street Complex has a very high competitive threshold by virtue of its own features of satisfying investment demand. In addition, our Himalaya products will take a more important position in our product mixes and we expect it to become a significant driving force of growth in the future. Most of our Himalaya projects are located in urban downtown areas and were obtained through acquisition. Upon acquisition, we made overall transformation or redesign under the "Himalaya standard", taking into account local characteristics. The acquired projects can usually be pre-sold to the market in about four months after acquisition. As an open operating platform, Himalaya invites various resources to provide high-end services and create social circles based on customer needs. We believe that, in the near future, the high-end Himalaya serviced apartments will be a special edge of the Group and a core product with robust growth and strong profitability. In the Arles Town product line, we continued to upgrade our services

and operations by promoting activities such as the “Arles Music Festival”, “Arles Life School” and “Yuedong π” under the “Friendly Neighbors Community” brand. The project has received market recognition.

Enhance our strength in sales and marketing, and accelerate product sell-through rate

We plan to continuously adapt to the latest trends in the real estate industry of China. With our experience of more than 20 years and advantage in land cost, we intend to capture every new market opportunity and promote our competitiveness. We will further enhance our marketing system and marketing capability. With the reform of our marketing team in the previous two years, we will continue to carry out team training and expansion. In addition to enhancing marketing capabilities, we will speed up project development, enhance our destocking capabilities and dispose low-efficiency assets so as to ensure that limited funds can be optimized for the development of core products. Moreover, we will specifically increase the sell-through rate of common residences, stocks, commercial projects and high-end products in order to increase the overall sell-through rate and sales volume. We will adopt product innovation strategies to differentiate from the traditional mode of simple price cut promotion.

Maximize customer value and brand premium by improving post-sale project operation and enhancing product competitiveness

We intend to continue to sell, rather than hold, a relatively high proportion of the properties we develop to increase revenue and profitability, as the selling premiums contribute significantly to our profitability. We plan to utilize our centralized management platform to offer our customers consistent service quality and leverage our experience in managing existing projects. We consider it important for purchasers of our commercial properties to be able to enjoy value in the properties. Therefore, we intend to continue to pursue our proven business model, which emphasises “Cultural Commercial Street Complexes.” Cultural Commercial Street Complexes typically have a GFA of 150,000 sq.m. to 200,000 sq.m. consisting mainly of three- to four-story buildings for retail businesses. The units typically have similar specifications and features. We believe that our “Cultural Commercial Street Complex” model allows for quicker development time and a quicker return on investment. We also strive to attract more well-known, high quality hotel managers and retailers to our properties, while at the same time beginning to develop our own retail brand. We believe that these measures will enhance our value to our customers as well as our brand awareness. Our strategy is to increase the proportion of commercial properties i.e. Cultural Commercial Street Complex, accelerate destocking, improve post-sale project operation, enhance product competitiveness, accelerate asset turnover and improve comprehensive operation capability. We target to increase the proportion of commercial properties in terms of contracted sales to 50% in the next three to five years, and as of 2020, 27% of contracted sales are commercial properties.

Continue to strengthen corporate culture, emphasise innovation in property design and strengthen our “people first” management philosophy

We intend to continue to strengthen our corporate culture, centered on a “people first” management philosophy, and continue to seek innovations in property design. By continuing to give project teams substantial discretion in project management, subject to our overall planning and supervision, we believe that we will continue to offer our customers the innovative properties they demand. In addition, by offering market standard compensation

and operate incentive schemes, including cash and share bonuses and promotions, for our employees, we believe that we will continue to align our employees' interests with ours and enhance their loyalty to the Company.

Continue to pursue a prudent land acquisition strategy

We intend to continue to pursue a prudent land acquisition strategy and focus on acquiring quality projects situated in the radiation areas of core economic zones, including the Yangtze River Delta region, the Pearl River Delta region and the Capital Economic Circle, and with high turn-over and sound growth potential. In particular, we intend to focus on suitable land in central locations in second- and third-tier Chinese cities for developing Cultural Commercial Street Complexes and commercial properties, and suburbs of second-tier Chinese cities that are planned to fall within city limits for developing multi-functional residential communities and themed towns. We will also continue promoting light asset operations through obtaining operation right of quality projects as a minority shareholder, to make use of our strength in sales and further elevate our capabilities in management operation and resources consolidation.

We believe that we will be able to replenish our large-scale, low-cost land reserves with development potential going forward as we continue to follow our land acquisition strategy based on thorough information-gathering, relationship-building with local governments and other partners and, above all, a rational philosophy. Firstly, we will pursue sensible market analysis and reasonable business judgment based on professional advice from both internal teams and external consultants. Our planning and development department regularly monitors real estate developments in 24 key cities and tracks the local land supply policies and key transactions. We also have established long-term relationships with professional third-party consultants to keep us updated on the latest policy trends and market information. Secondly, in our target cities and areas, we will continue to actively communicate with the local authorities to build trust and establish working relationships as we demonstrate how our developments will be beneficial for the local communities. We will also continue to develop and maintain cooperative relationships with local partners, who may be smaller in size but often possess better understanding of local markets and hold land use rights in locations attractive to us, to potentially acquire land from them or acquire them for the land they hold. Thirdly, we will maintain our overriding principle of prudence and refrain from acquiring land for prices we consider inflated.

Accelerate asset turnover and improve comprehensive operational capability

We intend to further improve our internal management mechanism, optimize corporate organizational structure and management mode so as to promote its own comprehensive operation capability and efficiency. In addition, we are open to cooperation with different partners to optimize our structural system. We will further promote the merger and reorganization of quality projects, and activate the development of new projects by multiple means. Except for the core products like Cultural Commercial Street Complex projects which are controlled by the Group, we make full use of our sales capability to adopt the way of "obtaining operation right with minority shareholding" on residential products.

Promote asset-light business to utilize our strength in sales and further elevate our capabilities in management operation and resource integration

In May 2017, we acquired a minority interest in the Fujian Putian project and carried out a sales cooperation arrangement with the original shareholders of the project under which we provide brand management services in the earlier stages and salesforce in the later stages of the development, sharing the resulting appreciation in value. The project was marketed as “the City’s Living Room in Putian.” All of the 500 houses of the project were sold out on the first day of launch, outperforming its competitors in the region. The project recorded contracted sales of approximately RMB510 million in the first half of 2017. As our benchmark project for asset-light business, the project made a full use of our strong brand value and sales capacity and developed an innovative business model for us by exporting our existing strengths and resources. In the first half of 2017, we entered into a strategic cooperation agreement with Guangxi Communications Investment Group to further expand the scope of cooperation projects utilizing asset-light business model. In the future, we will continue to develop the asset-light business model by capitalizing on our strong brand value and sales capacity and continuously enhancing our management operation and resource integration capabilities through projects with minority interests.

Continue to promote internal operation reform

We intend to further implement business transformation, speed up turnover and revitalize inventory, and strengthen financing channels and external cooperation. We will continually accelerate the expansion and supply of new projects and effectively enhance the management of each asset package. We will also endeavor to, through delegation, engage junior staff so that they are willing to take more initiatives. We will reinforce the establishment of a common service platform in respect of capital, brand, property and quality to prioritize the realization of product competitiveness, such as product features and customer needs, so as to release their innovation ability and pressure. The Group, regional centers and primary development projects will review experiences and set benchmarks, we will realize rapid turnover and execution through the way of asset packages. We will further improve asset efficiency and simultaneously expand external cooperation.

Strengthen cultural upgrade of core products and increase their added value

We will strengthen the business and cultural upgrades of the three core product lines, and create high value-added products in order to form a unique competitive edge in the industry. We will strive to realize cultural upgrading for all of the core products including Cultural Commercial Street Complex products, Himalaya products and Arles Towns, considering the future industry development cannot rely on scale expansion any longer, but through the culture upgrading of products to achieve profit growth, which is the core of our transformation and upgrading. The Group has changed part of the original regional management to product line management in order to forge a group of model projects in the above core product lines, and create core competitiveness with core products, driving the Group to move forward rapidly and establishing industry barriers. In the near future, the high-end apartments in the Himalaya product line will be a special edge of the Group, as well as a core product with the fastest growth and better profitability.

Continue to promote product and model innovation

The Group will focus on the research and deployment of the business model of Himalaya Serviced Apartments. High-income, highly educated and younger businessmen are the core ultimate customers of Himalaya Serviced Apartments. In view of this, we will focus on and strengthen the concept of sharing to build a powerful brand, and optimize our products and services to sharpen our brand image on the market. Meanwhile, we will create value through operations, and enhance software and content development, rather than merely providing more hardware. While continuously focusing on the hardware deficiency, we will devote ourselves to quality enhancement and improve the cultural and artistic quality of our products. In addition, Arles Towns are expected to focus on cultural and tourism related products while taking into account the needs of emerging markets. Cultural and tourism related products will become an important business segment for the Company's future development. We have engaged experienced talents and teams to carry out the preliminary positioning, innovation and post-operation of our existing land reserve with cultural and tourism characteristics, and achieve market breakthroughs with new thinking different from that of traditional residential development. This is to ensure we achieve rapid development thus, accelerating the revitalisation of land reserves and allows us to focus on securing new opportunities for expansion in the target areas.

OUR PROPERTY DEVELOPMENT PROJECTS

Overview

Our portfolio of property development projects currently consists of over 25 projects under various stages of development in over 24 cities across China, including Tianjin, Chongqing, Wuhan, Changsha, Jinan, Nanning, Shenyang, Chengdu, Wuxi, Wenzhou, Yantai, Changzhou, Xi'an, Dongying, Liuzhou, Weifang, Guilin, Qingyuan, Yixing, Lijiang, Chengde, Putian, Yueyang and Wuzhou. We divide our property developments into three categories: (i) completed properties; (ii) properties under development; and (iii) properties held for future development. As of December 31, 2020, we had a land reserve of approximately 10.47 million sq.m. in total GFA. As of the same date, we had, in terms of GFA attributable to us in our 42 projects, land reserves of 7.15 million sq.m., which included (i) completed and unsold properties and completed properties held for investment of approximately 1.55 million sq.m., (ii) properties under development of approximately 2.93 million sq.m. and (iii) properties held for future development of approximately 2.67 million sq.m., which included an aggregate planned GFA attributable to us of approximately 1.34 million sq.m. for which we had not obtained land use rights certificates. See "*Risk Factors — Risks Relating to Our Business — Our business may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, the relevant PRC governmental approvals for our property development projects.*"

The site area information in this Offering Memorandum is derived on the following basis:

- when we have received the land use rights certificates, the site area information in respect of the related projects refers to the site area information in such land use rights certificates; and

- before we have received the land use rights certificates, the site area information in respect of the related projects refers to the site area information in the relevant land grant contracts or the relevant government permits related to the projects excluding, however, the areas earmarked for public infrastructure such as roads and community recreation zones.

The GFA information in this Offering Memorandum is derived on the following basis:

- for completed projects, if we have obtained the record of acceptance examination upon project completion or the construction works planning permit, the completed GFA information in respect of these projects refers to the completed GFA in such record of acceptance examination upon project completion or construction works planning permit, or our internal record and estimates;
- for projects under development, if we have obtained the construction works construction permit or the construction works planning permit, the GFA under development information in respect of these projects refer to the GFA in such permit, or, where such permits are not yet available, our internal record and estimate;
- if we have obtained the pre-sale permit for commodity property or construction works planning permit for the projects, the saleable GFA information refers to the saleable GFA in these permits;
- if we have not yet obtained the property ownership certificates but have obtained the construction permits, the total GFA information in respect of these projects refers to the total GFA in such construction permits;
- if we have not yet obtained the construction permits but have obtained the construction works planning permits for the projects, the total GFA information in respect of these projects refers to the total GFA in such construction works planning permits;
- if we have not yet obtained the construction works planning permits, but have received the land use rights certificates for the projects, the total GFA information in respect of these projects refers to the total GFA in such land use rights certificates;
- if we have not obtained the land use rights certificates, but have signed the land grant contracts, the total GFA information in respect of these projects refers to the total GFA in such land grant contracts; and
- as our projects typically comprise multiple-phase developments on a rolling basis, one project may include different phases that are at various stages of completion, under development or held for future development.

The table below sets forth the details of our property development projects as of December 31, 2020:

Project	Location	Site area (sq. m.)	Actual/ expected completion date	Completed				Under development				Held for future development		Group's attributable interest (%)
				GFA completed ⁽²⁾ (sq. m.)	Saleable GFA remaining unsold ⁽³⁾⁽⁴⁾ (sq. m.)	Rentable GFA held for investment ⁽³⁾ (sq. m.)	GFA under development ⁽⁵⁾ (sq. m.)	Saleable ^{(6)/} rentable GFA ⁽⁶⁾ (sq. m.)	GFA pre-sold ⁽⁷⁾ (sq. m.)	Planned GFA (sq. m.)	Land use rights not yet obtained ⁽³⁾ (sq. m. in GFA)			
Jinan Sunshine 100 International New Town	Jinan	679,391	2021	2,021,310	1,738,541	30,916	62,565	100,891	97,402	36,793	-	-	49.00%	
Shenyang Sunshine 100 International New Town	Shenyang	666,832	2020	1,985,239	1,653,771	107,739	83,407	100,132	61,691	12,751	194,820	-	100.00%	
Shenyang Sunshine 100 Golf Mansion	Shenyang	100,000	2022	252,815	174,215	67,562	-	-	-	-	19,606	-	51.00%	
Tianjin Sunshine 100 International New Town	Tianjin	372,770	2012	987,620	907,858	9,717	17,573	-	-	-	-	-	86.00%	
Tianjin Sunshine 100 Nankai Himalaya	Tianjin	2,338	2020	30,921	17,431	12,825	665	-	-	-	-	-	100.00%	
Tianjin Sunshine 100 Tianta Himalaya	Tianjin	9,120	2022	-	-	-	-	94,911	93,537	35,718	-	-	80.00%	
Dongying Sunshine 100 Phoenix Community	Dongying	343,963	2019	550,198	482,623	40,408	2,435	-	-	-	-	-	100.00%	
Weifang Sunshine 100 Phoenix Community	Weifang	186,091	2022	335,406	238,392	56,876	29,402	188,693	182,369	72,385	886,554	886,554	100.00%	
Xinglong Sunshine Highway New City	Chengde	46,604	2023	-	-	-	-	163,923	162,162	14,089	-	-	71.20%	
Yantai Sunshine 100 City Plaza	Yantai	50,781	2023	222,820	126,712	13,032	59,651	374,106	298,631	94,557	-	-	100.00%	
Wuhan Sunshine 100 Lakeside Residence	Wuhan	293,304	2017	842,736	713,638	99,208	6,476	-	-	-	-	-	100.00%	
Wuhan Shangdongfang Project	Wuhan	125,029	2022	-	-	-	-	352,342	338,761	119,053	-	-	100.00%	
Xi'an Sunshine 100 Sunshine 100 Arles	Xi'an	206,600	2021	-	-	-	-	186,906	186,906	144,398	454,689	454,689	100.00%	
Chongqing Sunshine 100 Arles	Chongqing	311,942	2022	346,641	270,767	67,596	2,159	205,101	197,006	63,612	-	-	80.00%	
Chengdu Sunshine 100 Mia Centre	Chengdu	59,971	2016	333,934	238,212	47,442	25,402	-	-	-	-	-	100.00%	
Chengdu Xin Sheng Yuan Project	Chengdu	10,516	2015	-	-	-	-	-	-	-	20,000	-	100.00%	
Changsha Sunshine 100 Phoenix Street	Changsha	602,700	2021	1,308,444	1,090,475	40,754	48,675	62,767	45,992	-	-	-	100.00%	
Yueyang Sunshine 100 Himalaya	Yueyang	8,623	2022	-	-	-	-	79,183	72,315	-	-	-	51.00%	
Yangshuo Sunshine 100 West Street Square	Guilin	10,760	2007	22,943	13,628	-	9,316	-	-	-	-	-	75.00%	
Pingle Sunshine 100 Lijiang Cultural Village	Guilin	115,002	2022	20,981	1,787	16,810	2,383	21,762	14,533	-	89,549	-	75.00%	
Guilin Scape Project	Guilin	464,564	2021	-	-	-	-	16,481	16,481	1,694	227,090	-	100.00%	
Liu Zhou Sunshine 100 Yaobu TOWN	Liu Zhou	86,408	2016	231,461	158,555	39,040	31,392	-	-	-	-	-	98.75%	
Liu Zhou Sunshine 100 Classical Era	Liu Zhou	123,829	2008	233,610	213,669	-	2,191	-	-	-	-	-	100.00%	
Liu Zhou Sunshine 100 City Plaza	Liu Zhou	125,383	2014	717,974	481,256	27,663	53,388	-	-	-	-	-	75.00%	
Nanning Sunshine 100 City Plaza	Nanning	37,108	2020	132,835	102,801	12,692	6,832	-	-	-	92,230	-	100.00%	
Nanning Sunshine 100 Upper East Side International	Nanning	36,737	2009	232,121	195,266	33,187	148	-	-	-	-	-	26.01%	
Vantone Air Garden	Nanning	10,009	1997	36,465	9,116	2,751	22,791	-	-	-	-	-	100.00%	
Nanning Sunshine 100 Mountain-side Garden	Nanning	78,481	2007	107,995	89,686	6,311	1,325	-	-	-	-	-	51.00%	
Nanning Sunshine 100 Australian Garden	Nanning	37,573	2003	125,262	119,874	610	1,452	-	-	-	-	-	50.00%	

Project	Location	Site area (sq. m.)	Actual/ expected completion date	Completed				Under development			Held for future development		Group's attributable interest (%)	
				GFA completed ⁽²⁾ (sq. m.)	GFA sold ⁽³⁾ (sq. m.)	Saleable GFA remaining unsold ⁽³⁾⁽⁴⁾ (sq. m.)	Rentable GFA held for investment ⁽⁵⁾ (sq. m.)	GFA under development ⁽⁵⁾ (sq. m.)	Saleable ^{(6)/} rentable GFA ⁽⁶⁾ (sq. m.)	GFA pre-sold ⁽⁷⁾ (sq. m.)	Planned GFA (sq. m.)	Land use rights not yet obtained ⁽⁸⁾ (sq. m. in GFA)		
Nanning Sunshine 100 European Garden	Nanning	20,647	2002	70,515	69,533	139	843	-	-	-	-	-	-	100.00%
Nanning Sunshine 100 Nine Peninsula	Nanning	1,281,047	2021	392,531	343,608	15,695	-	394,621	230,934	347,009	230,934	903,994	-	30.00%
Wuzhou Sunshine 100 Sankee City	Wuzhou	407,440	2022	379,362	131,367	231,192	-	201,954	190,770	190,770	190,770	1,026,914	-	27.75%
Lijiang Sunshine 100 COART Village	Lijiang	272,557	2022	35,211	10,595	24,616	-	32,995	3,316	32,995	3,316	135,962	-	51.00%
Wuxi Sunshine 100 Sunshine 100 Arles	Wuxi	1,236,641	2021	1,638,546	1,347,433	162,140	39,805	377,085	262,424	356,364	262,424	12,514	-	100.00%
Wuxi Sunshine 100 Himalaya	Wuxi	13,941	2019	98,287	34,610	36,822	-	3,875	2,972	2,972	2,972	-	-	100.00%
Yixing Sunshine 100 Phoenix Street	Yixing	55,828	2017	110,627	25,228	42,792	42,606	-	-	-	-	-	-	80.00%
Sunshine 100 Wenzhou Center	Wenzhou	72,850	2023	79,399	66,057	1,952	-	393,730	368,045	368,045	46,582	-	-	51.00%
Wenzhou Sunshine 100 Arles	Wenzhou	380,256	2023	400,601	321,020	56,228	-	663,735	610,695	610,695	261,199	63,138	-	51.00%
Changzhou Sunshine 100 Zone 7 Upper East Side	Changzhou	73,300	2019	249,440	190,568	15,368	1,190	-	-	-	-	-	-	51.00%
Qingyuan Sunshine 100 Arles	Qingyuan	503,518	2022	1,261,574	1,003,151	115,660	13,545	13,874	14,428	14,428	14,428	83,206	-	55.00%
Qingyuan Yingde Project	Qingyuan	10,949	2023	-	-	-	-	38,900	38,900	38,900	-	-	-	55.00%
Putian Sunshine 100 Phoenix Plaza	Putian	49,688	2021	173,751	151,763	23,609	-	163,527	155,527	155,527	509	-	-	25.50%
Total		9,581,088		15,949,576	12,733,206	1,459,353	567,617	4,231,512	4,231,512	3,885,490	1,608,184	4,210,265	1,341,242	
Attributable GFA		7,040,969		12,463,753	10,012,218	1,051,725	499,468	2,926,558	2,926,558	2,675,583	1,106,701	2,668,528	1,341,242	

Notes:

- (1) The saleable area in the project to sell was substantially sold out.
- (2) Based on figures provided in the relevant record of acceptance examination upon project completion (竣工驗收合格證明), construction works planning permit (建築工程規劃許可證) by relevant government departments or our internal records and estimates. GFA completed may not equal the sum of “GFA Sold”, “Saleable GFA Remaining Unsold” and “Rentable GFA Held for Investment” as some areas, e.g., areas taken up by certain support facilities, are not saleable or rentable.
- (3) Based on our internal records and estimates.
- (4) Most of the saleable GFA remaining unsold is attributable to car parks which usually take much longer time to sell.
- (5) Based on figures provided in the relevant construction works planning permit, construction works construction permit (建築工程施工許可證) by relevant government departments or our internal records and estimates. GFA Under Development does not equal the sum of “Saleable/Rentable GFA” and “GFA Pre-sold” as “GFA Pre-sold” is part of “Saleable/Rentable GFA.”
- (6) Derived from the pre-sale permit for commodity property (商品房預售許可證) or, where such permit is not yet available, construction works planning permit.
- (7) Derived from the pre-sale permit for commodity property or, where such permit is not yet available, our internal records and estimates.
- (8) Some of our equity interest in this project was transferred to or pledged in favor of trust companies in relation to certain trust financing arrangements.

Contract Sales For Properties

The following table sets out a summary of total contracted sales for the years indicated.

Project	For the year ended 31 December											
	2018				2019				2020			
	Contracted sales area	(RMB million) ⁽²⁾	Unit selling price (RMB/square metre) ⁽¹⁾	Contracted sales amount	Contracted sales area	(RMB million) ⁽²⁾	Unit selling price (RMB/square metre) ⁽¹⁾	Contracted sales amount	Contracted sales area	(RMB million) ⁽²⁾	Unit selling price (RMB/square metre) ⁽¹⁾	Contracted sales amount
1	Shenyang Sunshine 100 International New Town	53,300	8,829	499	63,213	638	9,852	231	18,322	18,322	231	9,598
2	Shenyang Sunshine 100 Golf Mansion	5,205	9,330	51	19,913	177	8,675	71	9,021	9,021	71	7,316
3	Jinan Sunshine 100 International New Town	47,263	21,371	1,051	38,815	891	21,832	525	25,723	25,723	525	18,472
4	Dongying Sunshine 100 Phoenix Community (formerly known as "Dongying Sunshine 100 City Garden")	24,846	9,278	236	5,580	53	8,976	16	2,019	2,019	16	6,987
5	Weifang Sunshine 100 Phoenix Community (formerly known as "Weifang Sunshine 100 City Plaza")	53,729	7,866	423	40,855	334	8,097	352	38,131	38,131	352	9,014
6	Tianjin Sunshine 100 Nankai Himalaya (formerly known as "Tianjin Lijin Mansion")	10,493	30,072	316	6,247	214	34,251	116	4,365	4,365	116	26,623
7	Tianjin Sunshine 100 Tianta Himalaya ⁽³⁾	11,875	34,804	413	14,101	575	40,771	531	12,607	12,607	531	42,054
8	Tianjin Sunshine 100 International New Town	—	—	27	58	19	9,256	24	151	151	24	17,881
9	Wuxi Sunshine 100 Arles (formerly known as "Wuxi Sunshine 100 International New Town")	230,867	12,015	2,812	57,268	880	14,621	855	48,164	48,164	855	16,482
10	Wuxi Sunshine 100 Himalaya	24,105	17,556	423	8,277	157	18,917	146	9,576	9,576	146	15,219
11	Sunshine 100 Wenzhou Center	16,042	19,174	342	19,795	396	19,526	250	12,868	12,868	250	19,194
12	Wenzhou Sunshine 100 Arles	156,465	10,909	1,720	97,115	1,175	11,832	1,181	89,699	89,699	1,181	12,369
13	Wenzhou Sunshine 100 Repulse Bay ⁽³⁾	10,723	11,331	122	42,678	479	11,212	—	—	—	—	—
14	Changzhou Sunshine 100 Zone 7 Upper East Side	14,178	19,764	310	4,752	106	20,940	28	1,468	1,468	28	9,120
15	Yixing Sunshine 100 Phoenix Street	4,403	23,441	103	3,646	55	15,105	39	2,738	2,738	39	14,210
16	Qingyuan Sunshine 100 Arles	48,551	12,197	621	5,447	48	8,453	14	3,686	3,686	14	1,269
17	Dongguan Songshan Mansion	493	11,010	5	—	—	—	—	—	—	—	—
18	Putian Sunshine 100 Phoenix Plaza ⁽³⁾	6,713	16,439	126	5,986	122	19,352	40	1,906	1,906	40	20,629
19	Wuhan Sunshine 100 Lakeside Residence	—	—	—	3,423	27	6,825	26	812	812	26	16,749
20	Chongqing Sunshine 100 Himalaya (formerly known as "Chongqing Sunshine 100 International New Town")	9,447	20,885	217	—	—	—	—	—	—	—	—

For the year ended 31 December

Project	2018				2019				2020			
	Contracted sales area	Contracted sales amount	Unit selling price	Contracted sales area	Contracted sales amount	Unit selling price	Contracted sales area	Contracted sales amount	Unit selling price	Contracted sales area	Contracted sales amount	Unit selling price
	(square metres) ⁽¹⁾	(RMB million) ⁽²⁾	(RMB/square metre) ⁽¹⁾	(square metres) ⁽¹⁾	(RMB million) ⁽²⁾	(RMB/square metre) ⁽¹⁾	(square metres) ⁽¹⁾	(RMB million) ⁽²⁾	(RMB/square metre) ⁽¹⁾	(square metres) ⁽¹⁾	(RMB million) ⁽²⁾	(RMB/square metre) ⁽¹⁾
21 Chongqing Sunshine 100 Arles	49,801	586	11,204	23,615	250	10,075	57,501	684	11,484			
22 Changsha Sunshine 100 Phoenix Street (formerly known as “Changsha Sunshine 100 International New Town”)	36,547	670	17,939	49,963	822	16,207	20,739	317	13,586			
23 Liuzhou Sunshine 100 Yaobu Town	3,177	111	31,139	3,124	67	20,883	—	—	—			
24 Liuzhou Sunshine 100 City Plaza	—	—	—	25,486	213	8,115	99	8	14,128			
25 Chengdu Sunshine 100 Mia Center	157	5	16,511	22,073	303	13,591	—	24	—			
26 Nanning Sunshine 100 Upper East Side International	177	59	11,419	—	—	—	—	7	—			
27 Nanning Sunshine 100 Nine Peninsulas ⁽³⁾	78,038	513	6,414	67,484	521	7,624	119,507	758	6,314			
28 Wuzhou Sunshine 100 Sankee City ⁽³⁾	16,825	123	6,761	36,666	302	8,126	126,823	721	5,677			
29 Lijiang Sunshine 100 COART Village	952	13	14,149	—	—	—	2,480	38	15,203			
30 Xi’an Sunshine 100 Arles	30,828	178	5,576	61,257	695	11,336	151,757	1,836	11,983			
31 Pingde Sunshine 100 Li River Cultural Village (formerly known as “Guilin Sunshine 100 Original Lijiang”)	2,431	21	8,693	338	2	7,185	—	—	—			
32 Wuhan Sunshine 100 Phoenix Street	—	—	—	60,220	817	13,389	74,348	984	13,145			
33 Yantai Sunshine 100 City Plaza	—	—	—	—	—	—	12,211	230	18,461			
34 Sunshine 100 Beijing Arles	—	—	—	—	—	—	20,417	228	11,152			
35 Sunshine 100 Rehe Valley ⁽³⁾	—	—	—	—	—	—	312	5	16,346			
36 Liuzhou Sunshine 100 Xinye Town ⁽³⁾	—	—	—	—	—	—	23,548	241	10,250			
37 Sunshine 100 Weilu Valley	—	—	—	—	—	—	249	3	12,467			
Total	947,631	12,096	12,287	787,395	10,338	12,825	891,247	10,530	11,315			

Notes:

- (1) Excluding car parks
- (2) Including car parks
- (3) Being light-asset operation projects

Our Primary Land Development Projects

PRC laws provide that all land in the PRC to be developed for commercial purposes, including that for business or residential property development purposes, must be granted through public tender, auction and listing-for-sale. In order to better position ourselves in acquiring land for future property development, we have adopted the approach of selectively undertaking primary land development projects with respect to sites that are attractive to us. Primary land development refers to the process of preparing land to conditions ready for public tender, auction and listing-for-sale, typically involving relocating existing business establishments and residents, demolishing existing buildings and other structures, clearing the site and installing basic infrastructure for future commercial property development. In a typical primary land development project, we enter into a framework agreement or a similar contractual relationship with the local government, pursuant to which we pay the local government agreed sums of funds associated with, and assist the local government in conducting, such preparation. We have not been required to conduct land resettlement operations directly in the primary land development projects we have undertaken, and do not expect to do so in the future, as, since January 2011, PRC regulations only permit government authorities to conduct such operations. In return, after the land is ready and after public tender, auction and listing-for-sale, the local government pays all or a portion of the land premiums it receives to us if another developer acquires the land. We also have the option to participate in the public tender, auction and listing-for-sale ourselves, and there are mechanisms to offset compensation we are entitled to under the primary land development arrangement from the land premium due from us to the local government if we do acquire the relevant land use rights.

We believe this arrangement is mutually beneficial, as the local government receives funding from us to transform often dilapidated neighborhoods into commercially valuable land parcels and as we gain a foothold in a location we consider attractive, with flexible financial options. When a parcel of land we have developed on a primary basis is being offered for sale by the local land authorities, we will conduct a cost-and-return analysis and may choose to either (a) acquire the land use rights through open market bidding if our analysis shows greater appreciation potential in such land; or (b) share the profit with or receive compensation from local land authorities pursuant to the primary land development agreements if our analysis shows the cost is too high for us to achieve expected returns or if the land is sold to other developers at a price higher than our desired bidding price. The Directors believe that our primary land development projects, if consummated according to plan, will help us secure quality land reserves at relatively lower cost. The Directors acknowledge, however, that the primary development business is susceptible to various risks, as the development process may be long, the funding required may be high and there may be unforeseeable delays due to the government's inability to complete resettlement on schedule. See "*Risk Factors — Risks Relating to Our Business — Our primary land development projects and some property development projects may be materially and adversely affected by difficulties in and costs associated with demolition and resettlement of existing businesses and residents.*" Therefore, our Directors intend to continue to consider selectively entering into primary land development arrangements as a component of our land acquisition and business expansion strategy.

The following table sets forth salient terms of our agreements with local governments in connection with our primary land development projects:

Project	Date of completion stipulated in contract	Actual/expected date of completion	Actual/estimated budget	Total cost incurred as December 31, 2020	Actual/potential gain/loss	Recovered amount	Responsibility of local authorities	Our responsibility
			<i>(RMB in millions)⁽¹⁾</i>	<i>(RMB in millions)⁽¹⁾</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>		
Chengdu Project (Phase I)	Not Specified	July 2007	565.1	565.1	1,361.9	1,927.0	Responsible for demolition, resettlement, land expropriation, negotiation and compensation distribution	To provide the fund needed, to assist the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land
Chengdu Project (Phase II)	Not Specified	June 2010	198.7	198.7	158.1	356.7		
Chengdu Project (Phase III and Phase IV)	Not Specified	To be determined	278.7	274.2	N/A ⁽²⁾	–		
Guilin Project	Within 10 years from the date when we obtain the first land use right	The total project shall be completed within 10 years	360.0	63.2	N/A ⁽²⁾	–	Responsible for demolition, resettlement, land expropriation, negotiation and compensation distribution	To provide the fund needed, to assist the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land

Project	Date of completion stipulated in contract	Actual/expected date of completion	Actual/estimated budget	Total cost incurred as December 31, 2020	Actual/potential gain/loss	Recovered amount	Responsibility of local authorities	Our responsibility
			<i>(RMB in millions)⁽¹⁾</i>	<i>(RMB in millions)⁽¹⁾</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>		
Weifang Project (Phase III)	December 31, 2016	August 2018	586	455.1	N/A ⁽²⁾	–	To appoint, together with us, a demolition company to make the demolition and resettlement plan	To cooperate with the government to jointly appoint a demolition company to formulate relevant demolition, resettlement plan working schedule; to provide the fund for demolition, resettlement and compensation based on the demolition progress; and to construct the public facilities
Weifang Project (Phase IV and V)	Not Specified	To be determined	To be determined	54.0	N/A ⁽²⁾	–		
Wenzhou Project	Not specified	December, 2024	To be determined	1,442.0	N/A	–	–	Responsible for land acquisition, resettlement, construction of infrastructure, including transportation infrastructure, land leveling and other preparatory work and obtainment of necessary approvals

Notes:

- (1) Based on our internal records and estimates.
- (2) We are not entitled to a refund of funding provided to the local government and the associated costs incurred. The potential gains and losses for us depend on the land premium the relevant land parcels will achieve at public auction.

As of the date of this Offering Memorandum, we have the following primary land development projects:

Chengdu Primary Land Development Project (成都一級開發項目)

In 2005 and 2007, we entered into a series of co-operation agreements with local government authorities of Chenghua District, Chengdu to conduct primary development of a parcel of land located in the district.

Pursuant to these framework agreements, we are responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. It is agreed that if the land is sold at a premium greater than the cost we have incurred to prepare it and if we prevail at the auction, we will be entitled to deduct our incurred cost from the land premium to be paid; if, however, another developer prevails at the auction, the local government shall, within seven days it receives the land premium from the purchaser, pay the same to us, after deduction of an agreed fixed unit amount as the government's share of the profit from the land sale.

The project consists of four phases with a site area of approximately 244,361 sq.m., 59,967 sq.m., 14,667 sq.m. and 109,334 sq.m., respectively. Phase I was completed and the underlying land was sold through a public auction to a third party in July 2007. The land premium was paid to the Chenghua district government in 2008, and it began to make payments to us pursuant to the framework agreements with us. We cumulatively received approximately RMB1,927.0 million up to December 31, 2020 from the Chenghua district government out of such land premium proceeds. A remaining portion we are entitled to, in the amount of RMB581.1 million, however, remained unpaid and stayed on our balance sheet as a past due trade receivable for the years ended December 31, 2018, 2019 and 2020. See "*Risk factors — Risks relating to our business — If we fail to collect our trade receivables, our financial condition and results of operations will be materially and adversely affected.*" Phase II was completed and the land was purchased by us through a public auction in June 2010, which we used to develop the Chengdu Sunshine 100 Mia centre. As of the date of this Offering Memorandum, Phase III was completed and the land was purchased by a third party through a public auction. Phase IV are currently under primary development and we currently intend to participate in the public auctions for land parcels underlying Phases IV. If we are successful in the auctions, we plan to use the land parcels for expansions of our Chengdu Sunshine 100 Mia centre. As of December 31, 2020, we had incurred a total cost of RMB274.2 million on this project.

Guilin Primary Land Development Project (桂林一級開發項目)

On March 25, 2010, we entered into an investment agreement (as supplemented) with the local government of Pingle County, Guilin to conduct primary development of a parcel of land with a site area of approximately 7,500,000 sq.m. located in the county. Pursuant to the agreements, we are responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. We will be reimbursed for the expenses we incur for land clearance and relocation and we are entitled to 80% of the profit realized by the local government on the land sale if we do not obtain the land use rights to the parcel of land through the bidding, auction or listing-for-sale process. To guarantee a minimum level of profit for us, it is also agreed that if the land premium at auction is lower than RMB150,000

per mu (approximately RMB225 per sq.m.), it will be deemed to be that amount for purposes of calculating our share of the profit.

This project is currently under primary development. We plan to participate in the public auctions for the land parcels once they come to the market. If we are successful in the auctions, we plan to use the land parcels for our Guilin Lijiang Project. As of December 31, 2020, we had incurred a total cost of RMB63.2 million on this project.

Weifang Primary Land Development Project (濰坊一級開發項目)

In January 2010, we entered into a project land primary development agreement and a project development framework agreement with the local government of Kuiwen District, Weifang to conduct primary development of a parcel of land with a site area of approximately 253,333 sq.m. located within the district and to jointly develop the Weifang Sunshine 100 City Plaza project on the land. Pursuant to the agreements, we are responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. We will be reimbursed for the expenses we incur for land clearance and relocation and we are entitled to 80% of the profit realized by the local government on the land sale if we do not obtain the land use rights to the parcel of land through the bidding, auction or listing-for-sale process.

The parcel of land with a site area of approximately 36,401 sq.m. was completed and was purchased by us through a public auction in August 2018, which was developed as the Phase III of Weifang Sunshine 100 City Plaza project. The remaining parcel of land is currently under primary development. We plan to participate in the public auctions for the land parcels once they come to the market. If we are successful in the auctions, we plan to use the land parcels for expansions of our Weifang Sunshine 100 City Plaza project. As of December 31, 2020, we had incurred a total cost of RMB54.0 million on this project.

Wenzhou Primary Land Development Project (溫州一級開發項目)

On October 31, 2020, The Company acquired 49% equity interest in Wenzhou Zhongxin Haoyuan which is located in Lucheng District, Wenzhou City, Zhejiang Province, after which the Company commenced its primary land development project (the “**Project**”) in Linli area (“**Linli Area**”) in Lucheng District. On November 22, 2019, the Company further acquired the rest of 51% equity interest in Wenzhou Zhongxin Haoyuan. Lucheng District is about 11.2 kilometers away from the main city zone and is the core area of Wenzhou’s westward expansion. The Company is committed to completing all the preliminary approval process and infrastructure construction in relation to land acquisition and resettlement, offsite transportation and land leveling in Linli Area, Lucheng District.

The total planned area of the Project is about 7758 thousand square meters, of which the urban construction land area is about 3528 thousand square meters, and the site area of the Project is 3538 thousand square meters. As at December 31, 2020, the acquired land area by means of bidding, auction and quotation is 557 thousand square meters, of which 381 thousand square meters is obtained by the Company which would be used for development of the Company’s Arles project.

Primary Development Project in Initiation Stage Tianjin Baodi Project (天津寶坻項目)

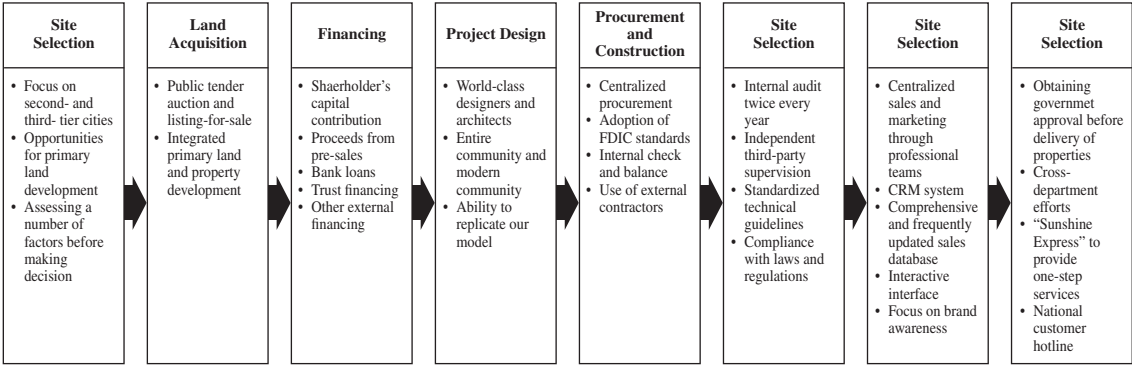
The Tianjin Baodi Project is located in the Baodi District of Tianjin, next to the Jin Ji Expressway, and occupies a total site area of approximately 520,003 sq.m. In July 2010, we entered into a framework agreement with a local government to conduct primary development of the land and potentially conduct property development on the land going forward. As of December 31, 2020, the primary development of the Tianjin Baodi Project had not commenced as the local government had not completed the relevant procedures for the primary development of the land.

We generally are not responsible for demolition and resettlement work in our primary development projects. Our primary obligation is to provide financial and/or other assistance to local authorities or their designated companies who are responsible for the land development. When we engage third-party contractors to conduct resettlement work, we select from licensed and reputable candidates, and have our legal advisors to review the relevant contracts to ensure their compliance with relevant laws and regulations. Our PRC legal advisors are of the opinion that the commercial activities we have conducted in the primary land development projects pursuant to the relevant agreements with local PRC governments do not contravene any PRC laws, rules and regulations.

Save as disclosed in this Offering Memorandum, we did not have any material legal proceedings, claims or disputes with any local authorities, contractors or residents of relating to our primary land development projects.

PROPERTY DEVELOPMENT PROCESS

The diagram below summarizes the major stages of our property development projects.



Site Selection

We place a strong emphasis on selecting suitable locations for our projects. We focus on second- and third-tier cities in China, which we believe will continue to benefit from China’s urbanization and are well positioned to enjoy the fast economic growth in China in the near future. In particular, we intend to focus on suitable land in central locations in third-tier Chinese cities for developing mixed-use business complexes, and suburbs of second-tier Chinese cities that are planned to fall within city limits for developing multi-functional residential communities.

We assess the appreciation potential of land primarily through investigating and evaluating the economic and demographic conditions of a city. Our site selection process is led by our dedicated site selection team consisting of key members of our senior management. Our project development department is responsible for identifying a potential project, conducting market research and performing preliminary screening. In the case of a primary land development project, we may either receive an invitation to review a potential land for development from the local authorities or proactively seek investment opportunities. Thereafter, a detailed feasibility study will be submitted to the senior management at our headquarters.

We prudently carry out the site selection process in all projects with a strong focus on the quality rather than the size of the land. The factors we consider in assessing whether a site is suitable for development include, but are not limited to:

- prospects of the city's development;
- scale and price of the land;
- the potential for value appreciation;
- transportation infrastructure;
- the economic environment and the physical and geological characteristics of the site;
- historical features and natural resources;
- local zoning regulations; and
- the central and local governments' industry policy and development strategies.

Land Acquisition

According to the "Regulations on the Granting of State-Owned Land Use Rights through Public Tender, Auction and Listing-for-Sale" (《招標拍賣掛牌出讓國有土地使用權規定》), which became effective on July 1, 2002 and amended by the Provisions on the Assignment of State-owned Construction Land Use Right through Competitive Bidding, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有土地使用權規定》) effective on November 1, 2007, all land to be developed for commercial purposes, including that for business or residential property development purposes, must be granted through public tender, auction and listing-for-bidding. In the case of a public tender, when determining which bidder will be granted such rights, the relevant authorities will make an assessment either based solely on tender prices or, alternatively, by reference to a matrix of parameters, including tender prices, credit record of the bidders and quality of the development proposals. On the other hand, where land use rights are granted through auction or listing-for-sale, the highest bidder normally wins. Grantees of land use rights may dispose of their land use rights through private sales, subject to the terms and conditions of the original land use rights granting contracts and the relevant PRC laws and regulations. To the extent permitted by law, we may acquire land use rights in the secondary market from third parties through negotiated transfers. We may also obtain such rights by acquiring equity interest in companies that hold the relevant land use rights.

Financing

We rely on internally generated funding, including proceeds from pre-sale as well as bank borrowings, trust financings, financings from other financial institutions and capital contributions from shareholders, to finance our costs in association with our property development. Our policy is to finance our projects through internal resources to the extent practicable so as to reduce the level of external funding required.

Project Design

We believe our brand name 陽光100 (“**Sunshine 100**”) is often identified with our distinctive design features, which typically include bright colors on building facades, and the modern, innovative shapes of buildings and windows. We are committed to offering our customers a modern living environment and cosmopolitan lifestyle at affordable prices by adopting and commercializing innovative design concepts of world-class designers and architects, such as DCM, SHL and Tadao Ando, while controlling cost through integrated and standardized management. We put emphasis on design of the entire community, including the commercial areas such as car parks, shopping centers, hotels, retail shops, as well as the infrastructure, ancillary facilities, surrounding landscape and common areas, rather than focusing only on the residential buildings, to add further value to the properties we develop. We are the earliest proponents of a “modern communities” concept targeting urban white-collar and emerging middle-class customers in China and have been focusing on such concept and target customers since the establishment of “Sunshine 100” brand in 2000.

In addition, through our integrated and standardized management platform, we have been able to replicate our development model in different cities across China. Our architects at our headquarters study the characteristics of each site we seek to develop in order to lay out the master plan for such site. By so doing, we ensure consistent implementation of our design and enhance brand awareness in different projects. Coupled with a comprehensive array of amenities and facilities, we believe our properties are highly popular among our target customers.

Procurement and Construction

With respect to major types of raw materials, all of our project companies share the same procurement platform for the purpose of centralized monitoring and controlling our overall procurement costs, which primarily include cost of raw materials, transportation and logistics. We are one of the first PRC real estate developers to adopt international standards for consulting engineering industry published by the International Federation of Consulting Engineers (“**FIDIC**”), including, for example, standard conditions of construction contract and standard process of general planning. The adoption of FIDIC standards has enabled us to better control our procurement costs and risks.

Our primarily centralized procurement platform plays an important role in helping us achieve economies of scale. In addition, it has enabled us to establish stable and long-term relationships with our major suppliers and contractors who have provided us with quality services and materials on favorable commercial terms. We divide our procurement process into separate key stages undertaken by different departments to achieve internal check and balance. We select suppliers and contractors through an online bidding process to proactively control costs and enhance transparency logistics. We endeavor to maximize transparency in

our procurement to gain efficiency and minimize chances for unethical practices. We have established bidding teams comprised of our management personnel and key technical persons of our construction management department and our cost management department at both the headquarters level and the project company level. We outsource all of our construction works to external contractors. Our engineering department assesses the work quality of external contractors and our procurement department prepares the tender documents.

We engage external contractors to carry out all of our construction works, including foundation digging, general construction, installation of equipment, as well as decoration and engineering work. We usually invite qualified construction companies to bid for a certain project through a tender process. We have established a selection process to choose our construction contractors in order to ensure compliance with our quality and workmanship standards. The selection procedure involves detailed due diligence work on the contractors during the bidding process before offering the construction contract to them. We typically take into account the contractor's professional qualifications, reputation in the industry, track record and technical abilities. We also carefully evaluate the suitability of each potential contractor and determine who are award the contract to. The contractors are required to comply with our quality control measures, such as the appointment of on-site project representatives to oversee the progress, quality and safety of the construction work, pre-examination of construction materials before they are used in the project and on-site inspections. Also, the contractors are subject to warranties stipulated in the relevant construction contracts in respect of the construction completion schedule. Under our standard construction contract, contractors are required to pay fines in the event of a delay and bear the costs of curing any construction defects. We make installment payments to our contractors in accordance with construction contracts. The percentage of installment payments varies from case to case. Upon completion of the project, the contractors will receive approximately 85% of the total payment. At closing and settlement, we will settle 95% to 97.5% of the total payment, and retain the remaining 2.5% to 5% as retention money. After we have acquired a land parcel, it generally takes us six to 12 months to conduct preparation work before the commencement of construction. Our property development cycle, which represents the period of time between our receipt of the certificate to commence construction works and our receipt of the certificate of completion with respect to each property development in our multi-phase, multi-property development projects, was approximately 24 months on average for the years ended December 31, 2018, 2019 and 2020, depending on the type of the property and particular circumstances relating to the property.

Even though our construction contractors are responsible for procuring raw materials, notably steel and concrete, we typically engage in discussions with our construction contractors and adjust construction fees in accordance with material fluctuations in the market prices of such commodities, so that we effectively bear most of the risks associated with such commodity price movements. For the years ended December 31, 2018, 2019 and 2020, construction fee adjustments arising from commodity price fluctuations had not had a material impact on our business and financial conditions.

For the years ended December 31, 2018, 2019 and 2020, purchases from our five largest suppliers accounted for approximately 14.9%, 22.59% and 29.45%, respectively, of our total purchases (including construction contractors), of which purchases from our largest supplier accounted for approximately 4.3%, 11.31% and 11.14%, respectively, of our total purchases (including construction contractors).

As of the date of this Offering Memorandum, all of our contractors were independent third parties. For the years ended December 31, 2018, 2019 and 2020, the amount of construction costs incurred was RMB3,747.5 million, RMB3,937.5 million and RMB2,404.4 million, respectively.

Quality Control

We place significant emphasis on quality control in the management of our projects. The following are certain important measures or procedures we have adopted in furtherance of this goal:

- our headquarters conducts an internal audit at least once a year to identify potential issues and promote measures and initiatives that have proven to be successful in certain projects;
- we retain qualified independent third-party professional firms as well as the quality supervision units of the relevant local government authorities to oversee and supervise the overall construction of our projects;
- we compile various sets of standardized technical guidelines for construction management of each project; and
- we carry out quality control in accordance with the relevant laws, regulations, and other compulsory standards promulgated by the relevant PRC governmental authorities and other industry associations.

Sales and Marketing

We conduct centralized and standardized sales and marketing through our dedicated professional team, which places a strong emphasis on promoting brand awareness. We manage sales and marketing at the headquarters level, dispatch sales managers across different cities on a nationwide basis. Our centralized marketing team formulates our nationwide marketing strategies and coordinates our promotion activities across the cities where we operate. As of December 31, 2020, our sales and marketing team comprised 687 staff members. The majority of our sales and marketing staff have extensive industry experience and generally have a good understanding of the local real estate market in the cities where we operate. We set up a standardized compensation scale for sales staff in different project companies. We believe our standardized matrix management and competitive incentive scheme for the sales and marketing personnel enable us to rapidly and consistently replicate and implement our sales and marketing strategies across different cities where we operate.

We have established a management information system for sales and marketing purposes, which consists of the following three components:

- a “client relationship management” (“**CRM**”) system, which helps us to make business decisions in determining pricing, marketing strategies and customer preference;
- a comprehensive and frequently updated sales database, which collects customer feedback including problems encountered by our customers and the solutions that we provided, as well as instances of successful measures that we adopted. Such feedback serves as a useful future reference which enables us to improve our operational efficiency; and
- an interactive interface based on public network and internal communication channels such as emails and discussion boards, through which all sales and marketing offices and personnel are able to share information and trends of the markets on a timely basis.

We commence marketing efforts at an early stage of our property developments to enhance our existing and potential customers’ awareness of our brand, typically prior to commencement of the construction of a project. We pre-sell properties prior to completion of construction and use the sales proceeds to finance our project development. We do not pre-sell any properties before obtaining the relevant pre-sale permits or other necessary approvals.

The Directors confirm that, as of the date of this Offering Memorandum, the Group had been in material compliance with terms of agreements with purchasers of its properties and any rules and regulations relating to quality standard of properties, and there has been no sales misrepresentation from the Company and its sales staff or agents.

Our methods of sales promotion primarily include internet advertisements, print materials, indoor exhibition, outdoor advertising and proactive engagement with target customers. Most of our sales centers are designed by renowned international architects, as we pay particular attention to our customer’s experience and satisfaction.

For the years ended December 31, 2018, 2019 and 2020, our five largest customers accounted for 1.0%, 3.41%% and 1.49%, respectively, of our total revenue, and our largest customer accounted for 0.3%, 0.4% and 0.7%, respectively, of our total revenue.

Payment Arrangements

Our customers may purchase our properties either by full payment of the contract price or obtaining mortgage financing from banks. In line with market practice, we have arrangements with various banks for providing mortgages to our customers. Generally, we also provide guarantees for our customers’ mortgages. These guarantees are released upon the earlier of (i) the satisfaction of the mortgage by the customer who has purchased the property and (ii) the issuance of property ownership certificate within six months to one year after the purchase by the customer. As of December 31, 2018, 2019 and 2020, the outstanding amount of our customers’ mortgages guaranteed by us was RMB7,266.6 million, RMB6,563.9 million and RMB4,738.9 million, respectively. See “*Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided by financial institutions to our purchasers and, consequently, we are liable to the mortgages if our purchasers default.*”

Delivery of Properties and After-sales Customer Service

We aim to deliver properties to our customers within the time frame prescribed in the sale and purchase contracts. Under the current PRC rules and regulations, we are required to obtain a “record of acceptance after examination upon project completion” (竣工驗收備案證明) prior to delivering properties to our customers.

Our customer service department is responsible for delivering properties to our customers. We have established procedures and division of responsibilities among different functional departments to ensure that they work closely together in carrying out instructions and in monitoring the progress of delivery. Our property management companies provide comprehensive pre-sale training to our staff responsible for direct liaison with customers for delivery. We stay in touch with our customers after delivery to obtain their feedback on future improvement of our products and services.

We have set up a number of after-sales service centers under the name of “Sunshine Express” to provide comprehensive “one-stop shop” services to our customers. Based on the CRM system, our Sunshine Express program enables us to receive customer feedback and provide prompt solutions to their concerns in a timely manner. We also appoint customer service representatives to provide individualized and consistent services to our customers. We have set up a national customer hotline. We conduct annual customer satisfaction surveys through independent third-party and professional firms.

INVESTMENT PROPERTIES

In addition to developing and selling property projects, we also selectively hold investment properties for recurring rental income and long-term returns in capital appreciation through increase in the value. As of December 31, 2020, our investment properties portfolio had a total GFA of approximately 628,317 sq.m., primarily including retail shops and commercial centers in Nanning Sunshine 100 Australian Garden, Nanning Sunshine 100 European Garden, Nanning Sunshine 100 City Plaza, Nanning Sunshine 100 Mountainside Garden, Liuzhou Sunshine 100 City Plaza, Liuzhou Sunshine 100 Classical Era, Liuzhou Sunshine 100 Yaobu Classic Town, Nanning Vantone Air Garden, Tianjin Sunshine 100 International New Town, Yangshuo Sunshine 100 West Street Square, Yantai Sunshine 100 City Plaza, Jinan Sunshine 100 International New Town, Shenyang Sunshine 100 International New Town, Dongying Sunshine 100 City Garden, Weifang Sunshine 100 City Plaza, Wuhan Sunshine 100 Lakeside Residence, Chengdu Sunshine 100 Mia Centre, Changsha Sunshine 100 International New Town, Wuxi Sunshine 100 International New Town, Yixing Sunshine 100 Phoenix Street and Sunshine 100 Wenzhou Centre. We intend to carefully evaluate opportunities and prudently increase our investment properties as a proportion of our total project portfolio.

PROPERTY MANAGEMENT

We place great emphasis on property management as we believe it enhances property value for our customers and improves our brand name. We predominantly provide property management services to our customers through our own property management companies. The services provided by our own management companies include security, property maintenance, gardening and other ancillary services. Our property management teams are typically involved in the early stage of property development and participate throughout the

overall design planning stage to minimize future maintenance costs. We normally charge our customers management fees on a semi-annual basis.

We believe we have a strong property management team. We offer our team members attractive remuneration packages as well as frequent training to update them on the relevant skills and knowledge required in property management. In providing property management services, we are committed to providing all our property owners with comprehensive and considerate professional property management services.

As of the date of this Offering Memorandum, owners of all of our developments who became entitled to elect their property management companies continued to choose our own property management subsidiaries to manage their properties. As of the date of this Offering Memorandum, we have not experienced any incident where the owners of our properties terminated the property management services of our property management companies.

LIGHT-ASSET OPERATION

We acquired minority interests in various projects, and cooperated with the other shareholders in the project by providing brand management output in the early stage and sharing value appreciation realized by salesforce and retained earnings in the later stage. Such project under light-asset operation mode differs from the normally traditional property development business model as it generates profit through export and sharing of advantageous resources such as our brand value and sales capacity.

COMPETITION

Competition in the property markets in second- and third-tier cities in China has intensified over the past few years. We compete against large national and regional property developers and overseas developers in China, including property developments similar to ours, with commercial and residential properties integrated to varying degrees. Key competitive factors include the size and the geographic location of land reserves, the types of properties offered, brand recognition, price, and design and service quality.

As a national player, we believe we have a first mover's advantage in the second- and third-tier cities where we operate. As more real estate developers enter second- and third-tier cities, competition in these cities may further intensify. Some of our existing or potential competitors may have better track records and greater financial and other resources than us. However, we believe that given our creditworthiness, quality properties and services and accumulated experience with local culture and customer's needs, we are able to rise to the challenges in the PRC property market. For further information, see "*Risk Factors — Risks Relating to Our Business — Increasing competition in the PRC, particularly from developers of properties similar to ours in the second- and third-tier cities where we operate, may adversely affect our business and financial condition.*"

INTELLECTUAL PROPERTY

We believe our brand 陽光100 (“**Sunshine 100**”) is well known and widely recognized on a national level. We have built up our brand through consistent delivery of high quality services and products of various types. We will use all reasonable and proper measures to protect our proprietary rights with regard to intellectual property developed in the process of our business

development. As of the date of this Offering Memorandum, we owned the following trademarks in the PRC: “陽光100”, “SS100”, “陽光100城市廣場”, “陽光100國際公寓”, “陽光100俱樂部”, “陽光壹佰城市廣場”, “陽光壹佰國際公寓”, “陽光壹佰國際新城”, “陽光100國際新城”, “陽光壹佰”, “陽光壹佰俱樂部”, “新階堂”, “米婭公館”, “米婭中心”, “壹佰街”, “壹佰貨”, “陽光快車”, “欣鑫陽光100”, “陽光100芒果城”, “陽光100芒果TOWN”, “陽光100鳳凰街”, “陽光100•鳳凰社”, “陽光100阿爾勒”, “陽光100芒果城”, “陽光100鳳凰公社”, “陽光100鳳凰工社”, “陽光100鳳凰街”, “陽光壹佰鳳凰街”, “WE STUDY”, “陽光快車24h”, “別居”, “SUNSHINE 100 HIMALAYA”, “SUNSHINE HIMALAYA”, “SUNALAYA”, “陽光100喜馬拉雅”, “陽光壹佰喜馬拉雅”, “喜馬拉雅壹佰”, “HYGGE”, “歡歌小鎮HYGGE”, “優檀書院”, “好學在綫”, “喜馬拉雅HIMAALAYA”, “壹佰街”, “SUNSHINE 100 HIMALAYA” and “別居”. We rely to a significant extent on our brand name, “Sunshine 100” (“陽光100”), in marketing our properties, but our business is otherwise not materially dependent on any intellectual property rights.

INSURANCE

We maintain insurance as required by applicable PRC laws and regulations and as we consider appropriate for our business operations. We do not, however, maintain insurance against all risks associated with our operations, such as insuring our projects under development against damage and destruction by fire, flood, lightning, explosions or other hazards during construction periods or insuring our assets against certain natural disasters.

To help ensure construction quality and safety, we engage qualified professional firms as well as the quality supervision units of the relevant local government authorities to oversee the construction process and to help us prevent or minimize chances for construction accidents and personal injuries. Under the current PRC regulatory regime, property construction companies are responsible for quality and safety control during the construction period and are required to obtain accident insurance for construction workers carried out at construction sites. We deduct quality assurance reserve funds for the construction project from the construction payment to the property construction companies. Furthermore, under PRC law, construction companies bear civil liability relating to personal injuries, accidents and death arising out of their construction work, unless they can prove themselves not at fault. The owner of a construction property may also bear civil liability relating to the personal injuries and deaths, unless he can prove himself not at fault.

ENVIRONMENTAL MATTERS

Property developers are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities.

Each of our property development projects is required under PRC law to undergo environmental assessments. We must submit the relevant environmental impact study or report to environmental authorities before approval is granted for commencement of construction of our projects. To obtain such approval, an entity must have filed, during the phase of feasibility study of the construction project, an environmental report of the construction project, an environmental impact report and an environmental impact registration form (collectively, “**EIE Documents**”). All EIE Documents are subject to the approval of the authorized environmental protection administrations. If, following the approval of such environmental impact evaluation documentation, the nature, scale, location and applied production technique of the project undergo substantial changes or, for whatever reason, the construction

project does not start within five years of the approval date of the EIE Documents, the construction entity must re-submit such EIE Documents for approval. The approval from the relevant government authorities specifies the standards applicable to the implementation of the construction works as regards air pollution, noise emissions and water and waste discharge and we enforce these conditions while the construction project is in progress. Such measures are required to be incorporated into the design, construction and operation of the general construction plan. Upon completion of each property development, the relevant government authorities also inspect the relevant construction site to ensure that applicable environmental standards have been complied with, and the resulting reports are then submitted together with other specified documents to the local construction administration authorities for their records.

As is true of property development generally, construction waste is produced from our projects. We have obtained approvals on all EIE Documents submitted in relation to our projects. Our PRC legal advisors are of the opinion that our Group has fully complied with all the relevant environmental rules and regulations in all material respects and that we have obtained all the required permits and environmental approvals for our project companies.

Specific measures taken by us to ensure our compliance with applicable environmental laws and regulations include conducting noise level tests, electro-magnetic radiation level tests and concrete fillers tests, inspecting the construction materials on site and removing materials which do not comply with environmental laws and regulations, conducting weekly sampling and additional sampling on site to ensure compliance and immediately requiring contractors to rectify any problems. On the assumption that there will not be material changes in the environmental protection rules and regulations, our annual main environmental protection expense will depend on the number of projects which are subject to the preparation of the assessment report on environmental impact with the cost to prepare an assessment report being approximately RMB100,000. Construction contractors are responsible for compliance with applicable environmental laws and regulations during the construction stage.

We encourage our contractors to use equipment and facilities and to adopt or develop new technologies which are more environmentally friendly.

LABOR AND SAFETY

As of the date of this Offering Memorandum, save as disclosed herein, we had complied with the current PRC laws and regulations with respect to labor, health, safety, insurance, and accidents.

According to the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), labor contracts shall be concluded if labor relationships are to be established between our employees and members of our Group. We must provide wages which are no lower than local minimum wage standards to the employees from time to time. We are also required to provide our employees with labor safety and sanitation conditions that satisfy or meet State rules and standards and carry out regular health examinations of our employees engaged in hazardous occupations. According to Provisional Regulations on Labor Dispatch (《勞務派遣暫行規定》), which became effective on March 1, 2014, limits the proportion of dispatch worker to 10% of a company's overall workforce and employer can apply for a two year grace period to comply with the new regulations. Pursuant to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》),

effective as of March 1, 2014, employers may use dispatched laborers only for temporary, auxiliary or substitutable positions. Under these provisions, temporary positions mean positions with a term of employment lasting for no more than six months, auxiliary positions mean positions in a non-core business segment of a company that support and are ancillary to a company's core business and substitutable positions mean positions that can be held by substitute employees for a certain period of time during which the employees who originally held such positions are unable to work as a result of full-time study, being on leave or other reasons. An employer is required to strictly limit the number of dispatched laborers to not exceed 10% of the total number of its workers. Our directors confirmed that some of our sales staff are dispatch workers and these provisional regulations on labor dispatch may increase the Group's operation costs.

As required under the Regulation of Insurance for the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work-related Injury Insurances (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Procedures for Childbirth Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), we provide our employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

According to the Safety Production Law of the PRC (《中華人民共和國安全生產法》) enforced on November 1, 2002 and revised on August 27, 2009, entities that are engaged in production and business operation activities within the PRC shall observe all relevant laws, rules and regulations concerning production safety and establish and perfect the conditions and system of responsibility for production safety. It requires that entities shall maintain conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. It also requires entities to offer education and training programs to their employees regarding production safety. In addition, entities are required to provide labor protection equipment that meets the national or industrial standards to employees and to supervise and educate them to wear or use such equipment according to the prescribed rules.

Our human resources department is responsible for dealing with employees' safety and security matters. We are planning to further strengthen and improve our systems and management in respect of labor and safety in all respects in order to reduce potential future risks in this regard. Measures taken by us to comply with the abovementioned applicable laws and regulations include requiring the contractors to prepare a work safety implementation plan; requiring the contractors to comply with our onsite work safety requirements; paying for work safety related expenses; distributing work safety protection gear to workers; imposing a contractual obligation on the contractors to comply with work safety guidelines and consider related expenses; appointing experienced personnel to conduct weekly and additional work safety inspections and supervision; and ensuring the workers have the prerequisite qualifications for special construction work.

EMPLOYEES AND STAFF

As of December 31, 2020, we had a total of 3,949 employees. There had been no complaints or claims from employees that materially affected our operations as of the date of this Offering Memorandum.

We believe that the successful implementation of our growth and business strategies relies on a team of experienced, motivated and well-trained managers and employees at all levels. We recruit our employees from Chinese universities and the public. We have implemented training programs for our employees to meet different job requirements and emphasize individual initiative and responsibility. We believe that these initiatives have contributed to increased employee productivity.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We generally formulate our employees' remuneration package to include a salary, bonus and various allowances. For the years ended December 31, 2018, 2019 and 2020, we incurred employee costs (including Directors) of approximately RMB565.8 million, RMB570.9 million and RMB521.5 million, respectively, representing approximately 7.5%, 6.9% and 9.1% of our revenue during those periods. Our compensation programs are designed to remunerate our employees based on their performance, measured against other objective criteria we prescribe. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed a periodical review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing funds. The total amount of contributions we made for such employee pension schemes for the years ended December 31, 2018, 2019 and 2020, were approximately RMB37.6 million, RMB36.7 million and RMB6.2 million, respectively.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. As of the date of this Offering Memorandum, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on our operations.

LEGAL PROCEEDINGS

We have been involved in legal proceedings or disputes in the ordinary course of business, including claims primarily relating to disputes arising from lease agreements, land transfer agreements and share transfer agreements. The following summary sets forth a list of material legal proceedings in which we were involved as of the date of this Offering Memorandum.

Dispute with Shenzhen Baijiarui Investment Co., Ltd. (深圳市佰佳瑞投資有限公司), Shenzhen Zhongkechuang Urban Renewal Group Co., Ltd. (深圳市中創城市更新集團有限公司) and Shenzhen Zhongkechuang Asset Management Co., Ltd. (深圳中創資產管理有限公司)

Sunshine 100 Group holds a matured claim against Shenzhen Baijiarui Investment Co., Ltd. (“**Shenzhen Baijiarui**”) in the principal amount of RMB250 million, which debt is pledged by Shenzhen Zhongkechuang Urban Renewal Group Co., Ltd. (“**Urban Renewal**”) with its 100% equity interest in Shenzhen Baijiarui and guaranteed by certain other parties. In January 2019, Sunshine 100 Group sued Shenzhen Baijiarui in Beijing No. 3 Intermediate People's Court for repayment of the debt. On February 25, 2019, Sunshine 100 Group successfully sought injunction against the 30% equity interest of Urban Renewal owned by Shenzhen Zhongkechuang Asset Management Co., Ltd. Beijing No. 3 Intermediate People's Court heard the case for the first time on August 26, 2019. On September 29, 2019, the Beijing No. 3

Intermediate People's Court ruled that Shenzhen Baijiarui is liable to repay the principal amount of RMB250 million to Sunshine 100 Group and if it could not repay on time, Sunshine 100 Group is entitled to dispose the 100% equity interest Urban Renewal holds in Shenzhen Baijiarui and use the proceeds to repay the debt. As the defendants have not made any payments, Sunshine 100 Group filed a petition for enforcement to Beijing No. 3 Intermediate People's Court, requiring the defendants to pay the loan principal as well as attorney's fee and interests during the delay of payment, with the total amount of RMB268,482,360 on February 5, 2021, which was formally received by the court on February 23, 2021.

With respect to the loan interests, in March 2020, Sunshine 100 Group filed a suit against Shenzhen Baijiarui Investment Co., Ltd., Shenzhen Zhongkechuang Urban Renewal Group Co., Ltd. and Shenzhen Zhongkechuang Asset Management Co., Ltd. in Beijing No. 3 Intermediate People's Court to require the defendants to pay loan interest (RMB80,866,666.67), penalty interest, compound interest (RMB60,383,166.67) and related costs and expenses. The Beijing No. 3 Intermediate People's Court issued judgement on December 8, 2020 and ruled that Baijiarui to pay loan interest (RMB80,783,333.33), penalty interest and compound interest (calculated from January 1, 2019, on RMB330,783,333.33 by the rate 0.05% per day) and related costs and expenses, and Urban Renewal to perform guarantee if Baijiarui fails to make the payment. As the defendants failed to make the payments pursuant to the judgment, Sunshine 100 Group filed a petition for enforcement to Beijing No.3 Intermediate People's Court on April 8, 2021, requiring the defendants to pay RMB220,444,958.72 in total, which was formally received by the court on April 8, 2021.

Dispute with Shenzhen Yihuaxun Trade Co., Ltd. (深圳市益華訊貿易有限公司), Guizhou Xiangshan Real Estate Development Co., Ltd. (貴州享山房地產開發有限公司), Guizhou Qiaoyun Real Estate Development Co., Ltd. (貴州峭雲房地產開發有限公司), Guizhou Jingjia Real Estate Development Co., Ltd. (貴州景嘉房地產開發有限公司) and Guizhou Xingming Real Estate Development Co., Ltd. (貴州興銘房地產開發有限公司)

Guangxi Jingqi holds a matured claim in the amount of RMB60 million against Shenzhen Yihuaxun Trade Co., Ltd., which debt is guaranteed by Guizhou Xiangshan Real Estate Development Co., Ltd., Guizhou Qiaoyun Real Estate Development Co., Ltd., Guizhou Jingjia Real Estate Development Co., Ltd. and Guizhou Xingming Real Estate Development Co., Ltd. On February 27, 2019, Guangxi Jingqi sued the four guarantors in Nanning Intermediate People's Court to enforce the guarantees. On January 29, 2019, Guangxi Jingqi successfully applied for preliminary injunction against a parcel of land for construction owned by Guizhou Jingjia Real Estate Development Co., Ltd. Nanning Intermediate People's Court has heard the case for the first time on October 29, 2019. On December 12, 2019, the court ruled that the defendants are liable to repay the principal amount of RMB60 million with interest. Guangxi Jingqi has filed a petition for enforcement to the court on January 28, 2021, requiring the defendants to pay the total amount of RMB95,316,589.96, which was accepted by the court on January 28, 2021.

Dispute with Shenzhen Jinditiantai Hotel management Co, Ltd. (深圳市金地天泰酒店管理有限公司), Guizhou Xiangshan Real Estate Development Co., Ltd. (貴洲享山房地產開發有限公司), Guizhou Qiaoyun Real Estate Development Co., Ltd. (貴洲峭雲房地產開發有限公司), Guizhou Jingjia Real Estate Development Co., Ltd (貴洲景嘉房地產開發有限公司), and Guizhou Xingming Real Estate Development Co., Ltd(貴洲興銘房地產開發有限公司).

Guangxi Jingqi holds a matured claim in the amount of RMB66 million against Shenzhen Jinditiantai Hotel Management Co., Ltd., which debt is guaranteed by Guizhou Xiangshan Real Estate Development Co., Ltd., Guizhou Qiaoyun Real Estate Development Co., Ltd., Guizhou Jingjia Real Estate Development Co., Ltd. and Guizhou Xingming Real Estate Development Co., Ltd. On February 27, 2019, Guangxi Jingqi sued the four guarantors in Nanning Intermediate People's Court to enforce the guarantees. On January 29, 2019, Guangxi Jingqi successfully applied for preliminary injunction against a parcel of land for construction owned by Guizhou Jingjia Real Estate Development Co., Ltd. Nanning Intermediate People's Court has heard the case for the first time on October 29, 2019. On December 12, 2019, the court ruled that the defendants are liable to repay the principal amount of RMB66 million with interest. Guangxi Jingqi has filed a petition for enforcement to the court on January 28, 2021, requiring the defendants to pay the total amount of RMB94,424,822.35, which was accepted by the court on January 28, 2021.

Dispute with Beijing Yingfu Enterprise Management Co., Ltd. (北京贏富企業管理有限公司) and Zhang Wei (張偉)

Sunshine 100 Group holds a matured claim in the principal amount of RMB50 million against Beijing Yingfu Enterprise Management Co., Ltd. (“**Beijing Yingfu**”), which debt is guaranteed by Zhang Wei. In view of this, Sunshine 100 Group filed a lawsuit at the No.4 Intermediate People's Court of Beijing against Beijing Yingfu to repay the debt and Zhang Wei to enforce the guarantee. This case has been heard on November 25, 2020, and as of the date of this Offering Memorandum, and the second trial will be held on June 29, 2021.

Dispute with Beijing Yingfu Enterprise Management Co., Ltd. (北京贏富企業管理有限公司) and Zhang Wei (張偉)

Sunshine 100 Group holds a matured claim in the principal amount of RMB55 million against Beijing Yingfu Enterprise Management Co., Ltd. (“**Beijing Yingfu**”), which debt is guaranteed by Zhang Wei. In view of this, Sunshine 100 Group filed a lawsuit at the No.4 Intermediate People's Court of Beijing against Beijing Yingfu to repay the debt and Zhang Wei to enforce the guarantee. As of the date of this Offering Memorandum, this case has been heard on November 25, 2020, and the second trial will be held on June 29, 2021.

Dispute with Shenzhen Yihuaxun Trade Co., Ltd. (深圳市益華訊貿易有限公司), Shenzhen Zhongkechuang Financial Holding Group Co., Ltd. (深圳中科創金融控股集團有限公司), Zhang Wei (張偉) and Yuan Jian (袁劍)

Sunshine 100 Group holds a matured claim in the principal amount of RMB50 million against Shenzhen Yihuaxun Trade Co., Ltd. (“**Yihuaxun**”), which debt is guaranteed by Shenzhen Zhongkechuang Financial Holding Group Co., Ltd. (“**Zhongkechuang**”), Zhang Wei and Yuan Jian. In view of this, Sunshine 100 Group filed a lawsuit at the No.4 Intermediate People's Court of Beijing against Yihuaxun to repay the debt and Zhongkechuang, Zhang Wei and Yuan Jian to enforce the guarantees. This case has been heard on November 25, 2020, and as

of the date of this Offering Memorandum, and the second trial will be happen on June 29, 2021.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The board of directors of our Company consists of seven directors, of whom two are executive directors, two are non-executive directors and the remaining three are independent non-executive directors. The directors are appointed for a term not exceeding three years. The power and duties of our board of directors include convening shareholders' meetings and reporting the board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. The following table sets forth certain information regarding members of our board of directors as of the date of this Offering Memorandum:

Name	Age	Position
YI Xiaodi (易小迪)	57	Chairman and Executive Director
FAN Xiaochong (范小冲)	56	Executive Director
FAN Xiaohua (范晓华)	78	Non-Executive Director
WANG Gongquan (王功权)	59	Non-Executive Director
GU Yunchang (顾云昌)	76	Independent non-Executive Director
NG Fook Ai, Victor (黄博爱)	72	Independent non-Executive Director
WANG Bo (王波)	62	Independent non-Executive Director

Executive Directors

Mr. Yi Xiaodi (易小迪), aged 57, formerly known as Yi Daichang (易代昌) is the chairman of the Board of Directors of the Company, the pioneer founder, an executive Director, the chief executive officer and the chairman of the Company's nomination committee, and is in charge of the corporate strategy of the Group. Mr. Yi was appointed as an executive Director on September 20, 2007 and the chief executive officer on May 11, 2018. Mr. Yi has extensive experience in the real estate development industry in China. In 1992, Mr. Yi established Guangxi Vantone Enterprise Development Company in Guangxi, which established Guangxi Vantone in 1994. He established the "Sunshine 100" brand in 2000 through the development of the Sunshine 100 International Apartment project (阳光100国际公寓) in Beijing. He received an award for being a leader in real estate innovation in Beijing (北京地产创新领袖人物) from sina.com (新浪网) in 2003, an award for being one of China's influential persons during China's 10 years of transformation (改变中国十年影响力人物) by the Asian Living Environment Association (亚洲人居环境协会) and the Economic Observer (经济观察报) in 2004, an award for his outstanding contributions to creating a living environment in China (中国人居环境杰出贡献人物荣誉称号) by the China Real Estate and Residential Housing Research Association (中国房地产及住宅研究会) and the Chinese Environmental Protection Fund (中华环境保护基金会) in 2005, an award for outstanding contribution to the creation of value in cities in the real estate industry of China (创造城市价值中国地产年度卓越贡献人物) by the Chinese Living Environment Committee (中国人居环境委员会) in 2006, an award named him a Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中国创意地产年会卓越贡献人物) in 2007 by Lanchou Real Estate Commentary (《蓝筹地产评论》), sina.com (新浪网), College of Real Estate of Beijing Normal University (北师大不动产学院) and Chinese Living Environment Committee (中国人居环境委

員會), an award for special contribution for 2009 China urban commercial value (2009中國城市商業價值特殊貢獻人物) by China Federation of Urban Commercial Outlets Construction Administration (中國城市商業網點建設管理聯合會) and the International Real Estate Federation (國際不動產行業聯盟), an award named him an Influential Person of 2009 Lanchou Real Estate (2009年度藍籌地產影響力人物) by Lanchou Real Estate Media (藍籌地產傳媒) and Sina Leju (新浪樂居), an award for being one of the most respected entrepreneur of China in 2012 (2012年中國最受尊敬企業家) by Hurun Report (胡潤百富) and an award for being one of the top 10 annual persons in 2009 China brand real estate (2009品牌中國房地產十大年度人物) by China Brand Union Association (品牌中國產業聯盟) and China Real Estate Chamber of Commerce (全國工商聯房地產商會), and the “Special Promoting Award” on the 14th Venice Architectural Biennale paralleled with the first exhibition in Chinese Cities Hall (第十四屆威尼斯建築雙年展平行展暨中國城市館首展) in June 2014. Mr. Yi was appointed the lecturer for the outstanding alumni’s series report course (《優秀校友系列報告》) from September 2006 to July 2011 by the Alumni Association of (北京師範大學校友會) Beijing Normal University. He was the vice executive chairman for the second session of the Guangxi Chamber of Commerce in Beijing (北京廣西企業商會) and a member of the Entrepreneurial Forum of Sohu (搜狐企業家論壇). He obtained a bachelor of science degree in geography from Beijing Normal University (北京師範大學) in July 1986 and a master’s degree in economics from Renmin University of China (中國人民大學) in October 1989.

Mr. Fan Xiaochong (范小冲), aged 56, is an executive Director appointed by the Company on September 20, 2007. Mr. Fan was appointed as the vice chairman of the Board of Directors of the Company on August 25, 2016. He assists Mr. Yi Xiaodi in formulating the corporate strategies of the Group, takes charge of the development of the cultural creativity-based economy (新經濟文創) of the Company and provides assistance in respect of land acquisition, human resources and other matters of the Company. Since the establishment of Guangxi Vantone in 1994, Mr. Fan was engaged in the business and corporate strategy development of the Group. He was the deputy general manager of Guangxi Vantone from 1992 to 2003, the deputy general manager of Beijing Yinxin Guanghua Real Estate Development Co., Ltd. from 1999 to 2003, and has been the executive vice-president of Sunshine 100 Group from 2003 to August 2017. He received an award named Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會) and an award for outstanding contribution to China real estate (中國地產傑出貢獻人物獎) in 2010 by the Chinese Association of Urban Development and Public Relationship (中國城市發展暨公共關係協會). Mr. Fan obtained a bachelor of science degree in geography and a master of science degree in regional geography from Beijing Normal University (北京師範大學) in July 1986 and July 1989, respectively.

Non-executive Directors

Ms. Fan Xiaohua (范曉華), aged 78, is a non-executive Director appointed by the Company on September 20, 2007. Ms. Fan joined the Group as a member of the senior management of Guangxi Vantone in 1994. She has been a director of the Group since August 2005 and was involved in the decision-making process and supervised internal audit of the Company. Ms. Fan served as head of the technology department, the deputy factory director and the factory director of Guangxi Nanning Chinese Medicine Pharmaceutical Factory (廣西南寧中藥廠) from 1979 to 1990, the chief deputy general manager of Nanning Pharmaceutical Group (南寧製藥企業集團) from 1991 to 1993 and has been the chairman and general manager of Guangxi

Vantone Pharmaceutical Co., Ltd. (廣西萬通製藥有限公司) since 1993. Ms. Fan enjoys the life-long special allowance (終身享受國務院特殊津貼) which is an award granted by the State Council for experts and scholars who have outstanding contribution since 1993. She was honored as one of “Second Batch of Top Professional Talents in Nanning” (南寧市第二批專業技術拔尖人才) between 1991 and 1993. She obtained a bachelor’s degree in medicine from Nanjing Pharmacy College (南京藥學院) (currently known as China Pharmaceutical University (中國藥科大學)) in August 1967.

Mr. Wang Gongquan (王功權), aged 59, was appointed as a non-executive Director of the Company on August 1, 2015. Mr. Wang served as a partner of IDG Technology Venture Investments, LP (IDG技術創業投資基金) from 1999 to 2005, the managing partner and senior partner of Beijing Dinghui Venture Investment Advisory Company Limited (北京鼎暉創新投資顧問有限公司) from 2005 to 2011, and an independent director of China Digital TV Holding Co., Ltd. (中華數位電視控股有限公司), a company listed on the New York Stock Exchange (NYSE: STV) from 2007 to 2010. Mr. Wang obtained a bachelor’s degree in engineering with major in management engineering from Jilin University of Technology (吉林工業大學) (currently known as Jilin University (吉林大學)) in 1984.

Independent Non-executive Directors

Mr. Gu Yunchang (顧雲昌), aged 76, formerly known as Gu Yongchuang (顧勇闖), was appointed as our independent non-executive Director on February 17, 2014. Mr. Gu currently serves as the executive chairman of the National Real Estate Business Alliance and the deputy director of the Housing Policy Expert Committee of the Ministry of Housing and Urban-Rural Development and had also been the secretary-general of the China Real Estate Association from 1998 to 2006 and the vice president of the China Real Estate Research Association from 2006 to 2013. Mr. Gu formerly served at different positions in the Ministry of Construction of the PRC, including the deputy director at Policy Research Centre of Ministry of Construction from 1988 to 1998; and the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction from 1982 to 1986. Mr. Gu engaged in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of China’s city and village residential construction techniques, carrying on a State key project “2000 China”, and won the First Class National Science Technology Advance Award in China twice. After joining the China Real Estate Association in 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the national real estate market. He is also the main organizer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu was an independent non-executive director of Shimao Property Holdings Limited (SEHK stock code: 813) from April 2006 to May 2011. Mr. Gu has been an independent non-executive director of Sino-Ocean Land Holdings Limited (SEHK stock code: 3377) from June 2007 to March 2017; an independent director of COFCO Property (Group) Co., Ltd. (SZSE stock code: 000031) from April 2012 to June 2018; and an independent director of Zhejiang Yasha Decoration Co., Ltd. (SZSE stock code: 002375) from May 2013 to May 2019. Mr. Gu has been an independent non-executive director of CIFI Holdings (Group) Co. Ltd. (SEHK stock code: 884) since October 2012 and Jiayuan International Group Limited (SEHK stock code: 2768) since February 2017. Mr. Gu obtained his qualification as a senior urban planner in April 1988 and qualification as a researcher specializing in residence and real estate in December 1999, both of which were certified by the Ministry of Construction.

Mr. Ng Fook Ai, Victor (黃博愛), aged 72, is an independent non-executive Director appointed by the Company on February 17, 2014. Mr. Ng is the chairman of 1 Rockstead GIP Fund Limited and managed a number of China focused funds, including China Growth Opportunities Limited, a £50 million UK-listed fund that focuses on private equity investments in China. Mr. Ng was appointed as (i) a director and the chairman of audit committee of Asia Power Corporation Limited, a company listed on the main board of the Singapore Stock Exchange from 1999 to 2014; (ii) the chairman and a member of audit committee of Devotion Energy Group Limited, a company listed on the main board of the Singapore Stock Exchange from 2004 to 2014 ; and (iii) the chairman and a member of audit committee of My E.G. Services Bhd, a company listed on the main board of Bursa Malaysia from 2008 to 2017. Mr. Ng has been an independent director and the chairman of audit and risk committee of SB Reit Management Pte Ltd., a company listed on the main board of the Singapore Stock Exchange, since May 2015. He has been a director of Futsalarena@Yishun Limited, a company limited by guarantee established in Singapore since April 2016, an independent non-executive director of SHC Capital Asia Limited from April 2015 to December 2017, and a non-executive director of Cityneon Holdings Limited (stock code: 5HJ), a company listed in Singapore, from June 2016 to August 2017. Since January 2017, he has acted as the chairman of the board of directors of Caregiver Group Pte Ltd, a private limited company established in Singapore, and of SGMA Association Ltd, a non-profit company limited by guarantee established in Singapore. Mr. Ng has acted as a director of Sun Resources Holdings Pte Ltd, a private company limited established in Singapore, Star Publications (Singapore) Pte Ltd, a private company limited established in Singapore, and LI TV Asia Pte Ltd, since July 2017, August 2017 and September 2017, respectively. Mr. Ng was appointed as a director of The Place Holdings Limited (a company listed in Singapore), the chairman of the board of the directors of Millet Capital Private Limited and a non-executive director of SMJ International Holdings Ltd in January 2018, April 2018 and May 2018, respectively. Mr. Ng obtained a bachelor's degree in economics and a master's degree in economics from the University of London in 1976 and 1978, respectively. Mr. Ng is a fellow of the Chartered Management Institute, United Kingdom.

Mr. Wang Bo (王波), aged 62, was appointed as an independent non-executive Director of the Company on August 1, 2015. Mr. Wang served as a researcher in the 1989 World Bank Annual Report team in 1988, and a researcher in the Financial Policy and Systems Division of the World Bank from 1988 to 1994. He worked at the investment management department of China Securities Market Research and Design Center (中國證券市場研究設計中心投資管理部) from 1994 to 1995, and served as the chief economist of Vantone Group (萬通集團) and Beijing Vantone Industrial Co., Ltd. (北京萬通實業股份有限公司) from 1995 to 1997. From 1997 to 2014, he worked at Accenture (China) Co., Ltd. (埃森哲(中國)有限公司) and successively served as, inter alia, a management consulting manager, a senior manager, a global partner of Accenture, the general manager of management consulting of Greater China, the managing director of the government and medical business department of Greater China and the managing director of Greater China. Mr. Wang is a permanent director of China Mergers & Acquisitions Association (中國併購公會) and had served as an executive director of China Mergers & Acquisitions Association, the vice chairman of the China Enterprise Confederation Management Advisory Committee (中國企業聯合會管理諮詢委員會) and the chairman of the appraisal committee of "China M&A Awards" (中國併購專項獎). Mr. Wang obtained a bachelor's degree in economics with major in fiscal and financial studies from the School of Finance of Renmin University of China (中國人民大學財政系) in 1984 and a master's degree in economics with major in financial theory and international economics from Department of Economics of the American University (美利堅大學經濟系) in the United States in 1993.

Senior Management

The table below sets forth information regarding our senior management (including directors who also hold executive positions) as of the date of this Offering Memorandum:

<u>Name</u>	<u>Age</u>	<u>Position</u>
YI Xiaodi (易小迪)	57	Chief executive officer
WANG Jianting (王建庭)	57	Chief financial officer and vice president
DING Gong (丁工)	53	Vice president and the general manager of the operation center
WU Lei (吳雷)	49	Vice president and general manager of Central-South China project management center and Wuhan Zhifang project
CHEN Shengjie (陳勝傑)	59	General manager of the financial center
XIONG Jianhua (熊建華)	56	Vice president and the general manager of the product center
HE Jie (賀傑)	59	Assistant to the president, chief legal officer and joint company secretary
TSANG Ho Yin (曾浩賢)	35	Joint company secretary

Mr. YI Xiaodi (易小迪), is the chief executive officer of the Group. For the biography of Mr. Yi, please refer to “Executive Directors” of this section.

Mr. WANG Jianting (王建庭), aged 57, is the chief financial officer and vice president of the Group and is in charge of group finance and cost management. He has been the vice president of the Group since May 2019 and was appointed as chief financial officer since June 2020. He has extensive experience in corporate management and corporate financial management. Prior to joining the Group, Mr. Wang worked in China Guodian Group Headquarters (中國國電集團本部), Longyuan Power Group (龍源電力集團) and Guodian Group Finance Company (國電集團財務公司) from 1985 to 2017. He was engaged in financial auditing, engineering construction, and safety production in those years. During that period, he won the second prize of Guodian Group. While he was the general manager of Jiangsu Longyuan Company (江蘇龍源公司), Mr. Wang was awarded the 100-class classic project award for the national concession new energy project completed and put into operation in Jiangsu. The energy project became a model project and the site attracted a visit from the former President Jiang Zemin. Mr. Wang also served as the chief negotiator of China for procurement projects with General Electric, Vestas Wings Systems, the world’s number one wind power equipment manufacturing company, and Siemens Gamesa, Spain’s largest new energy group. From March 2017 to May 2019, he served as the executive vice president of Pagoda Group (寶塔集團) and concurrently chairman and general manager of Pagoda Investment Company (寶塔投資公司). Mr. Wang graduated from the Capital University of Economics and Business (formerly Beijing Institute of Finance and Trade) with a major in finance and accounting. He has previously traveled to Singapore and the United States for training.

Mr. DING Gong (丁工), aged 53, is the vice president and the general manager of the operation center of the Group. He is responsible for branding, marketing and popularization of the Group. Mr. Ding joined the Group in September 2003 as the assistant to the project

general manager of Nanning Sunshine 100 City Plaza project and was appointed as the manager of promotion department of the Group in July 2005, the manager of brand development department of the Group in January 2008, the brand director of the Group in February 2010, the assistant to the chief executive officer from September 2011 to May 2017 and the vice president of the Group in May 2017. Prior to joining the Group, Mr. Ding was a tutor at Guangxi Nanning College of Education (廣西南寧教育學院) from October 1989 to January 1992 and a correspondent of Guangxi Nanning Radio Station (廣西南寧電台) from January 1992 to January 2003. Mr. Ding obtained a bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in July 1989.

Mr. WU Lei (吳雷), aged 49, is the vice president of the Group and the general manager of the Central-South China Project Management Centre and Wuhan Zhifang project. Mr. Wu joined the Group in June 2002 as the manager of procurement department of Nanning Sunshine 100 City Plaza project and was appointed as the assistant to the general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the assistant to the general manager of Changsha Sunshine 100 International New Town project in January 2004, the general manager of Changsha Sunshine 100 International New Town project in April 2009, the deputy general manager of Central-South China Project Management Centre in December 2011, the general manager of Yixing project and Chengdu project since February 2016 and March 2016, respectively, the general manager of Wuxi Taihu new project from March 2017 to January 2018, the general manager of Wuhan Lakeside Residence project since July 2016, the general manager of Wenzhou City Company (溫州城市公司) from February 2018 to November 2019 and worked for Wuhan Zhifang project since September 2018. Mr. Wu completed his undergraduate studies from Hubei University (湖北大學) in June 1997 and completed the advanced training courses in real estate innovative management from Tsinghua University (清華大學) in April 2009. He received a certificate as a mid-level financial analyst (中級金融師) from the Ministry of Personnel, PRC (中華人民共和國人事部) in November 2001. Mr. Wu Lei is the son of Ms. Fan, a non-executive Director of the Company.

Mr. CHEN Shengjie (陳勝傑), aged 59, was the chief financial officer of the Group and is the general manager of the financial center of the Group. He was responsible for the Group's financial affairs. Mr. Chen joined the Group before the end of December 2017. Mr. Chen served as the deputy head of the Commerce and Trade Audit Department (商貿司) under the National Audit Office of the People's Republic of China from 1986 to 1993, the assistant to general manager of China National Nonferrous Materials Corporation (中國有色金屬材料總公司) from 1993 to 1998, the chief accountant of China Chengtong Holdings Group Limited (中國誠通控股集團有限公司) from 1998 to 2004, the general manager of China Chengtong Resources Recycling Development & Utilization Company (中國誠通資源再生開發利用公司) from 2004 to 2014, an executive director of Yunfeng Financial Group Limited (雲鋒金融集團有限公司) (formerly known as Reorient Group Limited (瑞東集團有限公司)) from 2011 to 2014, and the chairman of Zhongchang Big Data Corporation Limited (中昌大數據股份有限公司, formerly known as Zhongchang Marine Company Limited (中昌海運股份有限公司)) from 2014 to 2015. He resigned as the chief financial officer in June 2020. Mr. Chen graduated from Capital University of Economics and Business (首都經濟貿易大學) (formerly known as Beijing Finance & Trade College) with a bachelor degree in business management and obtained an Executive Master of Business Administration from Tsinghua University (清華大學).

Mr. XIONG Jianhua (熊建華), aged 56, is the vice president of the Group since February 2019 and is also the general manager of the Group's product center, where he is responsible for the Group's design department. Mr. Xiong joined the Group since July 2015 and served as executive general manager of Project Chongqing Banan from July 2015 to December 2017, during which he supervised the day-to-day work of the project. He was also in charge of the Cost Department and the Development Department. From December 2017 to February 2019, Mr. Xiong served as the Assistant President. Mr. Xiong has extensive industry experience in architectural design. Mr. Xiong resigned in September 2020.

Prior to joining the Group, Mr. Xiong worked as an architect at Chongqing Design Institute (重慶市設計院) for ten years and accumulated rich architectural experience. He later served as a director at Chongqing Xinpu Property Development Co., Ltd. (重慶新浦物業發展有限公司) and as general manager of Chongqing Jufu Investment Holdings (Group) Co., Ltd (重慶聚富投資控股(集團)有限公司). Mr. Xiong received his bachelor's degree in architecture from Chongqing Institute of Engineering and Architecture in 1986.

JOINT COMPANY SECRETARIES

Mr. HE Jie (賀傑), aged 59, is the assistant to the president, chief legal officer and joint company secretary of the Group. He is responsible for the Group's legal, administrative and information technology affairs. Mr. He joined the Group in June 2004 as legal counsel and deputy director general of the administrative office. He was appointed as administrative director general and legal counsel in January 2008, assistant to the president and chief legal officer in January 2014 and joint company secretary on March 17, 2018. Before joining the Group, Mr. He worked at Beijing Chongwen First Law Firm (北京崇文第一法律事務所) in economic, civil, patent and other practice areas as well as acting as corporate legal counsel from 1992 to 1993. He served as the vice chairman and general manager of Beijing Fubu International Economic Consulting Services Ltd. (北京服部國際經濟諮詢服務有限公司) from August 1993 to May 1996. Mr. He obtained a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1984 and then studied at the Graduate School of Salem State College, Massachusetts, U.S. from September 2002 to July 2003.

Mr. TSANG Ho Yin (曾浩賢), aged 35, is the joint company secretary of the Group. Mr. Tsang is currently a senior associate of Stevenson, Wong & Co, specializing in corporate finance and commercial law. Mr. Tsang has been serving as a non-executive director of China Regenerative Medicine International Limited (stock code: 8158) since January 2020; a joint company secretary of Sundry Service Group Co. Ltd (stock code: 9608) since January 2021; the company secretary of Mabpharm Limited-B (stock code: 2181) since May 2019. Mr. Tsang was the company secretary of Sino Energy International Holdings Group Limited (stock code: 1096) from November 2018 to July 2019; an independent non-executive director of INNO-TECH Holdings Limited (stock code: 8202) from June 2019 to June 2020; the company secretary of Moody Technology Holdings Limited (stock code: 1400) from January 2019 to November 2019. Mr. Tsang had been appointed as the company secretary and authorised representative of Mobile Internet (China Holdings Limited (stock code: 1439) from February 2020 and February 2021. Mr. Tsang obtained a master degree in laws from the University of Melbourne, Australia in 2010, following a bachelor degree in laws and a bachelor degree in commerce (accounting) from the same university in August 2008. Mr. Tsang then obtained the Postgraduate Certificate in Laws from the City University of Hong Kong in July 2011. Mr. Tsang was admitted as a solicitor in Australia and Hong Kong in 2012 and 2013, respectively. He is currently a senior associate of Stevenson, Wong & Co, specializing in corporate finance and commercial law.

BOARD COMMITTEE

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Yi Xiaodi (chairman), Mr. Gu Yunchang and Mr. Wang Bo, and the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include: (i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and (v) to review the policy on Board diversity (the "Board Diversity Policy") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually.

The Nomination Committee will assess the candidate or the incumbent on criteria such as skills, knowledge, experience and diversity of perspectives. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Wang Bo (chairman), Mr. Fan Xiaochong and Mr. Gu Yunchang, and the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include but not limited to: (i) to make recommendations to the Board on the Company's policy and structure of all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) either to determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management, or to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; (iii) to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (iv) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (v) to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives; and (vi) to consider and approve the granting of share options to eligible participants under the Share Option Scheme.

The Remuneration Committee is also responsible for ensuring that no Director or any of his/her associates (as defined in the Listing Rules) will participate in deciding his/her own remuneration, whose remuneration will be determined by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Audit Committee

The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Ng Fook Ai, Victor (chairman), Mr. Gu Yunchang and Mr. Wang Bo.

The main duties of the Audit Committee include: (i) to deal with the relationship with the Company's external auditors; (ii) to review the Company's financial information; (iii) to oversee the Company's financial reporting system, risk management and internal control procedures; and (iv) to perform the Company's corporate governance functions.

The Audit Committee reviewed the financial control system, crisis management, risk management and internal control processes, discussed with the management with regard to the risk management and internal control systems and assessed their effectiveness considering the factors including the adequacy of resources for financial reporting, staff qualifications and experience, training programmes and the budget of the Company's accounting and financial reporting function. The Audit Committee also reviewed the state of the Company's corporate governance against the criteria set out in the CG Code and considered the reappointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The members of the Audit Committee also reviewed the preliminary results of the Company and its subsidiaries for the Reporting Period as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control and other matters.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the years ended December 31, 2018, 2019 and 2020, were approximately RMB6.1 million, RMB6.1 million and RMB5.6 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals excluding directors for the years ended December 31, 2018, 2019 and 2020, were approximately RMB4.7 million, RMB5.0 million and RMB3.6 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office for the years ended December 31, 2018, 2019 and 2020.

Share Option Scheme

On February 17, 2014, a share option scheme (the “**Share Option Scheme**”) was adopted and approved by the shareholders of our Company for a period of 10 years commencing on the adoption date. Since the adoption date, the board of directors may, at its discretion, grant share options to any eligible person to subscribe for the shares in our Company subject to the terms and conditions as stipulated in the Share Option Scheme. The maximum number of shares that can be issued upon the exercise of the options under the scheme is a number equal to 10% of the issued share capital of our Company as of the date of adoption of the scheme. As at the date of this Offering Memorandum, we have not granted any options under the Share Option Scheme.

Retirement Schemes

Our employees in the PRC participate in various pension schemes organised by the relevant municipal and provincial government under which we are required to make monthly contributions to these plans. The local government is responsible for the planning, management, and supervision of the scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees. The total amount of contributions we made for such employee pension schemes for each of the financial years ended December 31, 2018, 2019 and 2020, were approximately RMB37.6 million, RMB36.7 million and RMB6.2 million, respectively.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

We engage in property development in China, which is a business operation that requires external funding. In addition to traditional bank loans, developers in China may obtain other funding from trust finance companies by pledging their equity interests in project companies and lands. As of December 31, 2020, the Group had entered into certain trust financing arrangements and lending facility arrangements with connected persons in the ordinary course of business. As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or has complied with the relevant requirements under or is otherwise exempted from compliance with Chapter 14A of the Listing Rules.

Save as disclosed in our audited consolidated financial statements and related notes included elsewhere in this Offering Memorandum and in the description of the connected transactions below, there were no other material related party transactions. Set forth below is the description of the connected transactions involving members of the Group for the three years ended December 31, 2018, 2019 and 2020:

Acquisition of 49% Interest in Liuzhou Liuyuan Real Estate Development Co., Ltd.

On June 12, 2020, Liuzhou Liuyun Real Estate Co., Ltd. (柳州柳韻房地產有限公司) (“**Liuyun Real Estate**”), a wholly-owned subsidiary of the Company, signed the letter of acceptance confirming Liuyun Real Estate’s successful bid of 49% of the equity interest in Liuzhou Liuyuan Real Estate Development Co., Ltd. (柳州市柳元房地產開發有限公司) (“**Liuzhou Liuyuan**”) for a consideration of RMB1,000,000 together with an assumption of a shareholder’s loan of RMB256,725,000 owed by the Liuzhou Liuyuan to Guangxi Real Estate Group Co., Ltd. (廣西地產集團有限公司) (“**Guangxi Real Estate**”). The bidding process was held by Beibu Gulf Equity Exchange Group Co., Ltd. (北部灣產權交易所). An equity transfer agreement on the acquisition of 49% equity interest in the Liuzhou Liuyuan and the assumption of shareholder’s loan entered between the Vendor and Liuyun Real Estate has been entered into on 3 July 2020.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated June 12, 2020.

Disposal of 70% Equity Interest in Chongqing Sunshine 100

On April 1, 2019, Sunshine 100 Group entered into an equity transfer agreement with, among others, Sunac South-West Real Estate Development (Group) Co., Ltd. (融創西南房地產開發(集團)有限公司) (“**Sunac South-West**”) and Chongqing Sunshine 100. Pursuant to the equity transfer agreement, Sunac South-West conditionally agreed to purchase, 70% equity interest in

Chongqing Sunshine 100 for a total consideration of RMB1,334,134,900 comprising (i) an equity consideration of RMB370,000,000 payable in cash (subject to adjustment); and (ii) the shareholder loan of RMB964,134,900 (collectively, the “**Transactions**”).

On April 18, 2019, all conditions precedent as set out in the equity transfer agreement had been fulfilled and the Transactions were completed. After the completion of the Transactions and on March 16, 2020, the Company indirectly holds a 20% equity interest in Chongqing Sunshine 100 through Sunshine 100 Group and Sunac South-West holds 70% of the equity interest in Chongqing Sunshine 100.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated April 1, 2019 and March 16, 2020 and the circular of the Company on the Hong Kong Stock Exchange dated June 13, 2019 and June 18, 2020.

Disposal of 90% Equity Interest in Wenzhou Zhongxin Haoyuan

On December 26, 2019, Sunshine 100 Group, Beijing Trust and Wenzhou Zhongxin Haoyuan Investment Co., Ltd. (溫州中信昊園投資有限公司) (“**Wenzhou Zhongxin Haoyuan**”) entered into a capital increase agreement and a project company management agreement, respectively, and Sunshine 100 Group and Beijing Trust entered into an equity transfer agreement and an investment agreement, respectively. Pursuant to the abovementioned agreements, the parties will collaborate on the development of the Wenzhou Zhongxin Haoyuan Project whereby Sunshine 100 Group will primarily be responsible for the management and operation of Wenzhou Zhongxin Haoyuan and Beijing Trust will invest capital into Wenzhou Zhongxin Haoyuan and be entitled to shareholder rights in Wenzhou Zhongxin Haoyuan. As part of the collaboration, Sunshine 100 Group will transfer 90% equity interest in Wenzhou Zhongxin Haoyuan to Beijing Trust at a maximum consideration of RMB790,000,000.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated December 27, 2019.

Acquisition of Remaining Equity Interests in Wenzhou Zhongxin, Wenzhou Shengtaicheng and Wenzhou Zhongxin Haoyuan

On November 22, 2019, Sunshine 100 Group entered into an equity transfer agreement with the following parties:

1. Sichuan Zhonghang Haoyuan Investment Co., Ltd. (四川中行昊園投資有限公司), Chongqing Shihe Tongsheng Investment Co., Ltd. (重慶世和同晟投資有限公司) and Shanghai Haoming Equity Investment and Fund Management Co., Ltd. (上海昊銘股權投資基金管理有限公司) (collectively, “**Current Holders**”);
2. Chengdu Rongren Yale Trading Co., Ltd. (成都榮仁雅樂商貿有限公司), Shuozhou Sanyuan Commercial Group Co., Ltd. (朔州市三源商業集團有限公司), Chongqing Xishang Huatian Agricultural Technology Co., Ltd. (重慶溪上花田農業科技有限公司), Sichuan Huahan Energy Development Co., Ltd. (四川華漢能源開發有限公司) and Lhasa Yuyong Automobile Services Co., Ltd. (拉薩市豫勇汽車服務有限責任公司) (collectively, the “**Sellers**”); and
3. Wenzhou Zhongxin Tower Construction and Development Co., Ltd. (溫州中心大廈建設發展有限公司) (“**Wenzhou Zhongxin**”), Wenzhou Shihe Shengtaicheng Development Co., Ltd. (溫州世和生態城開發有限公司) (“**Wenzhou Shengtaicheng**”) and Wenzhou Zhongxin Haoyuan Investment Co., Ltd. (溫州中信昊園投資有限公司) (“**Wenzhou Zhongxin Haoyuan**”) (collectively, the “**Project Companies**”).

Pursuant to the equity transfer agreement between the Current Holders, the Sellers and the Project Companies, the Current Holders will first transfer the remaining equity interest they hold in the Project Companies which comprise 49% in Wenzhou Zhongxin, 49% in Wenzhou Shengtaicheng and 51% in Wenzhou Zhongxin Haoyuan (the “**Remaining Equity Interest**”) to the Sellers. Thereafter, the Sellers will transfer the Remaining Equity Interest in the Project Companies to Sunshine 100 Group for a total consideration of RMB1,105,966,262.43.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated November 22, 2019.

Provision of Financial Assistance to Chang Jia

On April 13, 2019, Chang Jia entered into an equity and loan acquisition agreement with, among others, Victor Select Limited, a subsidiary of Kaisa Group Holdings Ltd, and Eminent Star Group Limited (卓星集團有限公司) to dispose the entire issued share capital in Eminent Star Group Limited held by Chang Jia.

On September 1, 2019, Chang Jia entered into an agreement with its shareholders, being Keyasia and Shan Ying, pursuant to which Chang Jia directed a temporary safe-keeping and distribution of a deposit of RMB1,100,000,000 by Keyasia, Shiny New and Shan Ying in proportion to their respective shareholding interest in Chang Jia. The deposit has been paid to the shareholders of Chang Jia for safe-keeping as Chang Jia is in the process of opening a bank account in Hong Kong. The agreement will facilitate the disposal of the entire issued share capital in Eminent Star Group Limited by Chang Jia to Victor Select Limited and the assignment of the loans by Sunshine 100 China and certain subsidiaries of Sunshine 100 China to Victor Select Limited pursuant to the equity and loan acquisition agreement dated April 13, 2019.

As at September 1, 2019, the first completion of the disposal has taken place and Chang Jia received RMB1,100,000,000 of the total consideration. The portion of the deposit received and safe-kept by Shiny New and Shan Ying is RMB495,000,000 (being 45% of the deposit) in aggregate. Pursuant to the agreement dated September 1, 2019, the parties agree that if Chang Jia is required to pay tax in relation to the disposal, the shareholders will apply the deposit towards the payment thereof, and the shareholders will return the deposit, or the balance of the deposit if tax payment has been made for and on behalf of Chang Jia, to Chang Jia once Chang Jia has successfully opened its own bank account.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated September 1, 2019 and September 23, 2019.

Acquisition of 15% Equity Interest in Hunan Sunshine 100 and Acquisition of 8.85% Equity Interest in Hubei Sunshine 100

On April 22, 2019, Sunshine 100 Group entered into two equity transfer agreements with Tianjin Nongken Hongyilian, pursuant to which Sunshine 100 Group will acquire 15% equity interest in Hunan Sunshine 100 and 8.85% equity interest in Hubei Sunshine 100 from Tianjin Nongken Hongyilian, at a consideration of RMB100 million each.

From July 28, 2012 to December 31, 2018, Tianjin Nongken Hongyilian invested approximately RMB500 million as shareholder’s loan into Hunan Sunshine 100 for project

construction use at the annual interest rate of 12%. Sunshine 100 Group entered into a capital injection agreement with Tianjin Nongken Hongyilian, pursuant to which Tianjin Nongken Hongyilian invested an additional amount of RMB100 million into Hunan Sunshine 100 as working capital and acquired 15% equity interest in Hunan Sunshine 100, and Hunan Sunshine 100 shall pay Tianjin Nongken Hongyilian a specified amount of return and interest based on its investment.

From November 15, 2012 to December 31, 2018, Tianjin Nongken Hongyilian invested approximately RMB400 million as shareholder's loan into Hubei Sunshine 100 for project construction use at the annual interest rate of 12%. Sunshine 100 Group entered into a cooperation agreement with Tianjin Nongken Hongyilian, pursuant to which Tianjin Nongken Hongyilian invested an additional amount of RMB100 million into Hubei Sunshine 100 as working capital and acquired 8.85% equity interest in Hubei Sunshine 100, and Hubei Sunshine 100 shall pay Tianjin Nongken Hongyilian a specified amount of return and interest based on its investment.

The equity interests in Hunan Sunshine 100 and Hubei Sunshine 100 acquired by Tianjin Nongken Hongyilian were used as collateral for the loans provided by it to Hunan Sunshine 100 and Hubei Sunshine 100. As the equity transfers are the implementation of the agreed arrangement upon the Group's settlement of the loans due to Tianjin Nongken Hongyilian, Tianjin Nongken Hongyilian shall transfer back such equity interests to the Group.

Tianjin Nongken Hongyilian is a substantial shareholder holding 15% equity interest of Hunan Sunshine 100, a subsidiary of the Company, and thus is a connected person of the Company at the subsidiary level. Therefore, the equity transfers constitute connected transactions between the Company and a connected person at the subsidiary level.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated April 22, 2019.

Facility Agreement between Sunmode and Luen Thai

Luen Thai as lender and Sunmode as borrower entered into certain existing loan agreements, the aggregate outstanding principal amount under the existing loans was RMB44,827,220.16 as at December 31, 2018. On January 31, 2019, Luen Thai and Sunmode entered into a facility agreement, pursuant to which Luen Thai has agreed to make available a revolving credit facility up to the aggregate principal amount of RMB400,000,000 (including the existing loans already drawn down under the existing loan agreements) to Sunmode and any subsidiary of the Company which becomes a borrower from time to time pursuant to the facility agreement at the interest rate of 9% per annum. The loans are secured by certain share charges.

Luen Thai is the holder of 45% of the issued share capital of Chang Jia, a non-wholly owned subsidiary of the Company, hence Luen Thai is a connected person of the Company at the subsidiary level. The loans constitute the receiving of financial assistance by the Company from a connected person at the subsidiary level; the share charges constitute financial assistance provided by the Company to a connected person at the subsidiary level.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated January 31, 2019.

Provision of Financial Assistance for Huamao Construction

On January 24, 2019, Sunshine Asset Management, Beijing Trust and Huamao Construction entered into an equity transfer agreement, an additional investment agreement and a shortfall funding agreement, pursuant to which, the parties will collaborate on the project whereby Sunshine Asset Management will take the lead in the operation of Huamao Construction and Beijing Trust will provide the funding required for the project. Huamao Construction is principally engaged in investing in the Xinglong County High-Speed Railway New Town, Xinglong West Railway Station Square and High-Speed Railway Project.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated January 24, 2019.

Loan Agreement between Wuxi Nonglin and Yantai Shenghe

On December 12, 2018, Wuxi Nonglin, as lender, entered into a loan agreement with Yantai Shenghe, as borrower, pursuant to which Wuxi Nonglin has agreed to provide a loan of RMB117.5 million to Yantai Shenghe at the interest rate of 12% per annum for a term of one year. No guarantee or security is given by Yantai Shenghe for the loan. Yantai Shenghe is a wholly-owned subsidiary of Guangxi Jiaxiang Investment Management Co., Limited (廣西嘉祥投資管理有限公司), a company owned as to 60% by Ms. Fan Xiaohua and 40% by Ms. Liu Chaohui. As Ms. Fan Xiaohua is a Director and a Controlling Shareholder of the Company, and Ms. Liu Chaohui is a Controlling Shareholder of the Company, each of them is a connected person of the Company under the Listing Rules. Therefore, Yantai Shenghe is a connected person of the Company.

Yantai Shenghe is principally engaged in the operation of a department store. The Group is planning to commence the construction of the second phase of a commercial real estate project in Yantai soon, and may engage in further cooperation with Yantai Shenghe regarding such project. The Directors believe that the provision of the Loan to Yantai Shenghe provides a good foundation for future business cooperation between Yantai Shenghe and the Group. Further, the Directors believe that the loan provided to Yantai Shenghe by the Company is fair and reasonable and yields a good return to the Company.

For further details, please refer to the announcements of the Company on the Hong Kong Stock Exchange dated December 12, 2018, December 24, 2018 and December 28, 2018.

Loan Agreement between Sunshine 100 Group and Wenzhou Zhongxin Haoyuan

On December 17, 2018, Sunshine 100 Group, as lender, entered into a loan agreement with Wenzhou Zhongxin Haoyuan, as borrower. Pursuant to the loan agreement, Sunshine 100 Group has agreed to provide a loan of no more than RMB600 million to Wenzhou Zhongxin Haoyuan at the interest rate of 12% per annum for a term of two years. The loan is secured by the guarantee provided by Chongqing Shihe Tongsheng Investment Co. Ltd. and Sichuan Zhonghang Haoyuan Investment Co. Ltd. Wenzhou Zhongxin Haoyuan is connected person at the subsidiary level of the Company.

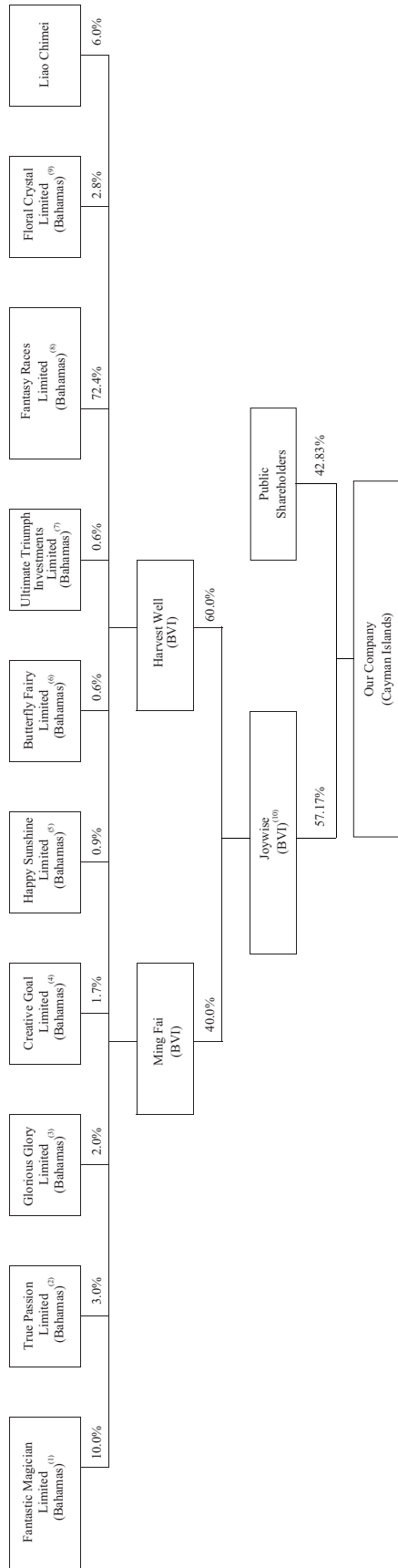
The Company holds 49% equity interest in Wenzhou Zhongxin Haoyuan, which requires funds to meet its operation needs and pay for the expenses incurred for its primary land development. Given that Shanghai Haoming (and its related parties) had provided

shareholders' loans to Wenzhou Zhongxin Haoyuan, the Company is therefore willing to provide a maximum loan of RMB600 million to Wenzhou Zhongxin Haoyuan. Furthermore, the provision of the loan by the Company will help Wenzhou Zhongxin Haoyuan to accelerate its land development projects so that the land may be soon marketed, which is conducive to Wenzhou Zhongxin Haoyuan's obtaining investment returns under the relevant agreements signed between the government of Lucheng district of Wenzhou and Wenzhou Zhongxin Haoyuan.

For further details, please refer to the announcement of the Company on the Hong Kong Stock Exchange dated December 17, 2018.

PRINCIPAL SHAREHOLDERS

The following chart depicts the shareholding structure of our Group as of the date of this Offering Memorandum:



Notes:

- (1) Fantastic Magician Limited is controlled by a family trust set up by Mr. Yi Xiaodi for the benefit of himself and his family members. Mr. Yi is one of our Controlling Shareholders.
- (2) True Passion Limited is controlled by a family trust set up by Mr. Fan Xiaochong for the benefit of himself and his family members. Mr. Fan is one of our Controlling Shareholders.
- (3) Glorious Glory Limited is controlled by a family trust set up by Ms. Fan Xiaohua for the benefit of herself and her family members. Ms. Fan is one of our Controlling Shareholders.
- (4) Creative Goal Limited is controlled by a family trust set up by Mr. Jin Xiangfei for the benefit of himself and his family members. Mr. Jin is one of our Controlling Shareholders.
- (5) Happy Sunshine Limited is controlled by a family trust set up by Mr. Tian Feng for the benefit of himself and his family members. Mr. Tian is one of our Controlling Shareholders.
- (6) Butterfly Fairy Limited is controlled by a family trust set up by Ms. Liu Chaohui for the benefit of herself and her family members. Ms. Liu is one of our Controlling Shareholders.
- (7) Ultimate Triumph Investments Limited is controlled by a family trust set up by Mr. Li Mingqiang for the benefit of himself and his family members. Mr. Li is one of our Controlling Shareholders.
- (8) Fantasy Races Limited is controlled by the Controlling Shareholders pursuant to a concert party agreement signed in 2013.
- (9) Floral Crystal Limited is controlled by the Controlling Shareholders and three individuals.
- (10) Joywise Holdings Limited holds 57.17% of our Company. Joywise is owned 40% by Ming Fai and 60% by Harvest Well. Ming Fai and Harvest Well are in turn owned as to 72.4% by Fantasy Races Limited, which is indirectly controlled by the Controlling Shareholders. The Controlling Shareholders entered into a concert party agreement in 2013 which provided, among other things, the decision to vote unanimously in connection with key matters related to the operation and management of Ming Fai, Harvest Well and our Company.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Sunshine 100 China Holdings Ltd, an exempted company incorporated with limited liability under the laws of the Cayman Islands, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes (other than as a JV Subsidiary Guarantor) is referred to as a “**Subsidiary Guarantor**” for so long as it guarantees the Notes and each such guarantee is referred to as a “**Subsidiary Guarantee.**” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a “**JV Subsidiary Guarantor**” for so long as it provides such JV 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 Bank of New York Mellon, London Branch, as trustee (the “**Trustee**”). The term “Indenture” refers to the Indenture as amended by all supplemental indentures executed on or prior to the date on which the Notes are issued. The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. 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 (i) available (upon prior written request and on proof of Holders’ ownership) for inspection on or after the Original Issue Date, during normal office hours (being between 9:00 a.m. and 3:00 p.m.) on any weekday (except public holidays) at the corporate trust office of the Principal Paying Agent or (ii) available electronically via email from the Principal Paying Agent.

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 the 2021 December Notes, the 2021 Notes, the 2023 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under “— The Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees”;

- effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on June 29, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture.

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 13.0% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrears on December 30, 2021 and June 29, 2022 (each an “**Interest Payment Date**”). Interest on the Notes will be paid to Holders of record at the close of business on December 15, 2021 or June 14, 2022 immediately preceding an Interest Payment Date (each, a “**Record Date**”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the 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.

Except as described under “Optional Redemption” and “Redemption for Taxation Reasons” and as otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity.

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no additional interest on the Notes shall accrue for the period after such date if payment is made on such next succeeding Business Day.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Company, payment of interest may be made by wire transfer (at the expense of the Company) to the Holders. Interest payable on

the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

Except as otherwise described in this “Description of the Notes”, the initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC (the “**PRC Non-Guarantor Subsidiaries**”). All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing PRC Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. In addition, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (as defined herein) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), promptly upon becoming a 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 as either a Subsidiary Guarantor or a JV Subsidiary Guarantor.

Notwithstanding the foregoing, the Company may elect to have any existing or future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary (each such entity an “**Offshore Non-Guarantor Subsidiary**” and, together with the PRC Non-Guarantor Subsidiaries, the “**Non-Guarantor Subsidiaries**”), provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 10% of the Total Assets of the Company. The Company will, on the Original Issue Date, designate Foison Shine International Limited, Pine Wine Holdings Limited, Red Blossom International Limited, Universal Light Investments Limited, Sky Blossom Limited and Sky Honour Limited as Offshore Non-Guarantor Subsidiaries. These Restricted Subsidiaries accounted for 0.0% of the Total Assets of the Company as of December 31, 2020.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become Offshore Non-Guarantor Subsidiaries (such that they will no longer Guarantee

the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such Offshore Non-Guarantor Subsidiaries) do not account for more than 10% of the Total Assets of the Company. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In the case of a future Restricted Subsidiary (i) that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, (ii) that is organized in any jurisdiction other than the PRC, (iii) that is not an Offshore Non-Guarantor Subsidiary and (iv) in respect of which the Company or any Restricted Subsidiary (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the total outstanding Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% and no more than 80.0% of the total outstanding Capital Stock of such future Restricted Subsidiary such that such future Restricted Subsidiary will become a Restricted Subsidiary following such purchase, the Company may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee by (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting any such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (b) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee by any such Restricted Subsidiary on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock determined by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing does not exceed 10.0% of Total Assets;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital

Stock as referred to above, or the purchase of the Capital Stock of such future Restricted Subsidiary that becomes a Restricted Subsidiary as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for or owns Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (each, a “**JV Subsidiary Guarantee**”), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each such Restricted Subsidiary of such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee will be limited to the JV Entitlement Amount;
 - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantee is the legal, valid and binding obligation of the applicable JV Subsidiary Guarantor, enforceable against the applicable JV Subsidiary Guarantor providing such JV Subsidiary Guarantee in accordance with its terms (subject to customary qualifications and assumptions).

As of December 31, 2020, the Company and its subsidiaries had loans and borrowings of RMB26,370.6 million (US\$4,041.5 million), of which RMB17,562.1 million (US\$2,691.5 million) were secured.

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

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

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

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor is not required to be secured (no JV Subsidiary Guarantor is required to pledge the shares of any Restricted Subsidiary that it holds).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective rights to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to the JV Entitlement Amount.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary

Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees — The Subsidiary Guarantees or JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture;
- in the case of a JV Subsidiary Guarantee, upon the replacement of such JV Subsidiary Guarantee with a Subsidiary Guarantee in compliance with the terms of the Indenture;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger, consolidation, transfer or other disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary (other than a Subsidiary of such Subsidiary Guarantor or JV Subsidiary Guarantor) and (2) the proceeds from such sale, merger, consolidation, transfer or other disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes an Offshore Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the

Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any Restricted Subsidiary from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any Restricted Subsidiary to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock determined by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing does not exceed 10.0% of Total Assets;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for or owns Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such Subsidiary Guarantor that is being released from its Subsidiary Guarantee to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC by which it will no longer be a Subsidiary Guarantor and become a JV Subsidiary Guarantor and (B) a duly executed supplemental indenture

to the Indenture pursuant to which such JV Subsidiary Guarantor and each such Restricted Subsidiary of such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee will be limited to the JV Entitlement Amount;

- (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
- (iii) a legal opinion by a law firm of recognized international standing addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantee is the legal, valid and binding obligations of the applicable JV Subsidiary Guarantor, enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee in accordance with its terms (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales", "Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "**Further Issue**") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes.

Optional Redemption

At any time prior to June 29, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days'

notice of any redemption. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to June 29, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 113.0% 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 originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed or if the Notes are being held through the clearing systems, in compliance with the requirements of such clearing systems; or
- (2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis by lot or such other method that the Trustee deems to be fair and appropriate in its sole and absolute discretion, or as otherwise required by law or applicable depositary or clearing system requirements.

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 Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control

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

The Company has agreed in the Indenture that upon a Change of Control it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from

purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. 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 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 may be limited by the Company's, the Subsidiary Guarantors' and the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control under the Notes, the 2021 December Notes, the 2021 Notes or the 2023 Notes."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under New York law and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner, at the same times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made by or on behalf of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each, as applicable, a "**Relevant Taxing Jurisdiction**"), or any jurisdiction through which payments are made by or on behalf of the

Company, a Surviving Person or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor (together with each Relevant Taxing Jurisdiction, 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 an applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Holder of each Note, the Subsidiary Guarantees or the JV Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Taxing Jurisdiction (other than merely acquiring or holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee), including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, 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 the last day of such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, 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; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

- (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any); or
 - (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (“**FATCA**”), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA;
 - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders, the Trustee and the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary

Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, addressed to the Trustee stating 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 rely conclusively on such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above and will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, provided that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary other than a Subsidiary Guarantor may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 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).

- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“**Permitted Indebtedness**”):
- (a) Indebtedness under the Notes (excluding any Additional Notes of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; provided that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;
 - (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
 - (e) Indebtedness (“**Permitted Refinancing Indebtedness**”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (p), (q), (r), (t) or (u) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is pari passu with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is pari passu with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or outstanding, is expressly made pari passu with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the

Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees Incurred by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in a Permitted Business; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (h) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (o), (p), (q), (t), (u) and (v) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under this clause (h) 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% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit 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;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (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, (ii) subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant, Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under another provision of this covenant or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary maturing within one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$25.0 million (or the Dollar Equivalent thereof);
- (o) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary, provided that on the date of Incurrence of such Indebtedness and after

giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (o) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (h) above and clauses (p), (q), (t), (u) and (v) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above 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% of Total Assets;

- (p) Indebtedness Incurred by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Project Company; provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (p) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (h) and (o) above and clauses (q), (t), (u) and (v) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above 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% of Total Assets;
- (q) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties; provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (q) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (h), (o) and (p) above and clauses (t), (u) and (v) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above 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% of Total Assets;
- (r) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$25.0 million (or the Dollar Equivalent thereof);
- (s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of 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;
- (t) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary or an individual or natural person) by the Company or such Restricted Subsidiary; provided that on the date of Incurrence of such Indebtedness and after giving effect

thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (t) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (h), (o), (p) and (q) above and clauses (u) and (v) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above 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% of Total Assets;

- (u) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (u) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (h), (o), (p), (q) and (t) above and clause (v) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above 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% of Total Assets; and
 - (v) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (v) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (h), (o), (p), (q), (t) and (u) above (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above 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% of Total Assets.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in clause (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “**Restricted Payments**”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s 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 Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments (excluding Restricted Payments permitted by clauses (2), (3), (4), (6), (7), (8) and (10) of the immediately following paragraph) made by the Company and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of (without duplication):
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on July 1, 2014 and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best

efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
- (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary 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 Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person or other transfers of property, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue 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, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person; plus
- (v) US\$25.0 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 or JV 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 JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least 40% of the outstanding Capital Stock of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (7) a Permitted Investment under clause (1) of the definition thereof in the Capital Stock of a Restricted Subsidiary held by a minority shareholder which Investment increases the proportion of Capital Stock of such Restricted Subsidiary held (directly or indirectly) by the Company;
- (8) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person, provided that such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made (such date not to exceed 12 months from the date the Staged Acquisition Agreement was entered into) (the "Deadline Date"); provided further that in the event such Person does not become a Restricted Subsidiary on or before the Deadline Date, all payments previously made under this clause (8) shall be aggregated and constitute Restricted Payments made on the Deadline Date and such Restricted Payments must satisfy the other conditions under this "Limitations on Restricted Payments" covenant;

- (9) the redemption, repurchase or other acquisition of, or the declaration and payment of dividends on the Common Stock of the Company, made any fiscal year, in an aggregate amount not to exceed 40% of the Company's Consolidated Profit of the immediate prior fiscal year;
- (10) dividends paid to, or the purchase of Capital Stock of any PRC 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 (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant;
- (11) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payments shall not be for the purpose of evading the limitation of this covenant (as determined in good faith by the Board of Directors of the Company);
- (12) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); provided that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

provided that, in the case of clause (2), (3) or (4) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

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 their Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in paragraphs (5), (6) and (8) in the second paragraph of this "— Limitation on Restricted Payments"), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this

“— Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, or under any Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and

restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that
 - (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale, transfer or other 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” and “Consolidation, Merger and Sale of Assets” covenants;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (1) or permitted under clause (2)(h), (2)(n), 2(o), 2(p), 2(q), 2(r), 2(s) or 2(v) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; or
- (g) existing in customary provisions in shareholders agreement, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company and its Restricted Subsidiaries;
- (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 and provided that the Company complies with the "— Limitation on Asset Sales" covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any other Restricted Subsidiary, unless (1) (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee or JV Subsidiary Guarantee (in the case of a Restricted Subsidiary that qualifies as a JV Subsidiary Guarantor under the Indenture) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights

against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (2)(d), (2)(m)(ii) or 2(t) (other than in the case of (2)(m)(ii) a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary) of the covenant described under “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks pari passu in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank pari passu in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee and such JV Subsidiary Guarantor shall become a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “**Affiliate Transaction**”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$20.0 million (or the Dollar

Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion addressed to the Trustee 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 clauses (1) or (2) of the first paragraph of the covenant described under “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to employees, 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, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any Restricted Subsidiary with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation 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, (iii) any transaction (A) between or among any of the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or (B) between or among the Company or a Restricted Subsidiary on the one hand and any Unrestricted Subsidiary, Jointly Controlled Entity or Associate on the other hand, (iv) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is not prohibited by or is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited; provided that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business, (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly

Owned Subsidiary Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of being a Subsidiary of the Company) and (c) in the case of a Unrestricted Subsidiary, Jointly Controlled Entity or Associate, none of the shareholders or partners which beneficially owns more than 10% of the Capital Stock of or in such Unrestricted Subsidiary, Jointly Controlled Entity or Associate is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of being a Subsidiary of the Company).

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 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) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

Limitation on Sale and 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:

- (1) the Company or any Restricted Subsidiary, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described under “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described under “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$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, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly permanently reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all pari passu Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other pari passu Indebtedness) tendered in (or required to be prepaid or redeemed in connection with) 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 (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant described under “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this Offering Memorandum and (2) pending the application of all of such proceeds in such manner, to invest the portion of such proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary (other than any credit support in compliance with clause (6) of this paragraph); (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other

newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Offshore Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or, if it is permitted to do so under the Indenture, a JV Subsidiary Guarantor.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from one or more 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 a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture described under the following captions will be suspended:

- (1) “— Limitation on Indebtedness and Preferred Stock”;
- (2) “— Limitation on Restricted Payments”;
- (3) “— Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Limitation on the Company’s Business Activities”;
- (7) “— Limitation on Sale and Leaseback Transactions”; and
- (8) “— Limitation on Asset Sales”.

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under “— Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will deliver to the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will deliver to the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a

consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

- (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; provided, that, the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors; and (b) as soon as possible and in any event within 15 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default (and also within 14 days of any request in writing by the Trustee), an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 14 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets" or the failure by the Company to make or

consummate an Offer to Purchase in the manner described under “— Repurchase of Notes upon a Change of Control” or “— Certain Covenants — Limitation on Asset Sales”;

- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding or by the Trustee at the direction of such Holders;
- (5) 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, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$7.5 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors ; or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as

permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may, and the Trustee at the request of such Holders will (subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least 75% in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The Holders of at least 75% 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 or equivocal, conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that 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. In addition, the Trustee will not be required to act on the direction of Holders unless it is indemnified and/or secured and/or pre-funded to its satisfaction.

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 under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders provide the Trustee indemnity and/or security and/or pre-funding satisfactory to the Trustee against any fees, costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the indemnity and/or security and/or pre-funding; and
- (5) during such 60-day period, the Holders of at least 75% in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

Notwithstanding anything to the contrary in the Indenture, the Guarantees or any other document relating to the Notes, in the event the Trustee shall receive instructions from two or more groups of Holders, each holding at least 25% in aggregate principal amount of the then outstanding Notes, and the Trustee believes (in its sole discretion and subject to such legal or other advice as it may deem appropriate) that such instructions are conflicting, the Trustee may, in its sole discretion, exercise any one or more of the following options:

- (i) refrain from acting on any such conflicting instructions;
- (ii) take the action requested by the Holders of the highest percentage of the aggregate principal amount of the then outstanding Notes, notwithstanding any other provisions of this Indenture (and always subject to such indemnification, security and/or pre-funding as is satisfactory to the Trustee); and
- (iii) petition a court of competent jurisdiction for further instructions.

In all such instances where the Trustee has acted or refrained from acting as outlined above, the Trustee shall not be responsible or liable for any losses or liability of any nature whatsoever to any party.

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 and within 14 days of request by the Trustee, 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, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) have each fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to promptly notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports." Unless such written

notice is received by the Trustee, the Trustee will not be deemed to have any knowledge of any Default or any Event of Default.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or 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, Hong Kong or the BVI and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which payment is made, and the Indenture and the Notes shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, (a) the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under "**— Certain Covenants — Limitation on Indebtedness and Preferred Stock**" or (b) the Fixed Charge Coverage Ratio would be equal to or greater than immediately prior to such transaction;
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "**— Consolidation, Merger and Sale of Assets**," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which payment is made, and the Indenture and the Notes shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, (a) the Company could Incur at least US\$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” or (b) the Fixed Charge Coverage Ratio of the Company would be equal to or greater than immediately prior to such transaction;
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with,

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— Certain Covenants — Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees and JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase under New York law. Accordingly, in certain

circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a merger or consolidation of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or by a JV Subsidiary Guarantor with or into the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, or a sale, transfer, conveyance or lease of any properties and assets by any Subsidiary Guarantor to the Company or any other Subsidiary Guarantor or by a JV Subsidiary Guarantor to the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or, in the case of a consolidation, merger, sale, transfer, consolidation, conveyance or lease or other disposition of a JV Subsidiary Guarantor into another JV Subsidiary Guarantor, such first mentioned JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee or in connection with an exchange offer or a tender offer, the Company and any of its Subsidiaries may exclude (i) holders or beneficial owners of Notes that are located in the U.S. or “U.S. persons” as defined in Regulation S under the Securities Act and (ii) holders or beneficial owners of Notes in any jurisdiction (other than the United States) where the inclusion of such holders or beneficial owners would require the Company or any of its Subsidiaries to comply with the registration requirements or other similar requirements under any securities laws of any jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in good faith.

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 and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or another entity designated by the Trustee for such purpose), 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 for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first paragraph, and clauses (3), (4) and (5)(x) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” clause (3) under “Events of Default” with respect to clauses (3), (4) and (5)(x) under the first paragraph, and clauses (3), (4) and (5)(x) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or another entity designated by the Trustee for such purpose), in trust, of money, U.S. Government Obligations or a combination thereof 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, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee 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.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes and the Guarantees may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) provide collateral to secure the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (9) make any other change that does not materially and adversely affect the rights of any Holder; or

- (10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

In connection with the matters indicated above, the Trustee shall be entitled to rely absolutely on an opinion of counsel and an Officer’s Certificate to the effect that the entry into such amendment, supplement or waiver is authorized or permitted.

Amendments With Consent of Holders

The Indenture may be amended with the consent of the Holders of not less than 75% in aggregate principal amount of the outstanding Notes, and the holders of at least 75% in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors with any provision of the Indenture or the Notes; provided, however, that no such amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other

proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

- (11) change the redemption date or the redemption price of the Notes from that stated under “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (12) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

The Bank of New York Mellon, London Branch is to be appointed as Trustee and paying agent (the “**Paying Agent**”) under the Indenture and The Bank of New York Mellon SA/NV, Dublin Branch is to be appointed as note registrar (the “**Note Registrar**”) and transfer agent (the “**Transfer Agent**”) (the “**Paying Agent**” and, together with the Note Registrar and 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 and only such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee and the Agents. If an Event of Default has occurred and is continuing, the Trustee will use the degree of care and skill as required of a prudent person in its exercise of the rights and powers vested in it under the Indenture.

The Trustee and the Agents are permitted to engage in transactions, including normal banking and trustee relationships, with the Company, any Subsidiary Guarantor or any JV Subsidiary

Guarantor and their respective Affiliates and shall not be obligated to account for any profits therefrom; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee is indemnified and given relief from responsibility in circumstances as set out in the Indenture.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global notes in registered form without interest coupons attached (each a “**Global Note**”). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the “**book-entry interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note 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.

The Notes are not issuable in bearer form.

None of 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.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future

taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “— Additional Amounts.”

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the Paying Agent will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder 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 immediately available 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 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.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. 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 Paying Agent for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company any Subsidiary Guarantor or any JV Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor, (if intended for the Trustee) at the corporate trust office of the Trustee and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Services Inc. for receipt of service of process in any such suit, action or proceeding. Each of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors agrees that the Trustee retains the right to serve process in any other manner permitted by law or to bring proceedings against each of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors in the courts of any other jurisdiction.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the Notes” for which no definition is provided.

“2021 December Notes” means the 10.50% Senior Notes due 2021 issued by the Company from time to time pursuant to the indenture dated December 5, 2018, as amended and supplemented from time to time, among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch, as trustee.

“2021 Notes” means the 11.50% Senior Notes due 2021 issued by the Company from time to time pursuant to the indenture dated July 5, 2019, as amended and supplemented from time to time, among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch, as trustee.

“2023 Notes” means the 12.0% Senior Notes due 2023 issued by the Company from time to time pursuant to the indenture dated February 3, 2021, as amended and supplemented from time to time, among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch, as trustee.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and

which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after June 29, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note at June 29, 2022 plus (y) all required remaining scheduled interest payments due on such Note through June 29, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted

Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; provided that “Asset Sale” shall not include:

- (1) sales, 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;
- (2) sales or other dispositions of cash and Temporary Cash Investments;
- (3) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Certain Covenants — Limitation on Restricted Payments” covenant;
- (4) 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;
- (5) 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;
- (6) any transfer, assignment or other disposition deemed to occur in connection with creating or granting of any Lien not prohibited by “— Certain Covenants — Limitation on Liens”;
- (7) a transaction covered by the covenant described under “— Consolidation, Merger and Sale of Assets”; and
- (8) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts or deposits of the Company or a Restricted Subsidiary and/or (ii) is guaranteed by a guarantee, 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 in effect exchange U.S. dollars or Hong Kong dollars into Renminbi or vice versa.

“Board of Directors” means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Dublin or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“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 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 50.1% of the total voting power of the Voting Stock of the Company;

(4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election to the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Company.
“Clearstream” means Clearstream Banking, S.A.

“Commodity Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to June 29, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to June 29, 2022.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Company acting in good faith) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its other Restricted Subsidiaries’ proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee.

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than the accrual of revenue in the ordinary course of business and other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP), all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) 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 of the net income (or loss) of such Person and its Restricted Subsidiaries for such

period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or 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 other Restricted Subsidiaries);
- (6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains;

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income

calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“Consolidated Profit” means the “Profit for the year” as reported in the Company’s audited consolidated statement of comprehensive income.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers

or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to 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 date that is 183 days after 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 date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for (or options, warrants or other rights exercisable for) Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control” 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 underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price, in each case to a person other than a Restricted Subsidiary or Permitted Holder; provided that any

offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii), results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“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, except in the case of a determination of the Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“Fitch” means Fitch Ratings, Inc. and its affiliates or successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “**Four Quarter Period**”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means the International Financial Reporting Standards 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 (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an

Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be “Indebtedness”.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, Entrusted Loans, 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 and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable by such Person if such Hedging Obligation terminated at or prior to that time due to a default by such Person.

“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:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportional interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the

time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “Aaa,” 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, 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 or Moody’s or Fitch or both of them, as the case may be.

“Investment Property” means any property that is owned and held by any PRC Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor; provided that such amount shall not exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

“JV Subsidiary Guarantee” has the meaning set forth under “— The Subsidiary Guarantees and JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee for so long as such JV Subsidiary Guarantee has not been released in accordance with the Indenture.

“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).

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the

form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

- (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guaranteed Portion” means, at any time of determination with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the consolidated total assets as shown on the balance sheet of the relevant JV Subsidiary Guarantor for its most recently ended fiscal quarter 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) (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of such fiscal quarter, as shown on the balance sheet of such JV Subsidiary Guarantor after giving pro forma effect to either the sale or issuance of Capital Stock to the relevant Independent Third Parties or the other transactions following which it became a JV Subsidiary Guarantor (as applicable)) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV Subsidiary Guarantor, provided that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets of the Company as of the end of the relevant fiscal quarter, shall be excluded from the calculation of total assets in clause (x) above.

“Offer to Purchase” means an offer to purchase 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 Transfer Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision in 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.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent or tender agent for such Offer to Purchase cleared funds 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 or tender agent for such Offer to Purchase shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall 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 all applicable securities laws and regulations thereunder, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion addressed to the Trustee from legal counsel who is, and in a form and substance, reasonably acceptable 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 or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or a Subsidiary Guarantor; provided that (1) the Company and such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks pari passu with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under “— Repurchase of Notes upon a Change of Control,” or an Offer to Purchase in the manner described under “— Certain Covenants — Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) (a) Yi Xiaodi and his Affiliates (other than an Affiliate as defined in clauses (2) or (3) of the definition of Affiliate), together with (b) one or more of Fan Xiaochong, Fan Xiaohua, Jin Xiangfei, Liu Chaohui, Tian Feng and Li Mingqiang and their respective Affiliates (other than an Affiliate as defined in clauses (2) or (3) of the definition of Affiliate), collectively as a group ((a) and (b) together, the “Controlling Shareholder Group”); and
- (2) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by the Controlling Shareholder Group.

“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) cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received in connection with an Asset Sale 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 creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;
- (16) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets on the Company’s balance sheet to the extent each such advance or deposit is on normal commercial terms;
- (17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (18) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Parent Guarantor or any Restricted Subsidiary in any Person (excluding the Investments permitted to be made or incurred under other clauses of this definition of “Permitted Investment”); provided that the following conditions are satisfied:
 - (i) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed in aggregate an amount equal to 30% of Total Assets, provided that such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (18) since the Original Issue Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (18), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person, or
 - (C) to the extent that an Investment made after the Original Issue Date under this clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the 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 Original Issue Date in any such Person pursuant to this clause (18);
- (ii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (18) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary), except to the extent that such Investment (x) would have satisfied the requirements of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” as if such Investment were an Affiliate Transaction and (y) would otherwise be permitted under applicable laws, regulations or the requirements of The Stock Exchange of Hong Kong Limited;
 - (iii) no Default has occurred and is continuing or would occur as a result of such Investment; and
 - (iv) the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”, except that solely for the purpose of this clause (18) reference to “2.5 to 1.0” thereunder shall be replaced with “1.0 to 1.0”; *provided, however*, that this paragraph (iv) shall not apply if such Investment would otherwise have been permitted under this clause (18) and such Investment, together with the aggregate amount of all other Investments made in reliance on this proviso since the Original Issued Date, shall not exceed in aggregate an amount equal to 15% of Total Assets (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this proviso since the Original Issued Date resulting from the events set forth in paragraphs (i)(A) through (i)(C) above, where references in such paragraphs to “under this clause (18)” or “under this clause” shall be substituted with “in reliance on the proviso in this paragraph (iv)”);
- (19) repurchases of Notes; and

(20) any Guarantee that is permitted under the covenant under “— Certain Covenants — 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) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the attachment or rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations

permitted by clause (2)(f) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee;
- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property 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 (2)(h) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property and improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance or obligations to provide indemnity, compensation, reinforcement or warranty of the Company or any Restricted Subsidiary in connection with the acquisition, construction, development, sale and delivery of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens incurred or deposits made to secure Entrusted Loans;
- (21) Liens Incurred on deposits made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (22) Liens securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (23) Liens on the Capital Stock of a PRC Project Company granted by the Company or any PRC Restricted Subsidiary in favor of any Trust Company Investor (including the sale or transfer of such Capital Stock to such Trust Company Investor) in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (2)(p) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary permitted under clause (2)(q) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (25) Liens securing Indebtedness of Restricted Subsidiaries incorporated in the PRC Incurred pursuant to clause (2)(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(s) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (27) Liens securing Indebtedness permitted under clause (2)(v) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock.”

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries; provided that, on the date of the Incurrence of such Indebtedness and after giving pro forma effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(a), (2)(b), (2)(d), (2)(f), (2)(g), (2)(i), (2)(k) and (2)(m) of the covenant described

under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of 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, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 and abolished on January 1, 2020 and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Project Company” means any corporation, association or other business entity organized under the laws of the PRC primarily engaged in a Permitted Business which, at any time, is treated as a “subsidiary” of the Company under GAAP, other than an Unrestricted Subsidiary.

“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 terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Rating Agencies” means one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor

categories); and (3) the equivalent of any such category of S&P 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 or 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).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average 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 by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and will, upon the acquisition by the Company or any Restricted Subsidiary of such Capital Stock, become a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; provided that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

“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 consideration that is not more than the Fair Market Value of such Capital Stock of

such Person at the time the Company or such Restricted Subsidiary enters into such Agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity 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.

“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” does not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least “A” by S&P or Moody’s;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Standard Chartered, China Minsheng Bank, China Everbright Bank, (ii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong whose long-term debt is rated as high or higher than any of those banks listed in clause (i), or (iii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong; provided that, in the case of clause (iii), such deposits do not exceed US\$10.0 million (or the Dollar Equivalent thereof) with any single bank or US\$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements); provided that only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness, provided further that only with respect to the calculation of “Non-Guaranteed Portion,” in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended fiscal quarter 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) or annual period, the amount of Total Assets shall be calculated after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties; and provided further that with respect to the calculation

of the percentage of Total Assets represented by the Consolidated Assets of the Offshore Non-Guarantor Subsidiaries, the amount of Total Assets shall be calculated after giving pro forma effect to any sale or issuance of Capital Stock to relevant Independent Third Parties.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution, including but not limited to a bank, a trust company, a securities management company, an asset management company or an insurance company organized under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Project Company.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” Chang Jia International Limited; (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (3) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the 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; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have had loans and borrowings from various financial institutions. As of December 31, 2020, we had total loans and borrowings of RMB26,370.6 million, consisting of RMB12,717.0 million, RMB8,177.2 million, RMB5,470.9 million and RMB5.5 million were repayable within one year or on demand, after one year but within two years, after two years but within five years and after five years, respectively.

TRUST FINANCING

The terms and covenants of our trust loans vary, largely depending on whether our equity interests in the borrowing project companies are (i) pledged or (ii) transferred to the trust companies as security. For the years ended December 31, 2018, 2019 and 2020, the principal balance under our trust financing was RMB6,388.6 million, RMB5,386.7 and RMB6,737.2 million respectively, accounting for approximately 21.5%, 21.5% and 25.5% of our total borrowings, respectively. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Indebtedness — Loans and Borrowings — Trust Financing.*”

Types of our secured trust financings

Our secured trust financings are broadly categorized into:

Type (i) trust financing arrangements which involve a pledge of the equity interest held by us in the relevant project subsidiary, or

Type (ii) trust financing arrangements which involve a transfer of equity interest, and a pledge of the remaining equity interest held by us, in the relevant project subsidiary to the trust company.

These secured trust financings also generally involve other security and/or guarantees:

corporate and/or shareholders’ guarantees; and/or

pledge of land use rights of the relevant property project; and/or

other security in the form of an assignment of rental income, sales revenue and other income generated from the relevant project company or an assignment of shareholders’ loan.

We generally apply the funds obtained from each secured trust financing arrangement to the project undertaken by the relevant borrowing subsidiary unless the relevant trust company otherwise agrees. At maturity, and upon satisfaction of the terms for the repayment of the secured trust financings, the relevant corporate and/or shareholders’ guarantees and project liens are released and, as the case may be, the pledge of the equity interest in the relevant project subsidiary is released and/or the minority interest in the relevant project subsidiary is repurchased from the trust company.

Key terms of type (i) trust financing arrangement

For the trust loans in which our equity interests are pledged, the trust companies do not have the right to participate in the project companies' board or shareholders' meetings or have veto rights in any form. Since, under the terms of this type of trust financing arrangements, the trust companies typically can only exercise ordinary creditors' rights and do not have veto rights relating to operational matters in the ordinary course of business of the project companies, we believe that such arrangements will not affect our control over the borrowing subsidiaries. The pledged interests will be released upon repayment of the principal of, and any other amount due under, such trust loans.

Key terms of type (ii) trust financing arrangement

Board representation

Through equity participation in the project companies, the trust financing companies (as trustees of the respective trust funds) are entitled to appoint a certain number of directors to the boards of our project companies. Typically, at least a two-thirds (2/3) board majority is required for certain important matters such as material disposal of assets, external borrowings exceeding a specific threshold, key construction planning changes and budgeting. Out of all the type (ii) arrangements, we retain a majority of the board seats in all of the relevant project companies. As of the date of this Offering Memorandum, we have not experienced any disagreement with the trust financing companies and there has been no dissenting vote cast by any of the board representatives appointed by the trust financing companies.

Security

As security for the performance of our project companies under our trust financing arrangements, we provided guarantees, share pledges and fixed assets mortgages to some trust financing companies.

Management of the project companies

During the term of the type (ii) trust financing arrangements, we retain the rights in respect of the day-to-day operation and management of our project companies and their businesses. For the years ended December 31, 2018, 2019 and 2020, none of the trust financing companies actively participated or intervened in the day-to-day operations and management of any of our project companies.

Veto right

The circumstances in which the trust companies can exercise veto rights typically include the following, among others:

Amendments to articles of association;

Changes to registered capital or shareholding;

Declarations of dividends or other distributions;

Provisions of guarantees or asset pledges supporting related-party or third-party debt;

Acquisition of equity interests or making equity investments in other companies;

Disposition of assets over a certain threshold not in the ordinary course of business;

Incurrence of indebtedness from external financing;

Appointment of key members of management; and

Entering into material transactions over certain thresholds or that may undermine the company's ability to perform its obligations under the trust loan.

Such veto rights are consistent with customary protection given to the creditors under secured borrowing transactions. As of the date of this Offering Memorandum, none of the board representatives of the relevant trust financing companies has exercised its veto rights or the unilateral revocation rights. We believe that veto rights of the relevant trust financing companies will not affect our control over the borrowing subsidiaries.

PROJECT LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including China Everbright Bank, Bank of Communications, Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China, Hua Xia Bank and China Zheshang Bank. These loans typically are project loans to finance the development, construction, operation and maintenance of our projects (the "**Project Loans**") and have terms ranging from one to three years. Our Project Loans are typically secured by land use rights, properties and restricted deposits as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under the Project Loans primarily bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually or quarterly. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2020, the effective interest rate on the aggregate outstanding amount of our Project Loans ranged from 5.46% per annum to 7.5% per annum.

Dividend restrictions

Pursuant to the financing agreements with Hua Xia Bank, and, Bank of China, certain of our PRC subsidiaries have agreed not to distribute any dividends (or agreed to give notice to the relevant banks before any distribution of dividends):

- if the borrowers' after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods;
- if the borrower's profit before tax in the relevant accounting period has not been used to pay off the principal, interest or other related expenses due in that accounting period or is insufficient to cover the principal, interest or other related expenses due in next period; or
- before the principal amount of and accrued interest on the relevant loans have been fully paid.

The above dividend restrictions do not apply to any dividend distribution by our subsidiaries if such distribution does not adversely affect such subsidiaries' ability to repay the relevant loans.

Covenants

Under these Project Loans, some of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- enter into liquidation or bankruptcy;
- conduct any form of reorganization or restructuring or otherwise engage in any material change in corporate structure or formality that could adversely affect their ability to repay the Project Loans, such as mergers, acquisitions, change in major shareholders, divestiture, disposal of key assets, reduction in registered capital or entering into material joint ventures;
- grant any security interest to any third party over assets acquired or financed through or otherwise owned as a result of the Project Loans or grant guarantees to any third parties that may adversely affect their ability to repay the loans; or
- declaring and making payment of dividends or other distributions before the debt service schedule is met.

In addition, many of our subsidiary borrowers have agreed, among other things, to:

- maintain certain indebtedness ratios;
- provide necessary financial or operations information with respect to the subsidiary borrowers and/or their respective key projects;

- inform the lenders of any key filings made with State Administration for Industry and Commerce and its local branches, such as change in business scope, corporate address and location and legal representative, and any material adverse event which is likely to impact the ability of the borrower to repay the loan; and
- provide relevant information to the lenders with respect to material related party transactions we enter into from time to time during the term of the loan agreement, including the relationship with the related party, transaction nature, volume and pricing policy and, in certain occasions, information with respect to our related parties that could have a material adversely effect upon us.

Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of other debt, or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness which has become due and payable, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms favorable or acceptable to us.

The Project Loans contain certain customary events of default, including insolvency and breaches of key terms of the loan agreements, such as covenants, representations, warranties, and use of loan proceeds. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loan principal, any accrued interest, and any default damages as provided in the loan agreement upon the occurrence of an event of default.

2021 DECEMBER NOTES

We issued senior notes of aggregate amount of US\$170 million on December 5, 2018 (the “**2021 December Notes**”), which bear interest at 10.50% per annum, mature in December 2021 and are listed on the SGX-ST. We used the net proceeds from the offering of the 2021 December Notes to repay debts and for general corporate purposes. The 2021 December Notes were issued pursuant to an indenture, dated as of December 5, 2018, among the Company, the 2021 December Subsidiary Guarantors (as defined below) and The Bank of New York Mellon, London Branch, as trustee.

Guarantee

The 2021 December Notes are guaranteed by the Company and three of our subsidiaries (the “**2021 December Subsidiary Guarantors**”), Sunmode, Riverside and Keyasia, registered in the BVI, Mauritius and the BVI, respectively. The guarantees will be released upon the full and final payments of the Senior Notes.

Under certain circumstances and subject to certain conditions, a guarantee by a 2021 December Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2021 December Notes Indenture. Each of the 2021 December Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2021 December Notes, provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount.

Interest

The 2021 December Notes bear interest at an interest rate of 10.50% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2021 December Notes Indenture contains certain covenants, which restrict our ability and the ability of each of the related restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness or issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of the Company or any other Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates;
- effect a consolidation or merger; and
- engage in any business other than businesses permitted by the 2021 December Notes Indenture.

Events of Default

The 2021 December Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2021 December Notes when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants, insolvency and other events of default specified in the 2021 December Notes Indenture. If an event of default occurs and is continuing, the 2021 December Notes Trustee or the holders of at least 25% in aggregate principal amount of the outstanding 2021 December Notes may declare the principal of the 2021 December Notes, plus any accrued and unpaid interest and premium (if any) to be immediately due and payable. However, if an event of default occurs because of insolvency, the principal of, premium if any, and accrued and unpaid interest on the 2021 December Notes, then outstanding shall

automatically be immediately due and payable without any declaration or other act on the part of the 2021 December Notes Trustee or a holder of the 2021 December Notes.

Change of Control

Upon the occurrence of a change of control, we are obligated to make an offer to repurchase all outstanding 2021 December Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2021 December Notes is December 5, 2021.

We may at our option redeem the 2021 December Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 December Notes plus a premium and accrued and unpaid interest, if any, to (but not including) the redemption date.

We may redeem up to 35% of the aggregate principal amount of the 2021 December Notes at a redemption price of 110.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a 2021 December Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2021 December Notes at a redemption price equal to 100% of the principal amount of the 2021 December Notes, plus any accrued and unpaid interest, subject to certain conditions.

2021 NOTES

We issued senior notes in an aggregate amount of US\$323 million on July 5, 2019, January 7, 2020 and January 23, 2020 (the "**2021 Notes**"), which bear interest at 11.50% per annum, mature in July 2021 and are listed on the SGX-ST. We used the net proceeds from the offering of the 2021 Notes to repay debts and for general corporate purposes. The 2021 Notes were issued pursuant to an indenture, dated as of July 5, 2019, among the Company, the 2021 Subsidiary Guarantors (as defined below) and The Bank of New York Mellon, London Branch, as trustee.

Guarantee

The 2021 Notes are guaranteed by the Company and three of our subsidiaries (the "**2021 Subsidiary Guarantors**"), Sunmode, Riverside and Keyasia, registered in the BVI, Mauritius and the BVI, respectively. The guarantees will be released upon the full and final payments of the Senior Notes.

Under certain circumstances and subject to certain conditions, a guarantee by a 2021 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2021 Notes Indenture. Each of the 2021 Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and

punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2021 Notes, provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount.

Interest

The 2021 Notes bear interest at an interest rate of 11.50% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2021 Notes Indenture contains certain covenants, which restrict our ability and the ability of each of the related restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of the Company or any other Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates;
- effect a consolidation or merger; and
- engage in any business other than businesses permitted by the 2021 Notes Indenture.

Events of Default

The 2021 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2021 Notes when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants, insolvency and other events of default specified in the 2021 Notes Indenture. If an event of default occurs and is continuing, the 2021 Notes Trustee or the holders of at least 25% in aggregate principal amount of the outstanding 2021 Notes may declare the principal of the 2021 Notes, plus any accrued and unpaid interest and premium (if any) to be immediately due and payable. However, if an event of default occurs because of insolvency, the principal

of, premium if any, and accrued and unpaid interest on the 2021 Notes, then outstanding shall automatically be immediately due and payable without any declaration or other act on the part of the 2021 Notes Trustee or a holder of the 2021 Notes.

Change of Control

Upon the occurrence of a change of control, we are obligated to make an offer to repurchase all outstanding 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2021 Notes is July 5, 2021.

We may, at any time prior to July 5, 2021, at our option 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 a premium and accrued and unpaid interest, if any, to (but not including) the redemption date.

We may, at any time and from time to time prior to July 5, 2021, at our option redeem up to 35% of the aggregate principal amount of the 2021 Notes at a redemption price of 111.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a 2021 Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2021 Notes at a redemption price equal to 100% of the principal amount of the 2021 Notes, plus any accrued and unpaid interest, subject to certain conditions.

2023 NOTES

We issued senior notes in an aggregate amount of US\$120 million on February 3, 2021 (the “**2023 Notes**”), which bear interest at 12.0% per annum, mature in October 2021 and are listed on the SGX-ST. We used the net proceeds from the offering of the 2023 Notes to repay debts and for general corporate purposes. The 2023 Notes were issued pursuant to an indenture, dated as of February 3, 2021, among the Company, the 2021 Subsidiary Guarantors (as defined below) and The Bank of New York Mellon, London Branch, as trustee.

Guarantee

The 2023 Notes are guaranteed by the Company and three of our subsidiaries (the “**2023 Subsidiary Guarantors**”), Sunmode, Riverside and Keyasia, registered in the BVI, Mauritius and the BVI, respectively. The guarantees will be released upon the full and final payments of the Senior Notes.

Under certain circumstances and subject to certain conditions, a guarantee by a 2023 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2023 Notes Indenture. Each of the 2023 Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and

punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2023 Notes, provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount.

Interest

The 2023 Notes bear interest at an interest rate of 12.0% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2023 Notes Indenture contains certain covenants, which restrict our ability and the ability of each of the related restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of the Company or any other Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates;
- effect a consolidation or merger; and
- engage in any business other than businesses permitted by the 2023 Notes Indenture.

Events of Default

The 2023 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2023 Notes when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants, insolvency and other events of default specified in the 2023 Notes Indenture. If an event of default occurs and is continuing, the 2023 Notes Trustee or the holders of at least 25% in aggregate principal amount of the outstanding 2023 Notes may declare the principal of the 2023 Notes, plus any accrued and unpaid interest and premium (if any) to be immediately due and payable. However, if an event of default occurs because of insolvency, the principal

of, premium if any, and accrued and unpaid interest on the 2023 Notes, then outstanding shall automatically be immediately due and payable without any declaration or other act on the part of the 2023 Notes Trustee or a holder of the 2023 Notes.

Change of Control

Upon the occurrence of a change of control, we are obligated to make an offer to repurchase all outstanding 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2023 Notes is October 3, 2023.

We may, at any time prior to October 3, 2023, at our option redeem the 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2023 Notes plus a premium and accrued and unpaid interest, if any, to (but not including) the redemption date.

We may, at any time and from time to time prior to October 3, 2023, at our option redeem up to 35% of the aggregate principal amount of the 2023 Notes at a redemption price of 112.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a 2023 Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2023 Notes at a redemption price equal to 100% of the principal amount of the 2023 Notes, plus any accrued and unpaid interest, subject to certain conditions.

CORPORATE BONDS

In 2015 and 2016 and 2020, Guangxi Vantone issued corporate bonds of RMB8,662.0 million in total, which comprise following bonds:

- 4-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate of 7.85% per annum and an effective interest rate of 8.09% per annum from September 16, 2015 to March 15, 2018; and with a coupon rate of 8.8% per annum and an effective interest rate of 9.3% per annum after March 16, 2018, issued on September 16, 2015 which was listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the 2.5 year. The corporate bonds were repaid during the year ended December 31, 2019;
- 5-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate of 7.95% per annum and an effective interest rate of 8.11% per annum, issued on September 16, 2015 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year. The 5-year corporate bonds of RMB1,000,000,000 were redeemed in September 2020;

- 3-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate of 7.99% per annum and an effective interest rate of 8.36% per annum, issued on October 12, 2015 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year (guaranteed by the Company). The corporate bonds were repaid during the year of 2018;
- 5-year corporate bonds of RMB1,460,000,000 issued at par, with a coupon rate of 6.9% per annum and an effective interest rate of 6.94% per annum from January 25, 2016 to January 24, 2019, and with a coupon rate of 8.5% per annum and an effective interest rate of 8.66% per annum from January 25, 2019 to 24 January 2021, issued on January 25, 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year (guaranteed by the Company);
- 7-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate of 8.4% per annum and an effective interest rate of 8.53% per annum, issued on February 24, 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the fourth year (guaranteed by the Company);
- 5-year corporate bonds of RMB560,000,000 issued at par, with a coupon rate of 7.5% per annum and an effective interest rate of 7.5% per annum from April 7, 2016 to April 6, 2019, and with a coupon rate of 8.5% per annum and an effective interest rate of 8.52% per annum from April 7, 2019 to April 7, 2021, issued on April 7, 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;
- 5-year corporate bonds of RMB440,000,000 issued at par, with a coupon rate of 7.5% per annum and an effective interest rate of 7.5% per annum from July 11, 2016 to July 10, 2019, and with a coupon rate of 8.5% per annum and an effective interest rate of 8.61% per annum from July 11, 2019 to July 11, 2021, issued on July 11, 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;
- 3-year corporate bonds of RMB500,000,000 issued at par, with a coupon rate of 7.4% per annum and an effective interest rate of 7.53% per annum from July 13, 2016 to July 12, 2018; and with a coupon rate of 8.4% per annum and an effective interest rate of 9.31% per annum from July 13, 2018 to July 12, 2019, issued on July 13, 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year. The corporate bonds were repaid during the year ended December 31, 2019;
- 2-year corporate bonds of RMB582,000,000 issued at par, with a coupon rate of 8.5% per annum and an effective interest rate of 9.99% per annum from September 22, 2020 to September 21, 2022, issued on September 22, 2020 which is listed in Shanghai Stock Exchange; and
- 2-year corporate bonds of RMB120,000,000 issued at par, with a coupon rate of 9.0% per annum and an effective interest rate of 10.5% per annum from October 30, 2020 to October 29, 2022, issued on October 30, 2020 which is listed in Shanghai Stock Exchange.

CONVERTIBLE BONDS

On July 28, 2016, the Company issued convertible bonds due 2021, bearing interest at the rate of 6.5% per annum with an aggregate principal amount of US\$200 million (the “**2021 Convertible Bonds**”). Each bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after December 9, 2016 until and including the day falling ten days prior to August 11, 2021 into fully paid ordinary shares with a par value of HK\$0.01 each in the issued and paid up capital of the Company at an initial conversion price of HK\$3.69 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the 2021 Convertible Bonds will be redeemed on the maturity date at 112.15% of the principal amount. The Company has an early redemption option at any time after August 11, 2019 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible bonds on August 11, 2019 at early redemption amount of 106.67% of the principal amount. The interest is payable semi-annually. The 2021 Convertible Bonds are listed on the SGT-ST.

As the 2021 Convertible Bonds do not contain an equity component, the derivative component of the 2021 Convertible Bonds is measured at fair value and the liability component is carried at amortised cost. As of December 31, 2020, the carrying amounts of liability and derivative components of the convertible bonds were RMB277,101,000 and RMB(21,000), respectively. Up to December 31, 2020, a sum of US\$1.0 million of the 2021 Convertible Bonds have been converted into 2,105,477 shares. On August 11, 2019, a principal amount of US\$153.6 million of the 2021 Convertible Bonds has been redeemed by the Company upon the exercise of an early redemption option by the holders.

On December 28, 2017, being the date of issue of 235,055,000 new shares, the conversion price in respect of the 2021 Convertible Bonds has been adjusted, as a result of such issue, to HK\$3.66, being the amount rounded down to the nearest Hong Kong cent pursuant to the terms and conditions of the 2021 Convertible Bonds.

On October 17, 2020, being the date immediately after the record date for the determination of the entitlement to the Interim Dividend, the conversion price in respect of the 2021 Convertible Bonds has been adjusted, as a result of the Interim Dividend, to HK\$3.38, being the amount rounded down to the nearest Hong Kong cent pursuant to the terms and conditions of the 2021 Convertible Bonds.

Facility Agreement

On September 17, 2020, the Company entered into a facility agreement, under which the Company will guarantee a loan borrowed by Chang Jia up to US\$110,000,000 at an interest rate of 11.0% per annum. The loan will be used to repay existing indebtedness and to pay for transaction costs related to the facility agreement. The loan is due on the 364 days from September 17, 2020, but it can be repaid prior to such date. As of the date of the Offering Memorandum, US\$110,000,000 under the facility agreement is outstanding.

The following table shows the breakdown of the derivative component and the liability component of the convertible bonds and changes since January 1, 2017:

	Derivative component	Liability component	Total
		<i>RMB'000</i>	
At January 1, 2018	411,677	956,393	1,368,070
Issuance	106,640	474,236	580,876
Fair value adjustment debited into profit or loss	16,745	–	16,745
Accrued interest	–	173,728	173,728
Interest paid	–	(85,115)	(85,115)
Foreign exchange loss	20,824	52,409	73,233
Conversion of convertible bonds	–	(1,370)	(1,370)
At December 31, 2018	555,886	1,570,281	2,126,167
Fair value adjustment credited into profit or loss	(258,392)	–	(258,392)
Accrued interest	–	198,235	198,235
Interest paid	–	(120,108)	(120,108)
Foreign exchange loss	4,060	39,423	43,483
Redemption of convertible bonds	(224,098)	(885,628)	(1,109,726)
At 31 December 2019	<u>77,456</u>	<u>802,203</u>	<u>879,659</u>
Fair value adjustment credited to profit or loss	(18,998)	–	(18,998)
Accrued interest	–	104,058	104,058
Interest paid	–	(52,748)	(52,748)
Foreign exchange loss	(3,663)	(53,635)	(57,298)
At December 1, 2020	<u>54,795</u>	<u>799,878</u>	<u>854,673</u>

PLEGGED PROPERTIES AND RESTRICTED DEPOSITS

We have entered into loan and banking facility agreements with the PRC banks and have pledged certain of our properties and deposits in connection with some of the loans and banking facilities to secure loans and banking facilities granted to us. As of December 31, 2020, land use rights, properties and restricted deposits of our PRC subsidiaries with a carrying value of RMB12,141.2 million were pledged to secure loans and banking facilities granted to the Group.

CUSTOMER GUARANTEES

In line with industry practice, we provide guarantees to mortgagee 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 of such mortgage guaranteed by us was RMB4,738.9 million.

DEFAULT

As of December 31, 2020, we have classified loans from certain third parties as being in default. No event of default under the loans was triggered by this default and no cross-default of our other loans was triggered by such default. The total amount owed under the loans as of December 31, 2020 was RMB207.6 million. The loans from the third parties were not duly settled as the Group is in the process of negotiating certain arrangement with the third parties. It is expected to be settled in the year of 2021.

TAXATION

The following summary of certain Hong Kong, Cayman Islands, BVI and Mauritius tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution, on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, an authorized institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the

issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by bank is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

CAYMAN ISLANDS TAXATION

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. The holder of any Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands Courts.

The Cayman Islands does not have any income tax treaty arrangement with any country, however the Cayman Islands has entered into tax information exchange agreements with a number of countries.

BVI TAXATION

No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the Company. There are currently no withholding taxes or exchange control regulations in the BVI applicable to payments the Company may make under the transaction documents relating to the Notes or payments the Subsidiary Guarantors may make under the Subsidiary Guarantees and JV Subsidiary Guarantees (if any).

MAURITIUS TAXATION

A company holding a Category 1 Global Business License issued by the Mauritius Financial Services Commission will be tax resident in Mauritius and the effective tax rate in Mauritius on its chargeable income would be a maximum of 3%. Mauritius currently has no capital gains tax and has no taxation in the nature of a withholding tax on the payment of dividends, interest or royalties applicable to the holders of a Category 1 Global Business License and where such dividends or interest are paid to a non-resident of Mauritius not carrying on any business in Mauritius and such royalties are paid to non-residents of Mauritius. There is no estate duty, inheritance tax or gift tax in Mauritius.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of, the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the Notes, including the Subsidiary Guarantees and JV Subsidiary Guarantees, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes, in an offshore transaction in accordance with Regulation S;
2. represent that it is purchasing the Notes including the Subsidiary Guarantees and JV Subsidiary Guarantees, for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a purchaser that is outside the United States, not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act;
3. acknowledge that the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to registration under the Securities Act;
4. agree that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;
5. understand that the Notes will be represented by the Global Note and that transfers thereto are restricted as described under “Description of the Notes — Book-Entry; Delivery and Form”;
6. acknowledge that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) the Trustee, the Transfer Agent, the Registrar, the Principal Paying Agent, the Initial Purchaser and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained herein, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the Trustee, the Transfer Agent, the Registrar, the Principal Paying Agent and the Initial Purchaser. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
7. acknowledge that neither the Company nor the Subsidiary Guarantors nor the Initial Purchaser, nor any person representing the Company, the Subsidiary Guarantors or the

Initial Purchaser has made any representation with respect to the Company or the offering of the Notes, other than the information contained in this Offering Memorandum, and agree that it has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from us;

8. represent that it is relying only on this Offering Memorandum in making its investment decision with respect to the Notes; and
9. acknowledge that each Note will contain a legend substantially to the following effect.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated June 29, 2021 (the “**Purchase Agreement**”) between Haitong International Securities Company Limited as the Initial Purchaser, on the one hand, and us and the Subsidiary Guarantors, on the other hand, the Initial Purchaser has agreed to purchase from us, and we have agreed to sell to the Initial Purchaser, the Notes.

The Purchase Agreement provides that the obligation of the Initial Purchaser to pay for and accept delivery of the Notes is subject to certain other conditions. The Initial Purchaser is committed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchaser without notice. The Initial Purchaser may offer and sell the Notes through certain of their affiliates and may provide such affiliates an opportunity to purchase some of the Notes in the initial offering.

We and the Subsidiary Guarantors have agreed to jointly and severally indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchaser may be required to make in respect thereof. In addition, we have agreed to pay the Initial Purchaser customary fees and commissions in connection with the offering and will reimburse the Initial Purchaser for certain expenses incurred in connection with the offering of the Notes.

We cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that there will be an active trading market for the Notes. The Initial Purchaser, or any other person acting on its behalf may, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchaser may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchaser may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities, which may be effected in the over-the-counter market or otherwise, may stabilize or maintain the market price of the Notes above independent market levels. However, the Initial Purchaser is not obligated or required to engage in these activities, and may end any of these activities at any time at its sole discretion without prior notice. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may only be offered, sold or delivered outside the United States in offshore transactions in compliance with Regulation S under the Securities Act and in accordance with applicable law.

We expect that delivery of the Notes will be made against payment therefor on or about June 30, 2021, which we expect will be the first business day following the pricing date of the Notes (this settlement cycle being referred to as “T+1”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or prior to the settlement date of the Notes will be required, by

virtue of the fact that the Notes initially will settle in T+1, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

Investors who purchase Notes from the Initial Purchaser may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this Offering Memorandum.

We have been advised that the Initial Purchaser presently intends to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchaser is not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchaser. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

The Initial Purchaser and its respective affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory, brokerage, wealth management, private equity and investment banking services, for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses. Furthermore, we may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchaser, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

NO SALES OF SIMILAR SECURITIES

We have agreed that between the date hereof and the date which is seven days after the settlement date of this offering (both dates inclusive), neither the Company nor any Subsidiary Guarantor, nor any person acting on their behalf, will (i) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any securities of the same class as the Notes having a tenor of more than one year or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Notes, the securities of the same class as the Notes having a tenor of more than one year or other instruments representing interests in the Notes or other securities of the same class as them having a tenor of more than one year, (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Notes, (iii) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (i), (ii) or (iii) is to be settled by delivery of Notes or other securities, in cash or otherwise or (iv) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Initial Purchaser.

UNITED STATES

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. The Notes are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S under the Securities Act.

UNITED KINGDOM

Prohibition of Sales to the United Kingdom Investors

The Notes may not be offered, sold or otherwise made available 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:

- (a) 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
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other Regulatory Restrictions

The Initial Purchaser (a) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (b) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us.

SINGAPORE

The Initial Purchaser has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Initial Purchaser has represented and agreed that 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 may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time including by any subsidiary legislation as may be applicable of the relevant time (together, the “SFA”)) pursuant to section 274 of the SFA; (ii) to a relevant person (as defined in section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions

specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the 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 6 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

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

HONG KONG

The Initial Purchaser (a) has not offered or sold or will offer or sell in Hong Kong, by means of any document, any Notes other than (1) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (2) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; or (b) has not issued or had in its possession for the purposes of issue or will issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to

persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

EUROPEAN ECONOMIC AREA

PRIIPs Regulation/Prohibition of sales to EEA

The Notes may not be offered, sold or otherwise made available 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:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

CAYMAN ISLANDS

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and no such offer or invitation is made hereby. The Initial Purchaser has not offered or sold, and will not offer or sell, any Notes to the public in the Cayman Islands and has not invited, and will not invite, the public in the Cayman Islands to subscribe for the Notes.

BVI

No offer or invitation has been or will be made directly or indirectly to the public in the BVI or any natural person resident or citizen in the BVI to subscribe for the Notes and no such offer or invitation is made hereby. The Initial Purchaser has not offered or sold, and will not offer or sell, any Notes to the public in the BVI or any natural person resident or citizen in the BVI and has not invited, and will not invite, the public in the BVI or any natural person resident or citizen in the BVI to subscribe for the Notes.

MAURITIUS

No offer or invitation may be made to the public in Mauritius to subscribe for the Notes and the Initial Purchaser has not offered or sold, and will not offer or sell, any Notes in Mauritius.

GENERAL

No action is being taken or is contemplated by us that would, or is intended to, permit a public offering of the Notes or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Linklaters as to matters of United States federal and New York law, Walkers (Singapore) Limited Liability Partnership as to matters of Cayman Islands law and Walkers (Singapore) Limited Liability Partnership as to matters of BVI law. Certain legal matters will be passed upon for the Initial Purchaser by Skadden, Arps, Slate, Meagher & Flom LLP as to matters of United States federal and New York law and King & Wood Mallesons as to matters of PRC law.

CERTIFIED PUBLIC ACCOUNTANTS

The consolidated financial statements as of and for the years ended December 31, 2019 and 2020 included in this Offering Memorandum have been audited by KPMG, independent auditor, as stated in its reports appearing herein.

GENERAL INFORMATION

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, copies of the Indenture, will be (i) available (upon prior written request and on proof of Holders' ownership) for inspection on or after the Original Issue Date, during normal office hours (being between 9:00 a.m. and 3:00 p.m.) on any weekday (except public holidays) at the corporate trust office of the Principal Paying Agent or (ii) available electronically via email from the Principal Paying Agent.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, and together with the Data Privacy Notice, may be obtained during normal business hours on any weekday (except public holidays) at the principal registered office of the Company.

NO MATERIAL ADVERSE CHANGE

Other than as 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.

CLEARING SYSTEM AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream with an International Securities Identification Number of XS2357415046, a Common Code of 235741504 and a LEI of 3003007688RHDZE0GX93.

LISTING OF THE NOTES

Application will be made to the HKSE for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Notes on the HKSE will commence on July 2, 2021. Notes listed on the HKSE will be traded on the HKSE in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

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Audited consolidated financial statements of the Group as of and for the year ended December 31, 2019^(Note 1)

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Note 1: The audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 as set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2019 and 2020, including the page numbers and page references set forth in such reports. The audited consolidated financial statements have not been prepared specifically for inclusion in this Offering Memorandum.

Independent Auditor's Report



To the shareholders of Sunshine 100 China Holdings Ltd
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunshine 100 China Holdings Ltd ("the Company") and its subsidiaries ("the Group") set out on pages 96 to 220, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Valuation of investment properties

Refer to Note 10 to the consolidated financial statements and the accounting policies in Note 1(i).

The Key Audit Matter

The Group held investment properties with a total carrying amount of RMB12,176,358,000 as at 31 December 2020, which accounted for 20.0% of the Group's total assets as at that date.

The net changes in fair value of investment properties recorded in the consolidated statement of comprehensive income was RMB42,647,000 and represented 2.3% of the Group's profit before taxation for the year ended 31 December 2020.

The investment properties principally comprise office and retail properties mainly located in tier 2 and tier 3 cities in Mainland China.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

- evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity;
- meeting with the external property valuer to assess the approach to the valuations and the findings, reviewing management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer;

Independent Auditor's Report

Valuation of investment properties (Continued)

Refer to Note 10 to the consolidated financial statements and the accounting policies in Note 1(i).
(Continued)

The Key Audit Matter

The fair values of investment properties as at 31 December 2020 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates.

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and because determining the fair values of investment properties involves a significant degree of judgement and may be subject to management bias.

How the matter was addressed in our audit

- assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer;
- involving our internal valuation specialists, on a sample basis, to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted and challenging the assumptions used, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the comparable location and condition, by comparing these against market available data and government produced market statistics;
- comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and
- considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Assessing the net realisable value for properties under development and completed properties held for sale

Refer to Note 16 to the consolidated financial statements and the accounting policies in Note 1(o).

The Key Audit Matter

The carrying value of properties under development and completed properties held for sale totalled RMB29,351,932,000 as at 31 December 2020, which accounted for 48.2% of the Group's total assets as at that date. Properties under development and completed properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 2 and tier 3 cities in Mainland China, and are stated at the lower of cost and net realisable value.

The assessment of the net realisable value of properties under development and completed properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions.

Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities.

We identified assessing the net realisable value of properties under development and completed properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value of the properties require a significant degree of management judgement which could be subject to error or management bias.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties under development and completed properties held for sale included the following:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs;
- conducting site visits to property development sites, on a sample basis, discussing with management the progress of each project selected on a sample basis and challenging management's development budgets reflected in the latest forecasts for each project selected with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;
- challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of similar type and size and in similar location;
- assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods; and
- evaluating the sensitivity analyses prepared by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

Independent Auditor's Report

Assessing the expected credit loss allowance for the receivable of RMB581,089,000 due from the Government of Chenghua District in Chengdu

Refer to Note 30(a) to the consolidated financial statements and the accounting policies in Note 1(m).

The Key Audit Matter

Based on a series of agreements entered into by the Group and the Government of Chenghua District in Sichuan Province, the Group has an entitlement to receive RMB581,089,000 from the Government of Chenghua District. The Government of Chenghua District issued a notice dated 2 July 2013 to confirm this amount.

Considering the long ageing of the receivable, in February 2015, the Group sued the Government of Chenghua District and asked for the repayment of the RMB581,089,000 as well as a management fee of RMB15,000,000. The case was first trialed on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement agreement. The court accepted and approved an application for the withdrawal of the case filed by the Group on 26 July 2018. As of the date of this report, the Group is still in negotiation with the Government of Chenghua District.

How the matter was addressed in our audit

Our audit procedures to assess the expected credit loss allowance for the receivable of RMB581,089,000 due from the Government of Chenghua District in Sichuan Province included the following:

- obtaining and inspecting the legal opinion issued by the Group's external lawyer which opined on the legitimacy of the Group's right to receive the outstanding balance and understanding the negotiation status between the Group and the Government of Chenghua District; and
- assessing management's judgement in connection with the expected credit loss assessment of the outstanding balance, including comparing management's assessment with the legal opinion provided by the external lawyer and the progress of the negotiations with the Government of Chenghua District and challenging management's assessment in respect of the ability of the Government of Chenghua District to repay the receivable with reference to reports which disclose relevant financial data published by the Government of Chenghua District.

Independent Auditor's Report

Assessing the expected credit loss allowance for the receivable of RMB581,089,000 due from the Government of Chenghua District in Chengdu (Continued)

Refer to Note 30(a) to the consolidated financial statements and the accounting policies in Note 1(m).
(Continued)

The Key Audit Matter

How the matter was addressed in our audit

As at 31 December 2020, the directors of the Group were of the opinion that the RMB581,089,000 due from the Government of Chenghua District was fully recoverable, taking into consideration a legal opinion received from an external lawyer about the legitimacy of the Group's right to receive the outstanding balance and also taking into consideration that there is no indication that the Government of Chenghua District does not have the financial ability to fulfil its obligations to settle the balance.

We identified the expected credit loss allowance for the receivable of RMB581,089,000 due from the Government of Chenghua District as a key audit matter because of its financial significance to the Group and because the expected credit loss assessment requires the application of management judgement.

Independent Auditor's Report

Assessing the expected credit loss allowance for loans provided to third parties

Refer to Note 20 to the consolidated financial statements and the accounting policies in Note 1(m).

The Key Audit Matter

As at 31 December 2020, the carrying value of loans provided to third parties totalled RMB2,593,411,000 after deducting a loss allowance of RMB1,130,739,000, of which approximately 85.6% are guaranteed and/or secured by equity interests and/or land use right and properties.

Management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month expected credit losses ("ECLs") unless there has been a significant increase in credit risk of the loan receivable since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The determination of ECLs is subject to management judgement on a number of key parameters and assumptions, including the assessment of significant increase in credit risk, the identification of credit-impaired assets, the estimation of loss rates (including collateral valuation).

We identified the recoverability of loans provided to third parties as a key audit matter because of its financial significance to the Group and because the assessment of their recoverability is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of loans provided to third parties included the following:

- evaluating the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans provided to third parties, and the estimation of ECLs;
- evaluating management's assessment of the credit risk by checking loan overdue information, assessing the borrower's performance and performing market research about the debtor's business;
- where a lawsuit against an individual debtor has been filed by the Group, obtaining the court judgment and comparing the result of judgment with the carrying amount of loans provided to the individual debtor;
- assessing the Group's entitlement to the collateral by inspecting collateral arrangements and obtaining legal opinions to assess the feasibility of execution of collateral by the Group;
- evaluating management's assessment of the value of collateral held by reference to the comparable market price and assessing other sources of repayment asserted by management; and
- assessing whether the disclosures in the consolidated financial statements in respect of the expected credit losses for loans provided to third parties satisfy the requirements of the prevailing accounting standards.



Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the 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 directors are assisted by the audit committee of the Company (the "Audit Committee") in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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.

Independent Auditor's Report

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yu Wai Sum.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	2	5,759,692	8,288,648
Cost of sales		(4,230,012)	(6,188,628)
Gross profit		1,529,680	2,100,020
Valuation gains on investment properties	10	42,647	529,499
Other income	3(a)	1,564,744	2,521,513
Selling expenses		(406,386)	(483,241)
Administrative expenses		(509,749)	(590,769)
Other operating expenses	3(b)	(224,182)	(182,864)
Profit from operations		1,996,754	3,894,158
Finance income	4(a)	621,688	696,812
Finance cost	4(a)	(767,679)	(585,580)
Share of profits less losses of associates		(19,563)	12,888
Profit before taxation	4	1,831,200	4,018,278
Income tax	5	(547,249)	(803,169)
Profit for the year		1,283,951	3,215,109
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		12,162	(3,016)
Other comprehensive income for the year		12,162	(3,016)
Total comprehensive income for the year		1,296,113	3,212,093

The notes on pages 104 to 220 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 27(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Profit for the year attributable to:			
Equity shareholders of the Company		438,036	1,804,811
Non-controlling interests		845,915	1,410,298
Profit for the year		1,283,951	3,215,109
Total comprehensive income for the year			
Attributable to:			
Equity shareholders of the Company		450,198	1,801,795
Non-controlling interests		845,915	1,410,298
Total comprehensive income for the year		1,296,113	3,212,093
Earnings per share (RMB)	8		
Basic		0.17	0.70
Diluted		0.14	0.55

The notes on pages 104 to 220 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets			
Property and equipment	9	763,805	643,367
Investment properties	10	12,176,358	11,670,105
Intangible assets	11	747,845	863,900
Restricted deposits	21	116,488	42,900
Investments in associates	13	1,280,620	1,325,528
Trade and other receivables	20	265,658	192,315
Deferred tax assets	14(b)	657,118	691,570
Other non-current financial assets	15	237,105	273,730
Total non-current assets		16,244,997	15,703,415
Current assets			
Properties under development and completed properties held for sale	16	29,351,932	27,977,447
Land development for sale	17	2,615,378	2,013,294
Contract costs	18	295,280	249,106
Trade and other receivables	20	8,611,072	8,338,127
Restricted deposits	21	562,807	1,567,656
Cash and cash equivalents	22	3,071,779	2,438,612
Trading securities	23	204,957	107,953
Total current assets		44,713,205	42,692,195
Current liabilities			
Loans and borrowings	24	12,717,036	10,601,383
Trade and other payables	25	6,745,591	6,805,049
Contract liabilities	19	9,840,791	9,106,391
Lease liabilities	26	17,745	23,738
Contract retention payables		153,243	155,554
Current tax liabilities	14(a)	2,002,581	1,677,894
Total current liabilities		31,476,987	28,370,009
Net current assets		13,236,218	14,322,186
Total assets less current liabilities		29,481,215	30,025,601

The notes on pages 104 to 220 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	<i>Note</i>	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current liabilities			
Loans and borrowings	24	13,653,606	14,452,841
Contract retention payables		126,505	154,463
Lease liabilities	26	55,012	61,251
Trade and other payables	25	456,277	423,249
Deferred tax liabilities	14(b)	3,019,799	3,185,570
Total non-current liabilities		17,311,199	18,277,374
NET ASSETS			
		12,170,016	11,748,227
CAPITAL AND RESERVES			
Share capital	27	20,187	20,240
Reserves		9,362,997	9,146,484
Total equity attributable to equity shareholders of the Company		9,383,184	9,166,724
Non-controlling interests		2,786,832	2,581,503
TOTAL EQUITY		12,170,016	11,748,227

Approved and authorised for issue by the board of directors on 30 March 2021.

YI Xiaodi
Directors

FAN Xiaochong
Directors

The notes on pages 104 to 220 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company										Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	General reserve fund RMB'000	Property revaluation reserve RMB'000	Retained profits (Note) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2019	20,704	3,420,724	-	-	(21,793)	737,866	13,036	3,304,305	7,474,842	2,133,453	9,608,295
Changes in equity for 2019:											
Profit for the year	-	-	-	-	-	-	-	1,804,811	1,804,811	1,410,298	3,215,109
Other comprehensive income	-	-	-	-	(3,016)	-	-	-	(3,016)	-	(3,016)
Total comprehensive income	-	-	-	-	(3,016)	-	-	1,804,811	1,801,795	1,410,298	3,212,093
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	4,250	4,250
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,176,170)	(1,176,170)
Repurchase of own shares 27(c)											
- par value paid	(464)	-	(21)	-	-	-	-	-	(485)	-	(485)
- premium paid	-	(76,279)	(2,841)	-	-	-	-	-	(79,120)	-	(79,120)
- transfer between reserves	-	(464)	-	464	-	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	263,684	263,684
Equity transaction with non-controlling interests	-	-	-	-	-	-	-	(30,308)	(30,308)	30,308	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(84,320)	(84,320)
Transfer to general reserve fund	-	-	-	-	-	47,203	-	(47,203)	-	-	-
Balance at 31 December 2019 and 1 January 2020	20,240	3,343,981	(2,862)	464	(24,809)	785,069	13,036	5,031,605	9,166,724	2,581,503	11,748,227
Changes in equity for 2020:											
Profit for the year	-	-	-	-	-	-	-	438,036	438,036	845,915	1,283,951
Other comprehensive income	-	-	-	-	12,162	-	-	-	12,162	-	12,162
Total comprehensive income	-	-	-	-	12,162	-	-	438,036	450,198	845,915	1,296,113
Dividends declared in respect of the current year	-	-	-	-	-	-	-	(233,137)	(233,137)	-	(233,137)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(660,221)	(660,221)
Purchase and cancellation of own shares 27(c)											
- par value paid	(32)	-	-	-	-	-	-	-	(32)	-	(32)
- premium paid	-	(4,449)	-	-	-	-	-	-	(4,449)	-	(4,449)
- transfer between reserves	-	(53)	-	53	-	-	-	-	-	-	-
Cancellation of treasury shares 27(c)	(21)	(2,841)	2,862	-	-	-	-	-	-	-	-
Repurchase of own shares 27(c)											
- par value paid	-	-	(5)	-	-	-	-	-	(5)	-	(5)
- premium paid	-	-	(582)	-	-	-	-	-	(582)	-	(582)
Equity transactions with non-controlling interests	-	-	-	-	-	-	-	4,467	4,467	22,182	26,649
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(2,547)	(2,547)
Transfer to general reserve fund	-	-	-	-	-	22,810	-	(22,810)	-	-	-
Balance at 31 December 2020	20,187	3,336,638	(587)	517	(12,647)	807,879	13,036	5,218,161	9,383,184	2,786,832	12,170,016

The notes on pages 104 to 220 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		1,831,200	4,018,278
Adjustments for:			
– Depreciation	4(c)	138,154	69,393
– Valuation gains on investment properties	10	(42,647)	(529,499)
– Finance costs	4(a)	762,423	569,166
– Finance income	4(a)	(621,688)	(696,812)
– Net loss on disposal of property and equipment		1,846	63
– Net loss on disposal of investment properties	3(a)	15,043	31,192
– Gain on disposal of subsidiaries	3(a)	(1,515,479)	(2,117,598)
– Remeasurement to fair value of pre-existing interest in acquiree	3(a)	–	(399,839)
– Impairment loss on trade and other receivables	4(c)	167,308	117,168
– Write-down of properties under development and completed properties held for sale	4(c)	53,928	31,769
– Share of profits less losses of associates		19,563	(12,888)
		809,651	1,080,393
Decrease in properties under development and completed properties held for sale		1,252,646	1,938,203
Increase in land development for sale		(261,520)	(188,460)
Decrease in trade and other receivables		355,116	232,221
(Increase)/decrease in restricted deposits		(1,539)	301,435
Decrease in trade and other payables, and contract retention payables		(929,724)	(785,797)
Increase in contract liabilities		538,182	145,531
Increase in contract costs		(43,854)	(2,551)
Cash generated from operation		1,718,957	2,720,975
Income tax paid		(356,550)	(357,412)
Net cash generated from operating activities		1,362,407	2,363,563

The notes on pages 104 to 220 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Investing activities			
Finance income received		199,830	180,791
Proceeds from disposal of property and equipment		10,520	2,180
Proceeds from disposal of investment properties		10,420	68,008
Prepayment for acquisition of an associate		–	(4,000)
Prepayment for acquisition of subsidiaries in previous year		(100,000)	(28,327)
Acquisition of subsidiaries, net of cash acquired	22(d)	(140,813)	(49,442)
Acquisition of property and equipment		(31,582)	(12,415)
Acquisition of investment properties		(8,520)	(84,128)
Acquisition of associates		(108,000)	(274,987)
Proceeds from disposal of subsidiaries	34	469,315	3,739,523
Proceeds from disposal of subsidiaries in previous year		746,670	–
Loans provided to related parties	31	(10,078)	(3,404)
Repayment of loans provided to a related Party	31	3,706	117,500
Loans provided to third parties		–	(148,955)
Repayment of loans provided to third parties		252,944	–
Loans provided to associates	31	(256,725)	(154,952)
Repayment of loans provided to an associate		495	20,170
Repayment of loans provided to non-controlling interests		106,254	–
Loans provided to non-controlling interests		(54,434)	(290,389)
Other investing activities		(98,074)	(169,953)
Net cash generated from investing activities		991,928	2,907,220

The notes on pages 104 to 220 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Proceeds from loans and borrowings	22(b)	10,656,594	11,003,445
Repayment of loans and borrowings	22(b)	(7,603,184)	(10,889,011)
Repayment of senior notes	22(b)	(2,826,300)	–
Repayment of PRC bonds	22(b)	(1,000,000)	(1,506,789)
Redemption of convertible bonds	22(b)	–	(1,109,726)
Proceeds from issue of PRC bonds	22(b)	683,847	–
Proceeds from issue of senior notes	22(b)	848,208	1,015,060
Interest paid	22(b)	(2,983,483)	(2,869,464)
Decrease in restricted deposits	22(b)	932,800	193,470
Loans from an associate	31	230,000	–
Loans from related parties	31	33,295	557
Repayment of loans from related parties	31	–	(317)
Capital contribution from non-controlling interests		–	4,250
Equity transactions with non-controlling interests		26,649	–
Capital element of lease rentals paid	22(b)	(19,582)	(23,163)
Interest element of lease rentals paid	22(b)	(5,341)	(7,686)
Repurchase of own shares		(5,068)	(79,605)
Distribution to non-controlling interests		(660,221)	(1,176,170)
Net cash used in financing activities		(1,691,786)	(5,445,149)
Net increase/(decrease) in cash and cash equivalent		662,549	(174,366)
Cash and cash equivalents at 1 January	22(a)	2,438,612	2,588,630
Effect of foreign exchange rate changes		(29,382)	24,348
Cash and cash equivalents at 31 December	22(a)	3,071,779	2,438,612

The notes on pages 104 to 220 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

In determining the appropriate basis of preparation of the financial statements, the directors of the Company have reviewed the Group’s cash flow projections prepared by management based on estimations of future cash flow from pre-sale of properties, future, committed and planned properties development expenditure and the availability of financing, which cover a period of twelve months from the reporting period end date. They are of the opinion that the Group will have sufficient funding to meet its financial obligations as and when they fall due and committed future properties development expenditure within the next twelve months from the end of the current reporting period and that there are no material uncertainties in this respect which individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern.

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the Company and the entities carrying out the principal activities of the Group in the People’s Republic of China (the “PRC”).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see Note 1(i));
- investments in equity securities (see Note 1(g)); and
- derivative financial instruments (see Note 1(h)).

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 32.

(c) Changes in accounting policies

The Group has applied the following amendment to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the year (See Note 22(d)).

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net identifiable assets.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 1(s), (t) or (u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to gain on bargain purchase and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is accounted for under equity method, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 1(f) and (m)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated other comprehensive income in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

(i) Investments other than equity investments

Non-equity investments held by the group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(z) (vii)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group make an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 1(z) (viii).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of investment properties is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(z) (iii).

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in the property revaluation reserve, when a deficit arises, it will be charged to profit or loss.

(j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(m)).

The cost of self-constructed items of property includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(bb)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment (Continued)

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Hotel properties	30 – 40 years
– Supermarkets	20 – 30 years
– Office premises	20 – 30 years
– Motor vehicles	5 – 8 years
– Office equipment	3 – 5 years

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are the exclusive right of land development, which is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(m)).

Amortisation of intangible assets with finite useful lives is capitalised as part of the cost of that asset. The exclusive right of land development with finite useful lives are amortised from the date they are available for use and based on the completion progress of land development.

The period and method of amortisation are reviewed annually.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Leased assets (Continued)

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 1(j) and 1(m) (iii)), except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 1(i).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets

(i) **Credit losses from financial instruments, contract assets and lease receivables**

The Group recognises a loss allowance for expected credit losses on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables including loans provided to non-controlling interests in subsidiaries, related parties, and third parties); and
- contract assets as defined in IFRS 15 (see Note 1(q));

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) **Credit losses from financial instruments, contract assets and lease receivables (Continued)**

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(z) (vii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 1(m) (i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts); and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

• *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

• *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

- *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(n) Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development for sale. Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– **Property under development for sale**

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(bb)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– **Completed property held for sale**

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative for the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When properties under development and completed properties held for sale are sold, the carrying amount of those properties under development and completed properties held for sale is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of properties under development and completed properties held for sale to net realisable value and all losses of properties under development and completed properties held for sale are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties under development and completed properties held for sale is recognised as a reduction in the amount of properties under development and completed properties held for sale recognised as an expense in the period in which the reversal occurs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as properties under development and completed properties held for sale (see Note 1(o)), or property and equipment (see Note 1(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 1(z).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(z)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 1(m) (i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 1(r)).

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue (see Note 1(z)). A contract liability would also be recognised if the group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 1(r)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 1(z)).

(r) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 1(q)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 1(m) (i)).

(s) Loans and borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 1(bb)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Convertible bonds

(i) **Convertible notes that contain an equity component**

Convertible notes that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible notes as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the notes are converted or redeemed.

If the notes are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the capital reserve is released directly to retained profits.

(ii) **Other convertible notes**

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see Note 1(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Convertible bonds (Continued)

(ii) Other convertible notes (Continued)

The derivative component is subsequently remeasured in accordance with Note 1(h). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(m) (ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 1(m) (i).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits

(i) **Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contributions retirement scheme as required under the relevant PRC laws and regulations are charged to profit or loss when incurred.

(ii) **Termination benefits**

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(y) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Provisions and contingent liabilities (Continued)

(ii) Onerous contracts

An onerous contract exists when the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(iii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 1(y) (i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(y) (i).

(z) Revenue recognition

Income is classified by the Group as revenue when it arising from the sales of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a property or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (Continued)

Further details of the group's revenue and other income recognition policies are as follows:

(i) **Sale of properties**

Revenue arising from the sale of properties with full payment in advance before the construction of respective properties are completed, and a corresponding contract asset (see Note 1(q)), are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual construction costs incurred relative to the estimated total construction costs.

Revenue arising from the sale of properties other than those with full payment in advance is recognised when legal assignment is complete, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see Note 1(q)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the IAS 23, Borrowing Costs, in accordance with the policies set out in Note 1(bb), if significant.

(ii) **Revenue from land development for sale**

Revenue from land development for sale is recognised upon the transfer of control in connection with the land development for sale and when the amount of revenue can be measured reliably, which occurs upon the completion of related works as well as the sale of land.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (Continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Property management and hotel operation income

Property management and hotel operation income is recognised over the periods in which the services management are rendered.

(v) Property selling agency income

Property selling agency income mainly refers to the selling income of the property market. Property selling agency income is recognised according to the calculation method as stipulated in the relevant contracts when the service provided meets the terms required.

(vi) Brand-use service income

Brand-use service income is determined according to the period and fee calculation method as stipulated in the relevant contracts or agreements.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the assets (see Note 1(m) (i)).

(viii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting periods. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are a joint venture of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

The principle activities of the Group are property and land development, property investment, property management and hotel operation, and light-asset operation. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	5,138,009	7,638,985
Property management and hotel operation income	454,538	457,899
Light-asset operation income	15,204	29,363
	5,607,751	8,126,247
Revenue from other sources		
Rental income from investment properties	151,941	162,401
	5,759,692	8,288,648
Disaggregated by timing of revenue recognition		
Point in time	4,620,289	6,568,202
Over time	1,139,403	1,720,446
	5,759,692	8,288,648

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(i) *Disaggregation of revenue (Continued)*

Disaggregation of revenue from contracts with customers by segment and by the timing of revenue recognition is disclosed in Note 2(b) (i).

The Group's customer base is diversified and there are no customers with whom transactions have exceed 10% of the Group's revenue.

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB12,329,671,000 (2019: RMB12,521,245,000). This amount represents revenue expected to be recognised in the future from sale of properties. The Group will recognise the expected revenue within three years. This amount do not includes variable consideration which is constrained.

(b) Segment reporting

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, property management and hotel operation, and light-asset operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments:

- (a) the mixed-use business complexes segment that develops and sells business complex products;
- (b) the multi-functional residential communities segment that develops and sells residential properties and develops land;
- (c) investment properties segment that leases offices and commercial premises;
- (d) the property management and hotel operation segment that provides property management services, and hotel accommodation services; and
- (e) the light-asset operation segment that provides property selling agency and brand-use services.

No operating segments have been aggregated to form the above reportable segments.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Management is provided with segment information concerning revenue, cost of sales, valuation gains on investment properties, net operating expenses, finance costs, income tax, additions on investment properties and property and equipment, and loans and borrowings.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Year ended 31 December 2020					Total RMB'000
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Light-asset operation RMB'000	
Disaggregated by timing of revenue recognition						
Point in time	1,913,619	2,691,466	-	-	15,204	4,620,289
Over time	100,774	432,150	151,941	454,538	-	1,139,403
Revenue from external customer	2,014,393	3,123,616	151,941	454,538	15,204	5,759,692
Inter-segment revenue	-	-	7,681	63,638	-	71,319
Reportable segment revenue	2,014,393	3,123,616	159,622	518,176	15,204	5,831,011
Cost of sales	(1,160,789)	(2,647,957)	-	(528,398)	(11,180)	(4,348,324)
Reportable segment gross profit/(loss)	853,604	475,659	159,622	(10,222)	4,024	1,482,687
Valuation gains on investment properties	-	-	42,647	-	-	42,647
Other income	13,874	1,539,936	(16,423)	13,968	-	1,551,355
Net operating expenses	(344,776)	(519,528)	(24,757)	(69,483)	(188)	(958,596)
Net finance cost	(62,326)	(118,055)	(14,393)	(21,114)	-	(215,888)
Reportable segment profit/ (loss) before taxation	460,376	1,378,012	146,696	(86,715)	3,836	1,902,205
Income tax	(223,103)	(305,592)	(36,388)	(2,373)	(345)	(567,801)
Reportable segment profit/(loss)	237,273	1,072,420	110,308	(89,088)	3,491	1,334,404
Additions on investment properties and property and equipment	1,322	4,743	84,241	260,806	32	351,144

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	At 31 December 2020					
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Light-asset operation RMB'000	Total RMB'000
Loans and borrowings	5,498,367	14,605,874	–	1,001,642	–	21,105,883
Reportable segment assets	14,950,210	36,065,031	12,750,391	1,509,139	118,480	65,393,251
Reportable segment liabilities	14,618,246	35,591,269	536,956	1,169,671	42,549	51,958,691
	Year ended 31 December 2019					
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Light-asset operation RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
Point in time	2,104,247	4,434,592	–	–	29,363	6,568,202
Over time	548,502	551,644	162,401	457,899	–	1,720,446
Revenue from external customer	2,652,749	4,986,236	162,401	457,899	29,363	8,288,648
Inter-segment revenue	–	–	32,553	81,089	–	113,642
Reportable segment revenue	2,652,749	4,986,236	194,954	538,988	29,363	8,402,290
Cost of sales	(1,901,808)	(3,888,888)	–	(560,913)	(5,695)	(6,357,304)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2019					
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Light-asset operation RMB'000	Total RMB'000
Reportable segment gross profit/(loss)	750,941	1,097,348	194,954	(21,925)	23,668	2,044,986
Valuation gains on investment properties	–	–	529,499	–	–	529,499
Other income	(494,093)	3,032,716	(29,998)	4,432	–	2,513,057
Net operating expenses	(351,836)	(622,006)	(22,262)	(64,676)	(44)	(1,060,824)
Net finance costs	(20,910)	(36,872)	(7,816)	(14,689)	–	(80,287)
Reportable segment (loss)/ profit before taxation	(115,898)	3,471,186	664,377	(96,858)	23,624	3,946,431
Income tax	(27,719)	(655,109)	(167,345)	(2,005)	(2,126)	(854,304)
Reportable segment (loss)/profit	(143,617)	2,816,077	497,032	(98,863)	21,498	3,092,127
Additions on investment properties and property and equipment	11,191	2,310	96,761	14,629	367	125,258
	At 31 December 2019					
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Light-asset operation RMB'000	Total RMB'000
Loans and borrowings	2,822,903	14,344,693	–	952,490	–	18,120,086
Reportable segment assets	12,870,293	35,641,319	11,808,640	1,399,824	102,136	61,822,212
Reportable segment liabilities	12,399,072	34,243,571	527,285	1,047,487	32,785	48,250,200

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue, profit, assets and liabilities

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	5,831,011	8,402,290
Elimination of intra-group revenue	(71,319)	(113,642)
Consolidated revenue (Note 2(a) (i))	5,759,692	8,288,648
Profit		
Reportable segment profit	1,334,404	3,092,127
Elimination of intra-group results	52,474	34,468
Unallocated head office and corporate (loss)/income	(102,927)	88,514
Consolidated profit	1,283,951	3,215,109
Loans and borrowings		
Reportable segment loans and borrowings	21,105,883	18,120,086
Unallocated head office and corporate loans and borrowings	5,264,759	6,934,138
Consolidated loans and borrowings	26,370,642	25,054,224
Assets		
Reportable segment assets	65,393,251	61,822,212
Elimination of intra-group balances	(21,975,558)	(21,157,594)
Unallocated head office and corporate assets	17,540,509	17,730,992
Consolidated total assets	60,958,202	58,395,610
Liabilities		
Reportable segment liabilities	51,958,691	48,250,200
Elimination of intra-group balances	(21,461,474)	(20,561,523)
Unallocated head office and corporate liabilities	18,290,969	18,958,706
Consolidated total liabilities	48,788,186	46,647,383

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(iii) Geographical information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

3 OTHER INCOME AND OTHER OPERATING EXPENSES

(a) Other income

	Note	2020 RMB'000	2019 RMB'000
Disposal of subsidiaries	34	1,515,479	2,117,598
Remeasurement to fair value of pre-existing interest in acquiree		–	399,839
Net loss on disposal of investment properties		(15,043)	(31,192)
Others		64,308	35,268
		1,564,744	2,521,513

(b) Other operating expenses

	Note	2020 RMB'000	2019 RMB'000
Impairment losses on loans provided to third parties	30(a)	125,807	102,460
Impairment losses on consideration receivables	20(e)	28,178	–
Others		70,197	80,404
		224,182	182,864

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

	2020 RMB'000	2019 RMB'000
Finance income		
Interest income on financial assets measured at amortised cost	(371,382)	(435,205)
Dividend income from the trading securities	(26,193)	(3,215)
Net change in fair value of the derivative component of the convertible bonds (Note 24(f))	(18,998)	(258,392)
Net change in fair value of financial assets measured at FVPL	(16,729)	–
Net foreign exchange gain	(188,386)	–
	(621,688)	(696,812)
Finance costs		
Total interest expense on loans and borrowings (Note 22(b))	3,088,383	2,888,167
Less: Interest expense capitalised into land development for sale, properties under development and investment properties under construction*	(2,374,082)	(2,391,047)
	714,301	497,120
Net foreign exchange loss	–	26,227
Net change in fair value of the trading securities	42,781	38,133
Interest element of lease rentals paid	5,341	7,686
Bank charges and others	5,256	16,414
	767,679	585,580

* The borrowing costs have been capitalised at a rate of 4.20% – 16.52% per annum (2019: 4.20% – 14.00%).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2020	2019
	RMB'000	RMB'000
Contributions to defined contribution retirement plan	6,202	36,740
Salaries, wages and other benefits	515,316	534,146
	521,518	570,886

(c) Other items

	2020	2019
	RMB'000	RMB'000
	42,562	44,596
	95,592	24,797
	138,154	69,393
Depreciation charge		
– Owned property, plant and equipment		
– Right-of-use assets		
Impairment losses		
– Impairment losses on loans provided to third parties		
– Impairment losses on consideration receivables		
Write-down of properties under development and completed properties held for sale		
Auditors' remuneration		
– Audit services		
– Tax services		
Rental receivable from investment properties less direct outgoing of RMB Nil		

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	Note	2020 RMB'000	2019 <i>RMB'000</i>
Provision for the year			
– PRC Corporate Income Tax		421,895	662,574
– Land Appreciation Tax		289,080	304,584
Over-provision of PRC Corporate Income tax in respect of prior years		(23,967)	(1,748)
Deferred tax	14(b)	(139,759)	(162,241)
		547,249	803,169

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 5% to 7% based on types of properties.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Profit before taxation	1,831,200	4,018,278
Notional tax at profit before taxation, calculated at the tax rate of 25%	457,800	1,004,570
Provision for Land Appreciation Tax	289,080	304,582
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	(72,270)	(76,146)
Tax effect of unused tax losses not recognised	47,546	55,794
Effect of preferential tax rate	(165,628)	(466,038)
Tax effect of share of profits less losses of associates	4,891	(3,222)
Tax effect of non-deductible expenses	9,797	85,125
Over-provision in prior years	(23,967)	(1,748)
Tax effect of non-taxable income	-	(99,748)
Actual tax expense	547,249	803,169

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2020 Total RMB'000
Chairman:					
Mr. Yi Xiaodi	-	1,152	777	8	1,937
Executive director:					
Mr. Fan Xiaochong	-	1,082	673	8	1,763
Non-executive directors:					
Mrs. Fan Xiaohua ("Mrs. Fan")	-	548	120	-	668
Mr. Wang Gongquan	296	-	-	-	296
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	302	-	-	-	302
Mr. Gu Yunchang	302	-	-	-	302
Mr. Wang Bo	296	-	-	-	296
	1,196	2,782	1,570	16	5,564

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2019 Total RMB'000
Chairman:					
Mr. Yi Xiaodi	-	1,248	834	50	2,132
Executive director:					
Mr. Fan Xiaochong	-	1,183	798	50	2,031
Non-executive directors:					
Mrs. Fan Xiaohua ("Mrs. Fan")	-	580	183	-	763
Mr. Wang Gongquan	296	-	-	-	296
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	299	-	-	-	299
Mr. Gu Yunchang	299	-	-	-	299
Mr. Wang Bo	296	-	-	-	296
	1,190	3,011	1,815	100	6,116

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other three (2019: three) individuals are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries and other emoluments	2,356	3,570
Discretionary bonuses	1,214	1,310
Retirement scheme contributions	16	79
	3,586	4,959

The emoluments of the three (2019: three) individuals with the highest emoluments are within the following bands presented in Hong Kong Dollar ("HKD"):

	2020 <i>Numbers of individuals</i>	2019 <i>Numbers of individuals</i>
HKD1,000,001 to HKD1,500,000	3	–
HKD1,500,001 to HKD2,000,000	–	2
HKD2,000,001 to HKD2,500,000	–	1

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB438,036,000 (2019: RMB1,804,811,000) and the weighted average of 2,552,700,273 ordinary shares (2019: 2,563,830,874 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	<i>Note</i>	2020	2019
Issued ordinary shares at 1 January		2,555,848,477	2,612,160,477
Effect of shares repurchased and cancelled	27(c)	(3,148,204)	(48,206,200)
Effect of treasury shares	27(c)	–	(123,403)
Weighted average number of ordinary shares at 31 December		2,552,700,273	2,563,830,874

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the diluted profit attributable to equity shareholders of the Company of RMB406,619,000(2019: RMB1,655,588,000) and the diluted weighted average number of ordinary shares of 2,820,018,206(2019: 3,025,590,588 ordinary shares), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2020	2019
	RMB'000	RMB'000
Profit attributable to equity shareholders	438,036	1,804,811
After tax effect of effective interest on the liability component of convertible bonds	(8,756)	105,109
After tax effect of gains recognised on the derivative component of convertible bonds	(22,661)	(254,332)
Profit attributable to equity shareholders (diluted)	406,619	1,655,588

(ii) Weighted average number of ordinary shares (diluted)

	2020	2019
Weighted average number of ordinary shares at 31 December	2,552,700,273	2,563,830,874
Effect of conversion of convertible bonds	267,317,933	461,759,714
Weighted average number of ordinary shares (diluted) at 31 December	2,820,018,206	3,025,590,588

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
At 31 December 2018	748,576	60,356	91,832	51,395	85,168	1,037,327
Impact on initial application of IFRS16	-	-	65,588	-	-	65,588
At 1 January 2019	748,576	60,356	157,420	51,395	85,168	1,102,915
Additions	12,522	-	4,333	3,729	4,929	25,513
Acquisition of subsidiaries	-	-	-	-	778	778
Disposals of subsidiaries	-	-	(32)	(764)	(771)	(1,567)
Transfer to investment properties	(73,173)	-	-	-	-	(73,173)
Disposals	(76)	(643)	(4,226)	(1,885)	(6,590)	(13,420)
At 31 December 2019	687,849	59,713	157,495	52,475	83,514	1,041,046
At 1 January 2020	687,849	59,713	157,495	52,475	83,514	1,041,046
Additions	258,090	-	4,769	312	7,314	270,485
Acquisition of a subsidiary	-	-	-	-	474	474
Disposals	-	-	(17,465)	(1,755)	(3,506)	(22,726)
At 31 December 2020	945,939	59,713	144,799	51,032	87,796	1,289,279

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Hotel properties <i>RMB'000</i>	Supermarkets <i>RMB'000</i>	Office premise <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Accumulated depreciation:						
At 1 January 2019	177,582	6,884	56,907	38,072	60,018	339,463
Charge for the year	28,207	1,233	23,980	3,955	12,018	69,393
Written back on disposals	(63)	(491)	(3,627)	(1,016)	(5,980)	(11,177)
At 31 December 2019	205,726	7,626	77,260	41,011	66,056	397,679
At 1 January 2020	205,726	7,626	77,260	41,011	66,056	397,679
Charge for the year	101,277	1,254	20,426	2,976	12,221	138,154
Written back on disposals	-	-	(7,073)	(829)	(2,457)	(10,359)
At 31 December 2020	307,003	8,880	90,613	43,158	75,820	525,474
Net book value:						
At 31 December 2019	482,123	52,087	80,235	11,464	17,458	643,367
At 31 December 2020	638,936	50,833	54,186	7,874	11,976	763,805

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT (CONTINUED)

(a) The analysis of net book value of properties

The net book values of hotel properties, supermarkets and office premise in aggregate of RMB743,955,000 as at 31 December 2020 (2019: RMB614,445,000), were under medium-term leases in the PRC.

(b) Certain portion of the Group's hotel properties were pledged against certain loans and borrowings, details of which are set out on Note 24(k).

(c) As at 31 December 2020, the Group had not obtained ownership certificates for certain hotel properties, supermarkets and office premises with aggregate carrying value of RMB27,660,000 (2019: RMB27,722,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

(d) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		31 December 2020 RMB'000	31 December 2019 RMB'000
Office premise, carried at depreciated cost	(i)	19,359	43,178
Hotel properties, carried at depreciated cost	(ii)	189,324	10,711
Investment property, carried at fair value, with remaining lease term of:			
– between 10 and 50 years	(iii)	27,745	29,466
		236,428	83,355

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT (CONTINUED)

(d) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Office premise	16,225	22,986
– Hotel properties	79,367	1,811
	95,592	24,797
Interest on lease liabilities (Note 4(a))	5,341	7,686
Expense relating to short-term leases	6,010	5,924

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT (CONTINUED)

(d) Right-of-use assets (Continued)

During the year, additions to right-of-use assets related to the expensed lease payments payable under new tenancy agreements were RMB262,606,000.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 22(c) and Note 26, respectively.

(i) Office premise

The Group has obtained the right to use office premise as its office work building through tenancy agreements. The leases typically run for an initial period of 2 to 7 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes an option to purchase the leased office premise at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(ii) Hotel properties

The Group has obtained the right to use hotel properties by sale and leasebacks through tenancy agreements. The leases typically run for an initial period of 2 to 5 years. None of the leases include an option to renew the lease when all terms are renegotiated, None of the leases includes an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(iii) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 2 to 13 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every 1 year to 4 years to reflect market rentals. None of the leases includes variable lease payments.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES

	Properties under construction <i>RMB'000</i>	Completed properties <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	1,334,392	10,395,642	11,730,034
Additions	124,226	31,700	155,926
Transfer from properties under development and completed properties held for sale	89,887	178,417	268,304
Transfer from property and equipment	–	73,173	73,173
Valuation gains on investment properties for the year	87,645	441,854	529,499
Transfer to completed properties	(95,082)	95,082	–
Disposal of subsidiaries	(270,668)	(700,226)	(970,894)
Disposals	–	(115,937)	(115,937)
At 31 December 2019	1,270,400	10,399,705	11,670,105
At 1 January 2020	1,270,400	10,399,705	11,670,105
Additions	83,273	–	83,273
Transfer from properties under development and completed properties held for sale	223,362	182,434	405,796
Valuation (losses)/gains on investment properties for the year	(39,936)	82,583	42,647
Transfer to completed properties	(589,819)	589,819	–
Disposals	–	(25,463)	(25,463)
At 31 December 2020	947,280	11,229,078	12,176,358

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
— Commercial	12,176,358	-	-	12,176,358

	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
— Commercial	11,670,105	-	-	11,670,105

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: RMB Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's completed investment properties and investment properties under construction were revalued as at 31 December 2020. The valuations were carried out by CHFT Advisory And Appraisal Ltd ("CHFT"), a firm of independent qualified valuers in Hong Kong with recent experience in the location and category of properties being valued. The Group's finance manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Completed investment properties	Direct comparison approach, and	Market unit sale price (RMB/sq.m.)	6,120 – 75,800 (2019: 6,120 – 75,900)	36,986 (2019: 23,507)
		Income capitalization approach	Capitalisation rate	3.5% – 6.5% (2019: 3.5% – 6.5%)
		Market monthly rent rate (RMB/sq.m.)	10 – 239 (2019: 24 – 280)	41 (2019: 166)
Investment properties under construction	Direct comparison approach	Market unit sale price (RMB/sq.m.)	16,361 – 21,384 (2019: 13,599 – 41,643)	17,491 (2019: 27,965)

The fair values of completed investment properties is determined using an open market value basis with reference to comparable sales transactions as identified in the relevant markets, and where, appropriate, taking into account the fair market valuations using the income capitalisation approach. The fair value measurement is positively correlated to the market monthly rent rate, market unit sale price, and negatively correlated to the capitalisation rate.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The investment properties under construction have been valued on the basis that the properties will be constructed and completed in accordance with the relevant development plans. The valuation were performed by CHFT by using the direct comparison approach which is commonly used in valuating development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deductions on construction costs, professional fees and interest payments to be incurred as at the valuation date as well as developer’s profits. The fair value measurement is positively correlated to the market unit sale price.

Given the outbreak of COVID-19 which has caused high volatility to the global economy and uncertainties to the property market, this disruption has increased the uncertainty of the assumptions adopted in the valuation process. Consequently, the on-going development of COVID-19 may cause unexpected volatility in the future fair value of the investment properties subsequent to 31 December 2020.

The (loss)/gain on disposal of investment properties and changes in fair value of investment properties are presented in “other income” and “valuation gains on investment properties” in the consolidated statement of comprehensive income, respectively.

- (b) The investment properties were under medium-term leases in the PRC.
- (c) Certain investment properties of the Group were pledged against the loans and borrowings, details are set out in Note 24(k).
- (d) As at 31 December 2020, the Group had not obtained ownership certificates for certain completed investment properties with aggregate carrying value of RMB680,847,000 (2019: RMB770,619,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.
- (e) As at 31 December 2020, no completed investment properties of the Group (2019: RMB74,031,000), were pledged with banks to secure banking facilities of a third party of the Group.
- (f) As at 31 December 2020, certain investment properties with carrying value of RMB1,217,000,000 (2019: RMB1,242,000,000) of the Group are not permitted for sale until the end of May 2021.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(g) Total future minimum lease payments receivables by the Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 1 year	138,393	115,049
After 1 year but within 2 years	135,615	107,128
After 2 year but within 3 years	97,608	91,717
After 3 year but within 4 years	79,396	73,783
After 4 year but within 5 years	65,965	63,007
After 5 years	414,531	386,599
	931,508	837,283

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 INTANGIBLE ASSETS

	Exclusive right of land development <i>RMB'000</i>
Cost	
At 31 December 2019 and 31 December 2020	863,900
Accumulated amortisation:	
At 31 December 2019 and 1 January 2020	–
Transferred to properties under development and completed properties held for sale	(116,055)
At 31 December 2020	(116,055)
Net book value:	
At 31 December 2020	747,845
At 31 December 2019	863,900

Intangible asset for the year ended 31 December 2020 represented the recognition of the exclusive right of land development, an intangible asset, acquired from the acquisition of a subsidiary, which was determined by reference to the excess earnings method under income approach.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the company	Held by a subsidiary	
1 Guangxi Vantone Real Estate Co., Ltd. ("Guangxi Vantone") 廣西萬通房地產有限公司**	Guangxi Zhuang, Autonomous Region, the PRC	RMB192,525,900	100%	–	100%	Property development
2 Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100 Group") 陽光壹佰置業集團有限公司*	Beijing, the PRC	RMB1,000,000,000	100%	–	100%	Investment holding
3 Chang Zhou Kailei Properties Limited ("Changzhou Kailei") 常州凱雷置業有限公司*	Jiangsu Province, the PRC	RMB117,640,000	51%	–	51%	Property development
4 Wenzhou Center Plaza Construction Development Co., Ltd. ("Wenzhou Center") 溫州中心大廈建設發展有限公司*	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development Note (i)
5 Chang Jia International Limited ("Chang Jia") 長佳國際有限公司	the BVI	50,000 shares US\$1 each	55%	–	55%	Investment holding Note (i)
6 Wenzhou Shihe Ecological Town Development Co., Ltd. ("Wenzhou Shihe") 溫州世和生態城開發有限公司*	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development
7 Jinan Sunshine 100 Real Estate Development Co., Ltd. ("Jinan Sunshine 100") 濟南陽光壹佰房地產開發有限公司*	Shandong Province, the PRC	RMB100,000,000	49%	–	49%	Property development Note (i)
8 Xizang Sunshine 100 Sales Management Co., Ltd. ("Xizang Sales Management") 西藏陽光壹佰營銷管理有限公司*	Tibet Autonomous Region, the PRC	RMB100,000,000	100%	–	100%	Sales management
9 Wenzhou Zhongxin Haoyuan Investment Co., Ltd. ("Wenzhou Zhongxin Haoyuan") 溫州中信昊園投資有限公司*	Zhejiang Province, the PRC	RMB100,000,000	100%	–	100%	Property development
10 Tianjin Langyida Enterprise Management Co., Ltd. ("Tianjin Langyida") 天津琅壹達企業管理有限公司*	Tianjin, the PRC	RMB100,000,000	80%	–	80%	Property development

* The Company is registered as a limited liability company in the PRC.

** The Company is registered as a sino-foreign equity joint venture enterprise in the PRC.

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(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following tables list out the information relating to Jinan Sunshine 100, Chang Jia and Wenzhou Center, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2020 RMB'000	2019 RMB'000
Jinan Sunshine 100		
NCI percentage	51%	51%
Current assets	1,779,730	2,313,867
Non-current assets	1,588,490	1,480,818
Current liabilities	(1,156,263)	(1,689,315)
Non-current liabilities	(486,749)	(806,307)
Net assets	1,725,208	1,299,063
Carrying amount of NCI	879,856	662,522
Revenue	1,562,430	349,558
Profit for the year	426,145	73,470
Total comprehensive income	426,145	73,470
Profit allocated to NCI	217,334	37,470
Dividends paid to NCI	–	102,000
Cash flows from operating activities	437,896	458,414
Cash flows from investing activities	(47,342)	22
Cash flows from financing activities	(307,339)	(261,448)
Chang Jia		
NCI percentage	45%	45%
Current assets	4,966,963	5,012,606
Non-current assets	156,915	125,716
Current liabilities	(3,628,253)	(3,685,828)
Non-current liabilities	(118,840)	(183,288)
Net assets	1,376,785	1,269,206
Carrying amount of NCI	619,553	571,143
Revenue	391,450	962,543
Profit for the year	1,426,735	2,736,919
Total comprehensive income	1,426,735	2,736,919
Profit allocated to NCI	642,031	1,231,614
Dividends paid to NCI	593,621	1,055,970

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities	(305,211)	(65,379)
Cash flows from investing activities	719,289	179,515
Cash flows from financing activities	(515,405)	(292,058)
Wenzhou Center		
NCI percentage	49%	49%
Current assets	2,538,366	2,253,010
Non-current assets	999,218	1,047,112
Current liabilities	(2,092,069)	(1,836,776)
Non-current liabilities	(798,033)	(833,220)
Net assets	647,482	630,126
Carrying amount of NCI	317,266	308,762
Revenue	6,455	35,768
Profit for the year	17,358	47,164
Total comprehensive income	17,358	47,164
Profit allocated to NCI	8,505	23,110
Dividends paid to NCI	–	–
Cash flows from operating activities	36,232	11,024
Cash flows from investing activities	(27,462)	(53,928)
Cash flows from financing activities	–	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENTS IN ASSOCIATES

The following list contains only the particulars of the material associates, all of which are unlisted corporate entities incorporated in the PRC, whose quoted market prices are not available.

Name of company	Place of incorporation	Particulars and paid-in capital RMB'000	Proportion of ownership interest held by subsidiaries	Principal activity
1 Beijing Yinxin Guanghua Real Estate Development Co., Ltd. ("Beijing Yinxin") 北京銀信光華房地產開發有限公司	Beijing, the PRC	66,660	49%	Property investment
2 Guangxi Tianqi Investment Co., Ltd. ("Guangxi Tianqi") 廣西天祺投資有限公司	Guangxi, the PRC	60,000	30%	Property investment
3 Chongqing Sunshine 100 Real Estate Development Co., Ltd. ("Chongqing Sunshine 100") 重慶陽光壹佰房地產開發有限公司	Chongqing, the PRC	379,130	30%	Property development

All of the above associates are accounted for using the equity method in the consolidated financial statements.

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(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2020 RMB'000	2019 <i>RMB'000</i>
Beijing Yinxin		
Current assets	231,389	213,216
Non-current assets	1,194,428	1,228,405
Current liabilities	(105,001)	(105,168)
Non-current liabilities	(301,650)	(310,125)
Equity	1,019,166	1,026,328
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	1,019,166	1,026,328
Group's effective interest	49%	49%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	499,391	502,901
Revenue	25,654	31,550
(Loss)/profit from continuing operations	(7,162)	28,768
Total comprehensive income	(7,162)	28,768
Dividends received from the associate	-	-
Guangxi Tianqi		
Current assets	2,195,434	1,859,446
Non-current assets	166	122
Current liabilities	(1,130,276)	(827,051)
Non-current liabilities	-	-
Equity	1,065,324	1,032,517
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	1,065,324	1,032,517
Group's effective interest	30%	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	319,597	309,755
Revenue	251,128	411,186
Profit from continuing operations	32,807	47,482
Total comprehensive income	32,807	47,482
Dividends received from the associate	-	-

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

Chongqing Sunshine 100

	2020 RMB'000	2019 <i>RMB'000</i>
Current assets	9,237,480	7,849,458
Non-current assets	5,019	5,236
Current liabilities	(8,541,411)	(4,383,042)
Non-current liabilities	(4,081)	(2,700,000)
Equity	697,007	771,652
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	697,007	771,652
Group's effective interest	30%	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	403,495	425,889
Revenue	169,998	189,112
Loss from continuing operations	(74,645)	(14,775)
Total comprehensive income	(74,645)	(14,775)
Dividends received from the associate	-	-

Aggregate information of associates that are not individually material:

	31 December 2020 RMB'000	31 December 2019 <i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	58,137	86,983
Aggregate amounts of the Group's share of those associates'		
— Loss from continuing operations	(3,502)	(11,020)
— Total comprehensive income	(3,502)	(11,020)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	31 December 2020 RMB'000	31 December 2019 RMB'000
PRC Corporate Income Tax payable	1,432,213	1,293,146
Land Appreciation Tax payable	570,368	384,748
	2,002,581	1,677,894

(b) Deferred tax assets and liabilities recognised:

(i) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Note	Tax losses RMB'000	Land development for sale, properties under development and completed properties held for sale RMB'000	Investment properties RMB'000	Amortisation of capitalised contract costs RMB'000	Loss allowance RMB'000	Property and equipment RMB'000	Fair value adjustment on intangible asset RMB'000	Total RMB'000
At 1 January 2019	577,813	(1,468,947)	(1,766,517)	(61,639)	189,181	(8,948)	-	(2,539,057)
Credited/(charged) to profit or loss	5(a) 84,559	185,559	(123,667)	(10,210)	25,615	385	-	162,241
Acquisition of subsidiaries	3,733	-	-	-	-	-	(215,975)	(212,242)
Disposal of subsidiaries	(61,310)	18,188	138,180	-	-	-	-	95,058
At 31 December 2019	604,795	(1,265,200)	(1,752,004)	(71,849)	214,796	(8,563)	(215,975)	(2,494,000)
At 1 January 2020	604,795	(1,265,200)	(1,752,004)	(71,849)	214,796	(8,563)	(215,975)	(2,494,000)
Credited/(charged) to profit or loss	5(a) 58,986	30,557	(11,997)	31,033	30,796	384	-	139,759
Acquisition of a subsidiary	22(d) -	(8,440)	-	-	-	-	-	(8,440)
At 31 December 2020	663,781	(1,243,083)	(1,764,001)	(40,816)	245,592	(8,179)	(215,975)	(2,362,681)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	657,118	691,570
Deferred tax liabilities recognised in the consolidated statement of financial position	(3,019,799)	(3,185,570)
	(2,362,681)	(2,494,000)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(x), the Group has not recognised deferred tax assets in respect of cumulative tax loss in certain subsidiaries RMB901,147,000 at 31 December 2020 (2019: RMB798,399,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant subsidiaries. As at 31 December 2020, RMB141,842,000, RMB124,595,000, RMB163,916,000, RMB181,496,000 and RMB289,298,000 of these tax losses will expire in 2021, 2022, 2023, 2024 and 2025, respectively.

(d) Deferred tax liabilities not recognised

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profits earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future. As at 31 December 2020, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB6,483,405,000 (2019: RMB6,274,789,000). Deferred tax liabilities of RMB648,341,000 (2019: RMB627,479,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

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(Expressed in Renminbi unless otherwise indicated)

15 OTHER NON-CURRENT FINANCIAL ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	11,413	273,730
Financial assets measured at FVPL		
– Unlisted investment funds at fair value	225,692	–
	237,105	273,730

16 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	31 December 2020 RMB'000	31 December 2019 RMB'000
Properties under development	22,554,351	20,847,784
Completed properties held for sale	6,797,581	7,129,663
	29,351,932	27,977,447

- (a) The analysis of carrying value of leasehold land included in properties under development and completed properties held for sale is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
In the PRC		
– Long-term lease	4,327,076	3,414,045
– Medium-term lease	2,475,958	2,191,724
	6,803,034	5,605,769

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(Expressed in Renminbi unless otherwise indicated)

16 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

- (b) The amount of properties under development expected to be recovered after more than one year is analysed as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Properties under development	17,107,214	16,401,582

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

- (c) The analysis of the amount of properties under development and completed properties held for sale recognised as cost of sales and included in profit or loss is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Carrying amount of properties sold	3,653,856	5,623,010
Write-down of properties under development and completed properties held for sale	53,928	31,769
	3,707,784	5,654,779

- (d) Certain properties under development and completed properties held for sale of the Group were pledged against the loans and borrowings, details are set out in Note 24(k).

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17 LAND DEVELOPMENT FOR SALE

	31 December 2020 RMB'000	31 December 2019 RMB'000
Land development for sale	2,615,378	2,013,294

Land development for sale mainly represents the cost of land development for the Group's land development projects. Though the Group does not have ownership title or land use rights to the land, the Group is given the right to carry out preparation works in respect of land infrastructure in those projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

In accordance with the accounting policy set out in Note 1(z) (ii), revenue in relation to land development for sale is recognised depending on the timing of sales of related land plots by the government to third parties.

18 CONTRACT COSTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract costs		
– Sales commissions	295,280	249,106

Contract costs capitalised as at 31 December 2020 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at reporting date. Contract costs are recognised as part of "Selling expenses" in the statement of comprehensive income in the period in which sales from properties is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2020 was RMB100,665,000 (2019: RMB168,432,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2019: RMB Nil).

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of properties as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

As at 31 December 2020, the amount of capitalised contract costs that is expected to be recovered after more than one year was RMB94,328,000 (2019: RMB91,823,000).

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(Expressed in Renminbi unless otherwise indicated)

19 CONTRACT LIABILITIES

Contract liabilities represented proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

	31 December 2020 RMB'000	31 December 2019 RMB'000
Balance at 1 January	9,106,391	9,094,428
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(5,119,814)	(7,613,478)
Increase in contract liabilities as a result of sales deposits	5,657,996	7,625,441
Acquisition of a subsidiary	196,218	–
Balance at 31 December	9,840,791	9,106,391

The amount of contract liabilities expected to be recognised as income after more than one year is RMB3,135,650,629 (2019: RMB3,609,667,000).

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20 TRADE AND OTHER RECEIVABLES

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables and bill receivables	(a)	877,613	929,451
Loans provided to third parties, net of loss allowance	(b)	2,593,411	2,852,398
Loans provided to non-controlling interests of subsidiaries, net of loss allowance		715,904	752,160
Loans provided to associates	(c)	284,396	242,339
Amounts due from other related parties	(d)	30,637	24,265
Consideration receivables, net of loss allowance	(e)	1,508,084	1,085,145
Other receivables, net of loss allowance		389,017	324,576
Financial assets measured at amortised cost, net of loss allowance		6,399,062	6,210,334
Deposits and prepayments		2,477,668	2,320,108
		8,876,730	8,530,442
Less: non-current portion of other receivables		265,658	192,315
		8,611,072	8,338,127

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bill receivables, based on the revenue recognition date, is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 6 months	36,554	70,974
6 months to 1 year	12,505	18,283
Over 1 year	828,554	840,194
	877,613	929,451

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(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Loans provided to third parties

The balance mainly represented loans provided to third parties which were interest bearing at a weighted interest rate of 11% (2019: 11%) per annum. Pursuant to the accounting policy as set out in Note 1, management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

During the year ended 31 December 2020, a total loss allowance of RMB139 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees or credit risk increased. Therefore, a loss allowance based on 12-month ECLs of RMB6 million and lifetime ECLs of RMB133 million have been recognised thereon. A reversal of an impairment loss of RMB13 million was recognised in the consolidated profit or loss due to the repayment of loans provided to a third party during the year (see Note 30(a)).

During the year ended 31 December 2019, a total loss allowance of RMB102 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees and with an outstanding balance totalled RMB102 million as at 31 December 2019. Management determined that the credit risks of such balances of RMB102 million increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB102 million has been recognised thereon.

(c) Loans provided to associates

The balance as at 31 December 2020 represented loans provided to associates, which were unsecured and bearing interest rate at 12% per annum, of which RMB284,396,000 (2019: RMB242,339,000) will be matured in 2021 or on demand.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Amounts due from other related parties

	<i>Note</i>	31 December 2020 RMB'000	31 December 2019 RMB'000
Loans provided to the entities under control of Mrs. Fan	(i)	-	3,706
Advance provided to a key management personnel of the Group	(ii)	30,637	20,559
		30,637	24,265

(i) The balance amounting to RMB3,706,000 as at 31 December 2019 represented loans provided to the entities under control of Mrs. Fan and was repaid during the year ended 31 December 2020.

(ii) The balance amounting to RMB30,637,000 as at 31 December 2020 (2019: RMB20,559,000) represented amounts provided to a key management personnel of the Group, Mr. Chen Meng, which were interest-free, unsecured and had no fixed terms of repayment.

(e) Consideration receivables

The balance amounting to RMB1,508,084,000 as at 31 December 2020 represented consideration receivables through disposals of subsidiaries during the current or prior periods. For a specific consideration receivable measured at lifetime ECL, it is considered to be credit-impaired as the amounts have been overdue for over 90 days. Management updated their inputs into ECL measurement with respect to probability of default and loss given default which resulted in a loss allowance of RMB28,178,000 during the year.

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21 RESTRICTED DEPOSITS

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current restricted deposits for:			
– Guarantee for mortgage loans	(i)	26,694	26,344
– Guarantee for demolition fees	(ii)	35	35
– Guarantee for construction fees	(iii)	2,459	12,916
– Restricted cash related to pre-sale proceeds received	(v)	87,265	3,600
– Guarantee for loans and borrowings	22(b)/24(j)	35	5
		116,488	42,900
Current restricted deposits for:			
– Guarantee for mortgage loans	(i)	75,572	112,053
– Guarantee for construction fees	(iii)	13,552	35,409
– Guarantee for bills payable	(iv)	15,000	10,058
– Restricted cash related to pre-sale proceeds received	(v)	410,105	428,728
– Guarantee for loans and borrowings	22(b)/24(j)	48,578	981,408
		562,807	1,567,656
		679,295	1,610,556

The above restricted deposits are restricted as follows:

- (i) The Group has entered into agreements with certain banks and other financial institutions with respect to mortgage loans provided to buyers of the Group's property units. As at 31 December 2020, the Group had restricted bank deposits of RMB102,266,000 (2019: RMB138,397,000), as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank or other financial institution can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks and other financial institutions or the related mortgage loans are repaid by buyers.
- (ii) As at 31 December 2020, the Group had restricted bank deposits of RMB35,000 (2019: RMB35,000), as non-cancellable guarantees on demolition fees payable to original residents. Should the Group fail to pay the demolition fees, the government can draw down the security deposits up to the amount of outstanding demolition fees and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 RESTRICTED DEPOSITS (CONTINUED)

- (iii) As at 31 December 2020, pursuant to a government regulation, the Group had restricted deposits placed at banks of RMB16,011,000 (2019: RMB48,325,000), as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank or the government can drawdown the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.
- (iv) As at 31 December 2020, the Group had restricted bank deposits with terms of one to six months of RMB15,000,000 (2019: RMB10,058,000), as security for settlement of bills payable. Should the Group fail to settle the bills payable, the bank can draw down the security deposits up to the amount of outstanding bills payable and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.
- (v) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB497,370,000, at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2020 (2019: RMB432,328,000). The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cash on hand	463	710
Cash at bank	3,071,316	2,437,902
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	3,071,779	2,438,612

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities

	Loans and borrowings	Senior Notes	Corporate bonds	Convertible bonds	Lease liabilities	Restricted deposits for guarantee for loans and borrowings	Interest payables	Deposits related to loans	Amounts due to related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note (i)	Note 24 (a)/(b)/(c)	Note 24(d)	Note 24(f)	Note 26	Note 21	Note (ii)	Note (iii)		
At 1 January 2019	17,834,291	3,297,708	6,437,140	2,126,167	88,376	(1,174,883)	609,294	(195,960)	107,854	29,129,987
Changes from financing cash flow:										
Proceeds from loans and borrowings	11,003,445	-	-	-	-	-	-	-	-	11,003,445
Proceeds from issue of senior notes	-	1,015,060	-	-	-	-	-	-	-	1,015,060
Repayment of loans and borrowings	(10,985,300)	-	-	-	-	-	-	96,289	-	(10,889,011)
Repayment of PRC bonds	-	-	(1,506,789)	-	-	-	-	-	-	(1,506,789)
Repayment of Convertible bonds	-	-	-	(1,109,726)	-	-	-	-	-	(1,109,726)
Interest paid	-	(24,562)	-	(120,108)	-	-	(2,709,023)	-	(15,771)	(2,869,464)
Decrease in restricted deposits	-	-	-	-	-	193,470	-	-	-	193,470
Capital element of lease rentals paid	-	-	-	-	(23,163)	-	-	-	-	(23,163)
Interest element of lease rentals paid	-	-	-	-	(7,686)	-	-	-	-	(7,686)
Loans from related parties	-	-	-	-	-	-	-	-	557	557
Repayment of loans from related parties	-	-	-	-	-	-	-	-	(317)	(317)
Total changes from financing cash flow	18,145	990,498	(1,506,789)	(1,229,834)	(30,849)	193,470	(2,709,023)	96,289	(15,531)	(4,193,624)
Exchange adjustments	-	72,412	-	43,483	-	-	-	-	-	115,895
Changes in fair value	-	-	-	(258,392)	-	-	-	-	-	(258,392)
Other changes:										
Interest expenses (Note 4(a))	-	-	11,360	198,235	7,686	-	2,670,886	-	-	2,888,167
Non-cash transaction	-	-	-	-	-	-	-	-	(91,234)	(91,234)
Acquisition of subsidiaries	18,800	-	-	-	-	-	-	-	-	18,800
Disposal of subsidiaries	(2,999,000)	-	-	-	-	-	-	-	-	(2,999,000)
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	19,776	-	-	-	-	19,776
Total other changes	(2,980,200)	-	11,360	198,235	27,462	-	2,670,886	-	(91,234)	(163,491)
At 31 December 2019	14,872,236	4,360,618	4,941,711	879,659	84,989	(981,413)	571,157	(99,671)	1,089	24,630,375

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(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities (Continued)

	Loans and borrowings RMB'000 Note (i)	Senior Notes RMB'000 Note 24 (a)/(b)/(c)	Corporate bonds RMB'000 Note 24(d)	Convertible bonds RMB'000 Note 24(f)	Lease liabilities RMB'000 Note 26	Restricted deposits for guarantee for loans and borrowings RMB'000 Note 21	Interest payables RMB'000 Note (ii)	Deposits related to loans RMB'000 Note (iii)	Amounts due to related parties RMB'000	Total RMB'000
At 31 December 2019	14,872,236	4,360,618	4,941,711	879,659	84,989	(981,413)	571,157	(99,671)	1,089	24,630,375
At 1 January 2020	14,872,236	4,360,618	4,941,711	879,659	84,989	(981,413)	571,157	(99,671)	1,089	24,630,375
Changes from financing cash flow:										
Proceeds from loans and borrowings	10,761,015	-	-	-	-	-	-	(104,421)	-	10,656,594
Proceeds from issue of senior notes	-	848,208	-	-	-	-	-	-	-	848,208
Proceeds from issue of PRC bond	-	-	683,847	-	-	-	-	-	-	683,847
Repayment of loans and borrowings	(7,603,184)	-	-	-	-	-	-	-	-	(7,603,184)
Repayment of PRC bonds	-	-	(1,000,000)	-	-	-	-	-	-	(1,000,000)
Repayment of senior notes	-	(2,826,300)	-	-	-	-	-	-	-	(2,826,300)
Interest paid	-	16,889	-	(52,748)	-	-	(2,947,624)	-	-	(2,983,483)
Decrease in restricted deposits	-	-	-	-	-	932,800	-	-	-	932,800
Capital element of lease rentals paid	-	-	-	-	(19,582)	-	-	-	-	(19,582)
Interest element of lease rentals paid	-	-	-	-	(5,341)	-	-	-	-	(5,341)
Loans from related parties	-	-	-	-	-	-	-	-	33,295	33,295
Loans from associates	-	-	-	-	-	-	-	-	230,000	230,000
Total changes from financing cash flow	3,157,831	(1,961,203)	(316,153)	(52,748)	(24,923)	932,800	(2,947,624)	(104,421)	263,295	(1,053,146)
Exchange adjustments	-	(158,023)	-	(57,298)	-	-	-	-	-	(215,321)
Changes in fair value	-	-	-	(18,998)	-	-	-	-	-	(18,998)
Other changes:	-	-	-	-	-	-	-	-	-	-
Interest expenses (Note 4(a))	-	-	9,432	104,058	5,341	-	2,969,552	-	-	3,088,383
Acquisition of subsidiaries (Note 22(d))	609,520	-	-	-	-	-	-	-	-	609,520
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	7,350	-	-	-	-	7,350
Total other changes	609,520	-	9,432	104,058	12,691	-	2,969,552	-	-	3,705,253
At 31 December 2020	18,639,587	2,241,392	4,634,990	854,673	72,757	(48,613)	593,085	(204,092)	264,384	27,048,163

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(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities (Continued)

Notes:

- i As at 31 December 2020, loans and borrowing consists of long-term loans and borrowing at amortised cost amounting to RMB16,316,143,000 (2019: RMB12,277,707,000) and short-term loans and borrowing at amortised cost amounting to RMB2,323,444,000 (2019: RMB2,594,530,000), included in Note 24.
- ii Interest payables were included in "Other payables" in "Trade and other payables" (Note 25).
- iii Deposits related to loans were included in "Deposits and prepayments" in "Trade and other receivables" (Note 20).

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Related to lease rental paid		
– Within operating cash flows	6,010	5,924
– Within financing cash flows	24,923	30,849
	30,933	36,773

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(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(d) Net cash outflow arising from the acquisition of a subsidiary

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	Note	31 December 2020 RMB'000
Property and equipment	9	474
Trade and other receivables		57,952
Properties under development and completed properties held for sale		1,120,068
Contract costs		2,320
Cash and cash equivalents		17,153
Loans and borrowings		(609,520)
Trade and other payables		(256,243)
Contract liabilities		(196,218)
Deferred tax liabilities	14	(8,440)
Total net assets		127,546
Total consideration paid in cash		157,966
Less: cash of subsidiary acquired		(17,153)
		140,813

During the year ended 31 December 2020, the Group acquired 80% of the remaining equity interests and voting interests in Tianjin Langyida which was an associate of and 20% owned by the Group, at a total consideration of RMB157 million which was comprised of an equity consideration of RMB102 million and a debt consideration of RMB55 million. As a result, the Group obtained control of Tianjin Langyida and Tianjin Langyida became and was accounted for as a subsidiary of the Group from then on.

Tianjin Langyida is a project company which develops Tianjin Tianta Project. Taking control of Tianjin Langyida will enable the Group to have exposure to this market through local expertise.

The assets acquired and liabilities assumed did not constitute a business as defined in IFRS 3 and, therefore, the acquisition has been accounted for as assets acquisition.

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23 TRADING SECURITIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Listed equity securities at FVPL (Note 30(e)(ii))		
– in Hong Kong	200,874	107,953
– in America	4,083	–
	204,957	107,953

24 LOANS AND BORROWINGS

	31 December 2020 RMB'000	31 December 2019 RMB'000
	<i>Note</i>	
Loans and borrowings at amortised cost		
– Long-term	16,316,143	12,277,706
– Short-term	2,323,444	2,594,530
– 2017 Senior Notes	(a) –	1,635,046
– 2018 Senior Notes	(b) 758,333	1,773,522
– 2019 Senior Notes	(c) 807,866	952,050
– 2020 Senior Notes	(d) 675,193	–
– Corporate bonds	(e) 4,634,990	4,941,711
	25,515,969	24,174,565
Convertible bonds	(f) 854,673	879,659
	26,370,642	25,054,224

(a) 2017 Senior Notes

The Company issued senior notes of aggregate amount of USD235,000,000 on 20 September 2017 (the “2017 Senior Notes”), which are interest bearing at 8.5% per annum, due in September 2020 and listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2019, the 2017 Senior Notes were guaranteed by the Company’s subsidiaries other than those organised under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2017 Senior Notes.

In September 2020, the Company redeemed the 2017 Senior Notes.

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24 LOANS AND BORROWINGS (CONTINUED)

(b) 2018 Senior Notes

The Company issued senior notes of amount of USD165,000,000 on 6 February 2018 and USD170,000,000 on 5 December 2018 (collectively referred to as the “2018 Senior Notes”), which are interest bearing at 8.5% per annum and 10.5% per annum, due in September 2020 and December 2021, respectively, listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2020, the 2018 Senior Notes were guaranteed by the Company’s subsidiaries other than those organised under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2018 Senior Notes.

The 2018 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2020, none of the covenants relating to the 2018 Senior Notes were breached.

In September 2020, the Company redeemed senior notes of amount of USD165,000,000.

(c) 2019 Senior Notes

The Company issued senior notes of amount of USD200,000,000 on 5 July 2019 (the “2019 Senior Notes”), which are interest bearing at 11.5% per annum, due in July 2021, listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2020, the 2019 Senior Notes were guaranteed by the Company’s subsidiaries other than those organised under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2019 Senior Notes.

The 2019 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2020, none of the covenants relating to the 2019 Senior Notes were breached.

(d) 2020 Senior Notes

The Company issued senior notes of amount of USD105,000,000 and USD18,000,000 on January 2020 (collectively referred to as the “2020 Senior Notes”), which are interest bearing at 11.5%, due in July 2021, listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2020, the 2020 Senior Notes were guaranteed by the Company’s subsidiaries other than those organised under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2020 Senior Notes.

The 2020 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2020, none of the covenants relating to the 2020 Senior Notes were breached.

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24 LOANS AND BORROWINGS (CONTINUED)

(e) Corporate bonds

In 2015, 2016 and 2020, Guangxi Vantone issued corporate bonds of RMB8,662,000,000 in total, which comprise following bonds

- 4-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.85% per annum and an effective interest rate at 8.09% per annum from 16 September 2015 to 15 March 2018; and with a coupon rate at 8.8% per annum and an effective interest rate at 9.3% per annum after 16 March 2018, issued on 16 September 2015 which was listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the 2.5 year. The corporate bonds were repaid during the year ended 31 December 2019;
- 5-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.95% per annum and an effective interest rate at 8.29% per annum, issued on 16 September 2015 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year. The corporate bonds were repaid during the year ended 31 December 2020;
- 3-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 7.99% per annum and an effective interest rate at 8.36% per annum, issued on 12 October 2015 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year (guaranteed by the Company). The corporate bonds were repaid during the year ended 31 December 2018;
- 5-year corporate bonds of RMB1,460,000,000 issued at par, with a coupon rate at 6.9% per annum and an effective interest rate at 6.94% per annum from 25 January 2016 to 24 January 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.66% per annum from 25 January 2019 to 24 January 2021, issued on 25 January 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year (guaranteed by the Company);
- 7-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 8.4% per annum and an effective interest rate at 8.53% per annum, issued on 24 February 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the fourth year (guaranteed by the Company);

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24 LOANS AND BORROWINGS (CONTINUED)

(e) Corporate bonds (Continued)

- 5-year corporate bonds of RMB560,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum from 7 April 2016 to 6 April 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.52% per annum from 07 April 2019 to 07 April 2021, issued on 7 April 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;
- 5-year corporate bonds of RMB440,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum from 11 July 2016 to 10 July 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.61% per annum from 11 July 2019 to 11 July 2021, issued on 11 July 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;
- 3-year corporate bonds of RMB500,000,000 issued at par, with a coupon rate at 7.4% per annum and an effective interest rate at 7.53% per annum from 13 July 2016 to 12 July 2018; and with a coupon rate at 8.4% per annum and an effective interest rate at 9.31% per annum from 13 July 2018 to 12 July 2019, issued on 13 July 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year. The corporate bonds were repaid during the year ended 31 December 2019;
- 2-year corporate bonds of RMB582,000,000 issued at par, with a coupon rate at 8.5% per annum and an effective interest rate at 9.99% per annum from 22 September 2020 to 21 September 2022, issued on 22 September 2020 which is listed in Shanghai Stock Exchange; and
- 2-year corporate bonds of RMB120,000,000 issued at par, with a coupon rate at 9.0% per annum and an effective interest rate at 10.5% per annum from 30 October 2020 to 29 October 2022, issued on 30 October 2020 which is listed in Shanghai Stock Exchange.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(f) Convertible bonds

- (i) On 28 July 2016, the Company issued convertible bonds due 2021, bearing interest at the rate of 6.5% per annum with an aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,332,300,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 December 2016 until and including the day falling ten days prior to 11 August 2021 into fully paid ordinary shares with a par value of HKD0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD3.69 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalisation of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 112.15% of the principle amount. The Company has an early redemption option at any time after 11 August 2019 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 11 August 2019 at early redemption amount of 106.67% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on the Singapore Exchange Securities Trading Limited.

As the convertible bonds do not contain an equity component, the derivative component of the USD200,000,000 convertible bonds is measured at fair value and the liability component is carried at amortised cost. As at 31 December 2020, the carrying amounts of liability and derivative component of the convertible bonds were RMB277,101,000 (2019: RMB278,741,000) and RMB-21,000 (2019: RMB19,233,000), respectively.

During the year ended 31 December 2019, the Company has redeemed an aggregate principal amount of USD153,600,000 (equivalent to approximately RMB1,109,726,000) of the outstanding convertible bond.

During the year ended 31 December 2018, HKD200,000 of the convertible bonds were converted into 423,852 shares of the Company.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(f) Convertible bonds (Continued)

- (ii) On 17 September 2018, the Company issued convertible bonds due 2023, bearing interest at the rate of 4.8% per annum with an aggregate principal amount of HKD750,000,000 (equivalent to approximately RMB580,876,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 1 January 2019 until and including the day falling ten days prior to 3 October 2023 into fully paid ordinary shares with a par value of HKD0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD4.50 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalisation of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 100% of the principle amount. The Company has an early redemption option at any time after 3 October 2021 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 3 October 2021 at early redemption amount of 100.00% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on The Stock Exchange of Singapore Limited.

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds above is measured at fair value and the liability component is carried at amortised cost. As at 31 December 2020, the carrying amounts of liability and derivative component of the convertible bonds above were RMB522,777,000 (2019: RMB523,462,000) and RMB54,816,000 (2019: RMB58,223,000), respectively.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(f) Convertible bonds (Continued)

(ii) (Continued)

	Derivative component RMB'000	Liabilities component RMB'000	Total RMB'000
At 1 January 2019	555,886	1,570,281	2,126,167
Fair value adjustment credited into profit or loss	(258,392)	–	(258,392)
Accrued interest	–	198,235	198,235
Interest paid	–	(120,108)	(120,108)
Foreign exchange loss	4,060	39,423	43,483
Redemption of convertible bonds	(224,098)	(885,628)	(1,109,726)
At 31 December 2019	77,456	802,203	879,659
At 1 January 2020	77,456	802,203	879,659
Fair value adjustment credited into profit or loss	(18,998)	–	(18,998)
Accrued interest	–	104,058	104,058
Interest paid	–	(52,748)	(52,748)
Foreign exchange gain	(3,663)	(53,635)	(57,298)
At 31 December 2020	54,795	799,878	854,673

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(g) The Group's long-term loans and borrowings comprise:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Loans and borrowings at amortised cost:		
– Bank loans – secured	5,289,867	3,946,459
– Loans from other financial institutions – secured	11,026,276	8,331,247
– 2017 Senior Notes	–	1,635,046
– 2018 Senior Notes	758,333	1,773,522
– 2019 Senior Notes	807,866	952,050
– 2020 Senior Notes	675,193	–
– Corporate bonds	4,634,990	4,941,711
	23,192,525	21,580,035
Convertible bonds	854,673	879,659
	24,047,198	22,459,694
Less: Current portion of long-term loans and borrowings:		
– Bank loans	1,302,561	1,279,533
– Loans from other financial institutions	4,119,956	3,106,318
– 2017 Senior Notes	–	1,635,046
– 2018 Senior Notes	758,333	988,435
– 2019 Senior Notes	807,866	–
– 2020 Senior Notes	675,193	–
– Corporate bonds	2,452,603	997,521
– Convertible bonds	277,080	–
Sub-total	10,393,592	8,006,853
	13,653,606	14,452,841

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(h) The Group's short-term loans and borrowings comprise:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Loans and borrowings at amortised cost:		
Bank loans – secured	103,160	923,600
Loans from other financial institutions		
– secured	1,142,653	1,168,130
– unsecured	209,584	–
Loans from third parties		
– secured	–	181,000
– unsecured	868,047	321,800
Sub-total	2,323,444	2,594,530
Current portion of long-term loans and borrowings	10,393,592	8,006,853
	12,717,036	10,601,383

(i) The Group's effective interest rates per annum on loans and borrowings at amortised cost are as follows:

	2020	2019
Long-term		
Bank loans	5.47% – 8.50%	4.75% – 8.08%
Loans from other financial institutions	6.63% – 16.52%	6.63% – 13.00%
Loans from third parties	–	8.08%
Senior Notes	9.08% – 17.50%	9.08% – 17.50%
Corporate bonds	8.29% – 10.50%	8.29% – 9.31%
Convertible bonds	12.00%-12.01%	12.00%-12.01%
Short-term		
Bank loans	3.75% – 7.40%	3.75% – 7.83%
Loans from other financial institutions	4.35% – 15.40%	7.00% – 18.00%
Loans from related parties	–	10.00%
Loans from third parties	4.35% – 24.00%	7.00% – 13.50%

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(j) The Group's loans and borrowings are repayable as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 1 year or on demand	12,717,036	10,601,383
After 1 year but within 2 years	8,177,200	8,111,210
After 2 years but within 5 years	5,470,906	5,973,131
After 5 years	5,500	368,500
	13,653,606	14,452,841
	26,370,642	25,054,224

(k) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain loans and borrowings granted to the Group at the end of the reporting period:

	31 December 2020 RMB'000	31 December 2019 RMB'000
	401,598	376,969
	6,150,930	6,242,707
	5,540,026	6,126,285
	48,613	981,413
	12,141,167	13,727,374

(ii) As at 31 December 2020, loans and borrowings amount to RMB8,716,790,000 (2019: RMB6,431,340,000) secured by a charge over the shares of the Company and certain subsidiaries of the Group.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(I) The Group has defaulted in the repayment of loans and borrowings as follows:

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Loans from the third parties	(a)		
– Principal payables		195,746	–
– Interest payables		11,875	–
		207,621	–

(a) The loans from the third parties were not duly settled as the Group is in the process of negotiating certain arrangement with the third parties. It is expected to be settled in 2021.

25 TRADE AND OTHER PAYABLES

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables	(a)	3,824,667	4,162,880
Advances received from third parties	(b)	380,783	376,159
Consideration payables in respect of acquisition of subsidiaries		192,224	297,224
Amounts due to related parties	(c)	264,384	5,187
Dividend payables	27(b)	233,137	–
Other payables	(d)	1,288,813	1,232,214
Financial liabilities measured at amortised cost		6,184,008	6,073,664
Other taxes payable		1,017,860	1,154,634
Less: non-current portion of trade payables		456,277	423,249
		6,745,591	6,805,049

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 TRADE AND OTHER PAYABLES (CONTINUED)

- (a) As of the end of reporting period, the ageing analysis of trade payables (which are included in trade and other payables) based on invoice date, is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 1 year	3,381,396	3,739,631
1 to 2 years	192,620	252,233
Over 2 years but within 5 years	250,651	171,016
	3,824,667	4,162,880

- (b) Advances received from third parties

The balances as at 31 December 2020 and 2019 mainly represented advances received from third parties. These advances are interest-free, unsecured and have no fixed terms of repayment.

- (c) Amounts due to related parties

	31 December 2020 RMB'000	31 December 2019 RMB'000
Amounts due to		
– Entities under control of Mrs. Fan	34,384	1,089
– Associates	230,000	4,098
	264,384	5,187

The balances as at 31 December 2020 and 2019 mainly represented advances from related parties, which were interest-free, unsecured and had no fixed terms of repayment.

- (d) Other payables mainly represented interest payables, deposits received from constructors and salary payables.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	17,745	24,062	23,738	29,623
After 1 year but within 5 years	42,338	55,068	41,426	54,241
After 5 years	12,674	23,890	19,825	31,733
	55,012	78,958	61,251	85,974
	72,757	103,020	84,989	115,597
Less: total future interest expenses		(30,263)		(30,608)
Present value of lease liabilities		72,757		84,989

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company:

	Share capital <i>Note 27(c)</i> RMB'000	Share premium <i>Note 27(d)(i)</i> RMB'000	Treasury Shares <i>Note 27(d)(i)</i> RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2019	20,704	3,420,724	-	-	4,033,414	7,474,842
Changes in equity for 2019:						
Total comprehensive income for the year	-	-	-	-	1,801,795	1,801,795
Repurchase of own shares						
- par value paid	(464)	-	(21)	-	-	(485)
- premium paid	-	(76,279)	(2,841)	-	-	(79,120)
- transfer between reserves	-	(464)	-	464	-	-
Equity transaction with non-controlling interests	-	-	-	-	(30,308)	(30,308)
Balance at 31 December 2019 and 1 January 2020	20,240	3,343,981	(2,862)	464	5,804,901	9,166,724
Changes in equity for 2020:						
Total comprehensive income for the year	-	-	-	-	450,198	450,198
Repurchase of own shares						
- par value paid	(32)	-	-	-	-	(32)
- premium paid	-	(4,449)	-	-	-	(4,449)
- transfer between reserves	-	(53)	-	53	-	-
Cancellation of treasury shares	(21)	(2,841)	2,862	-	-	-
Repurchase of own shares						
- par value paid	-	-	(5)	-	-	(5)
- premium paid	-	-	(582)	-	-	(582)
Dividends declared in respect of the current year	-	-	-	-	(233,137)	(233,137)
Equity transaction with non-controlling interests	-	-	-	-	4,467	4,467
Balance at 31 December 2020	20,187	3,336,638	(587)	517	6,026,429	9,383,184

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the period

	2020 RMB'000	2019 RMB'000
Interim dividend proposed during the reporting period of HKD10.00 cents per ordinary share (2019: HKD nil)	233,137	–

(c) Share capital and treasury shares

(i) Share capital

	2020		2019	
	No. of shares	HKD'000	No. of shares	HKD'000
Authorised:				
Ordinary shares	4,000,000,000	40,000	4,000,000,000	40,000

	2020		2019	
	No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	2,558,078,477	20,240	2,612,160,477	20,704
Shares repurchase and cancelled (ii)	(3,545,000)	(32)	(54,082,000)	(464)
Cancellation of treasury shares (iii)	(2,230,000)	(21)	–	–
At 31 December	2,552,303,477	20,187	2,558,078,477	20,240

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital and treasury shares (Continued)

(ii) Shares repurchase and cancelled

During the year ended 31 December 2020, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregated price paid RMB'000
January 2020	1,016,000	1.49	1.38	1,284
February 2020	2,182,000	1.43	1.33	2,761
April 2020	347,000	1.38	1.37	436
	3,545,000			4,481

3,545,000 shares out of the total repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of RMB32,000 was transferred from share premium to capital redemption reserve.

(iii) Treasury shares

	2020		2019	
	No. of shares	RMB'000	No. of shares	RMB'000
At 1 January	2,230,000	2,862	-	-
Shares repurchase to be cancelled	585,000	587	2,230,000	2,862
Cancellation of treasury shares	(2,230,000)	(2,862)	-	-
At 31 December	585,000	587	2,230,000	2,862

During the year ended 31 December 2020, the Company repurchased 585,000 shares on The Stock Exchange of Hong Kong Limited, at a total consideration of HKD696,000.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital and treasury shares (Continued)

(iii) Treasury shares (Continued)

Details of treasury shares purchased during the year ended 31 December 2020 are as follows:

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregated price paid RMB'000
December 2020	585,000	1.22	1.14	587

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(aa).

(iii) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (Continued)

(iv) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties transferred from property and equipment in Note 1(i).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate properties, and continue to provide returns for equity shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged during the year, as defined by the Group, being the total of loans and borrowings divided by the total assets. As at 31 December 2020, the gearing ratio of the Group was 43.26% (2019: 42.90%).

28 EMPLOYEE BENEFIT PLAN

The Group participates in a defined contribution retirement scheme established by the relevant local government authorities for its staff. The Group was required to make contributions to the retirement scheme at 12% to 20% of the gross salaries of its staff.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Investment commitments

Commitments in respect of equity investments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Contracted for	653,950	733,950

(b) Capital commitments

As at 31 December 2020 and 2019, the Group has the following commitments in respect of properties under development and investment properties under construction not provided for in the financial statements:

	2020 RMB'000	2019 <i>RMB'000</i>
Contracted for	8,385,023	7,606,621
Approved but not contracted for	8,818,334	7,578,952
	17,203,357	15,185,573

(c) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. The total amounts of mortgages outstanding which are guaranteed by the Group, were RMB4,738,924,000 as at 31 December 2020 (2019: RMB6,563,861,000).

(d) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the relevant PRC laws and regulations, and these warranties are covered by back-to-back warranties provided by the relevant contractors of the projects.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(e) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse impact on the financial position, liquidity, or operating results of the Group.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and loans provided to non-controlling interests in subsidiaries, related parties and third parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 29(d), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 29(d).

(i) Trade receivables and bill receivables

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 66.2% (2019: 63.0%) of the total trade receivables was due from the Group's largest customer.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(i) Trade receivables and bill receivables (Continued)

Receivables that aging were over 1 year mainly included revenue from land development for sale of RMB581,089,000 as at 31 December 2020 and 31 December 2019 from the Government of Chenghua District. Based on a series of agreements entered into by the Group and the Government of Chenghua District, the Group is entitled to receive RMB581,089,000 and the government issued a notice to confirm this amount on 2 July 2013. Considering the long ageing of the receivables, in February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court has accepted and approved an application for withdrawal of the trial by the Group on 26 July 2018. As of the date of this report, the Group is still negotiating with the Government of Chenghua District.

As at 31 December 2020 and 2019, the directors of the Group were of the opinion that the receivables of RMB581,089,000 due from the Government of Chenghua District is fully recoverable. As the Group has consulted its legal adviser and understood that if the parties could not reach an agreement on the settlement agreement, the Group may reinstate the trial and there is no indication that the Government of Chenghua District will not, or will have financial difficulties to fulfil its obligation to settle the balance.

The remaining receivables mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. The Group holds the title of the property units as collateral over the balance of trade receivables of RMB103,712,000 (2019: RMB124,634,000). The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price and management considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. At 31 December 2020 and 2019, the Group's exposure to credit risk and ECLs for these trade receivables are insignificant.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(ii) Guarantees provided by the Group

As disclosed in Note 29(c), for properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed properties. Therefore, management considers that it would likely recover any loss incurred arising from such guarantee provided by the Group. Management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts.

(iii) Loans provided to associates and non-controlling interests of subsidiaries

For receivables due from associates and non-controlling interests of subsidiaries, the Group considers that the credit risk arising from these receivables is significantly mitigated by related property development projects held by these associates and subsidiaries, with reference to the estimated market value of those property development projects.

(iv) Loans provided to third parties

For loans provided to third parties, whose loss allowance is measured on an individual basis, management assesses whether there is a significant increase in credit risk arising from default of the counter party based on borrowers' and guarantor's specific information primarily their past due status and their liquidities from other sources available without undue cost.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(iv) Loans provided to third parties (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for loans provided to third parties as at 31 December 2020 and 2019:

	2020		2019	
	Gross carrying Amount RMB'000	Loss allowance RMB'000	Gross carrying Amount RMB'000	Loss allowance RMB'000
Current (not past due)				
– 12-month ECLs	885,311	(2,659)	2,153,713	–
– Life-time ECLs	70,000	(70,000)	111,630	(111,630)
Total	955,311	(72,659)	2,265,343	(111,630)
Within 1 year past due				
– 12-month ECLs	729,334	(3,647)	82,712	–
– Life-time ECLs	447,518	(137,538)	725,315	(396,794)
	1,176,852	(141,185)	808,027	(396,794)
1 year to 2 years past due				
– Life-time ECLs	808,027	(398,956)	568,470	(396,508)
2 year to 3 years past due				
– Life-time ECLs	568,470	(397,468)	215,490	(100,000)
Over 3 years past due				
– Life-time ECLs	215,490	(120,471)	–	–
Balance as at 31 December	3,724,150	(1,130,739)	3,857,330	(1,004,932)

During the year ended 31 December 2020, a total loss allowance of RMB139 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees or credit risk increased. Therefore, a loss allowance based on 12-month ECLs of RMB6 million and lifetime ECLs of RMB133 million have been recognised thereon. A reversal of an impairment loss of RMB13 million was recognised in the consolidated profit or loss due to the repayment of loans provided to a third party during the year.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(iv) Loans provided to third parties (Continued)

During the year ended 31 December 2019, a total loss allowance of RMB102 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees and with an outstanding balance totalled RMB102 million as at 31 December 2019. Management determined that the credit risks of such balances of RMB102 million increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB102 million has been recognised thereon.

Movement in the loss allowance in respect of loans provided to third parties during the year is as following:

	2020 RMB'000	2019 <i>RMB'000</i>
Balance at 1 January	1,004,932	902,472
Impairment losses recognised during the year	139,130	102,460
Reversal of impairment losses during the year	(13,323)	–
Balance at 31 December	1,130,739	1,004,932

(b) Liquidity risk

Historically, the Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

Sunshine 100 Group is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of each reporting periods of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting periods) and the earliest date the Group can be required to pay:

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amount at 31 December <i>RMB'000</i>
2020						
Loans and borrowings						
– Long-term	12,876,540	9,235,505	5,933,536	5,856	28,051,437	24,047,198
– Short-term	2,575,951	-	-	-	2,575,951	2,323,444
Lease liabilities	24,062	18,886	36,182	23,890	103,020	72,757
Contract retention payables	153,243	63,819	62,686	-	279,748	279,748
Financial liabilities measured at amortised cost	5,740,737	192,620	250,651	-	6,184,008	6,184,008
	21,370,533	9,510,830	6,283,055	29,746	37,194,164	32,907,155
2019						
Loans and borrowings						
– Long-term	10,120,891	9,304,179	6,866,446	392,203	26,683,719	22,459,694
– Short-term	2,868,801	-	-	-	2,868,801	2,594,530
Lease liabilities	29,623	23,956	30,285	31,733	115,597	84,989
Contract retention payables	155,554	92,303	62,160	-	310,017	310,017
Financial liabilities measured at amortised cost	5,650,415	252,232	171,017	-	6,073,664	6,073,664
	18,825,284	9,672,670	7,129,908	423,936	36,051,798	31,522,894

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The interest rates of the Group's loans and borrowings are disclosed in Note 24(h). The annual interest rates of the Group's deposits at bank ranged from 0.1% to 2.75% as at 31 December 2020 (2019: 0.1% to 2.75%).

The interest rate profile of the Group's interest-bearing financial instruments was:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Fixed rate instruments		
Lease liabilities	72,757	84,989
Loans and borrowings at amortised cost	24,686,167	22,537,608
Convertible bonds- liability component	799,878	802,203
	25,558,802	23,424,800
Variable rate instruments		
Loans and borrowings at amortised cost	829,802	1,636,957

As at 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB2,110,000 (2019: RMB4,358,438), and would increase/decrease the Group's properties under development and completed properties held for sale, investment properties, property and equipment and land development for sale, by approximately RMB5,484,000 (2019: RMB10,558,334).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2019.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through The People's Bank of China ("PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on cash and cash equivalents denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results.

Included in trade and other receivables, cash and cash equivalents, restricted deposits and loans and borrowings in the consolidated statement of financial position as at 31 December 2020 and 2019, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	Exposure to foreign currencies			
	2020		2019	
	USD RMB'000	HKD RMB'000	USD RMB'000	HKD RMB'000
Trade and other receivables	60,915	292,029	33,033	254,338
other non-current financial assets	97,381	-	-	-
Cash and cash equivalents	34,957	9,726	21,600	4,473
Restricted deposits	-	-	785,381	-
Trading securities	4,083	200,874	-	107,953
Loans and borrowings	(3,409,950)	(589,386)	(4,658,592)	(598,857)
Trade and other payables	-	(266,113)	-	-
Net exposure arising from recognised assets and liabilities	(3,212,614)	(352,870)	(3,818,578)	(232,093)

5% increase or decrease in USD and HKD exchange rate against RMB, assuming such change had occurred as at 31 December 2020, would decrease/increase the Group's profit after tax and retained profits by approximately RMB178,274,000 (2019: RMB151,900,000).

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

(i) **Financial assets and liabilities measured at fair value**

Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loan, categorized into the three level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair valued hierarchy (Continued)

The Group has a team headed by the finance manager who is responsible for engaging external valuers to perform valuations for convertible bonds at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2020				Fair value at 31 December 2019			
	Fair value measurements as at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into			Fair value measurements as at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 3	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Recurring fair value measurements								
Assets:								
Trading securities	204,957	204,957	-	-	107,953	107,953	-	
Liabilities:								
Derivative component of convertible bonds (Note 24 (e))	54,795	-	-	54,795	77,456	-	-	
							77,456	

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair valued hierarchy (Continued)

Information about Level 3 fair value measurements.

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivative component of convertible bonds issued in 2016	Binomial Tree model	Expected volatility	30.7% – 31.7% (2019: 94.80% – 95.80%)	31.2% (2019: 95.30%)
Derivative component of convertible bonds issued in 2018	Binomial Tree model	Expected volatility	53.3% – 54.3% (2019: 45.60% – 46.60%)	53.8% (2019: 46.10%)

The fair value of derivative component of convertible bonds is determined by Binomial Tree model and the significant unobservable input used in fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2020, for the USD200,000,000 convertible bond, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB1,000/RMB Nil (2019: RMB281,000/RMB282,000), and for the HKD750,000,000 convertible bond, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB381,000/RMB382,000 (2019: RMB560,000/RMB561,000).

The movements during the period in the balance of these Level 3 fair value measurements are as followings:

	2020 RMB'000	2019 RMB'000
Derivative component of convertible bonds		
At 1 January	77,456	555,886
Fair value adjustment credited into profit or loss	(18,998)	(258,392)
Foreign exchange (gains)/loss	(3,663)	4,060
Redemption of convertible bonds	–	(224,098)
At 31 December	54,795	77,456

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2020 and 2019.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	2020 RMB'000	2019 RMB'000
Loans provided to		
– Associates	256,725	179,952
– Entities under control of Mrs. Fan	–	3,404
– Members of key management personnel	10,078	–
Repayment of loans to		
– Associates	214,668	586,030
– Entities under control of Mrs. Fan	3,706	117,500
Repayment of loans from		
– Associates	–	91,234
– Entities under control of Mrs. Fan	–	317
Loans received from		
– An associate	230,000	–
– Entities under control of Mrs. Fan	33,295	557
Interest income received from		
– Entities under control of Mrs. Fan	–	302
Interest repaid to		
– An associate	–	15,771
Rental fees repaid to		
– An associate	4,098	3

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6, and certain of the highest paid employees as disclosed in Note 7, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	10,723	15,200
Contributions to defined contribution retirement plan	49	322
	10,772	15,522

Total remuneration is included in "Staff costs" (see Note 4(b)).

(c) The Listing Rules relating to connected transactions

The related party transactions in respect of loans provided to associates and entities under control of Mrs. Fan above constitute connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

Notes to the Financial Statements

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32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgments used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Land appreciation taxes

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

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. 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 income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(o), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices and the costs of completion in case for properties under development.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in the provision would affect profit or loss in future periods.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of property and equipment as described in Note 1(m) (iii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

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(Expressed in Renminbi unless otherwise indicated)

32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(e) Valuation of investment properties

As described in Note 10(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation which involves, inter alia, certain estimates including capitalization rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates. In relying on the valuation report, the management has exercised their judgment and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the respective end of each reporting periods.

(f) Expected credit losses of loans provided to third parties

As explained in Note 1(m) (i), the Group estimates ECLs for loans provided to third parties. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions, forecasts of future economic conditions and viability of realising the estimated value of collaterals held by the Group. If the financial condition of the debtors were to deteriorate, or the actual value of collaterals held by the Group were lower than the estimated value, actual write-offs would be higher than estimated.

(g) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management have reviewed the investment property portfolios of the Group and concluded that investment properties held by the Group are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the deferred taxation on investment properties of the Group, the management have determined that the "sales" presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties at the applicable corporate income tax rates.

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33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets			
Investments in subsidiaries	12	10,325,183	9,165,496
Other non-current financial assets		97,381	–
Property and equipment		166	247
		10,422,730	9,165,743
Current assets			
Other receivables		723,557	999,833
Amounts due from subsidiaries		3,597,560	5,472,599
Restricted deposit		–	488,334
Cash and cash equivalents		44,757	26,299
Trading securities		204,957	107,953
		4,570,831	7,095,018
Current liabilities			
Loans and borrowings		2,726,012	2,640,653
Dividend payable		233,137	–
Other payables		2,073,635	1,836,589
		5,032,784	4,477,242
Net current (liabilities)/assets		(461,953)	2,617,776
Total assets less current liabilities		9,960,777	11,783,519
Non-current liabilities			
Loans and borrowings		577,593	2,616,795
NET ASSETS		9,383,184	9,166,724
CAPITAL AND RESERVES			
Share capital	27(a)	20,187	20,240
Reserves		9,362,997	9,146,484
TOTAL EQUITY		9,383,184	9,166,724

Approved and authorised for issue by the board of directors on 30 March 2021.

YI Xiaodi
Directors

FAN Xiaochong
Directors

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34 DISPOSAL OF SUBSIDIARY

Disposal of Eminent Star Group Limited (“Eminent Star”)

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Victor Select Limited, a third party, to dispose the 55% equity interest of Eminent Star held by the Group, at a total consideration of RMB4,661 million which was comprised of an equity consideration of RMB4,397 million and a loan consideration of RMB264 million. Eminent Star was engaged in development of part of Qingyuan project. The disposal completed in four stages, and the first stage and the second stage had been completed as at 31 December 2019. As at 31 December 2020, the third stage and fourth stage of disposal had been completed.

The disposal above has the following effects on the Group’s assets and liabilities on the disposal dates:

	Eminent Star <i>RMB'000</i>
Properties under development and completed properties held for sale	(182,786)
Trade and other receivables	(2,659)
Cash and cash equivalents	(27)
Trade and other payables	109,257
Net assets	(76,215)
Equity consideration	1,591,694
Gain on disposal of subsidiaries	1,515,479
Consideration received, satisfied in cash	469,342
Cash and cash equivalents disposed of	(27)
	469,315
Debt consideration	108,269
Consideration receivables	1,230,621

35 PARENT AND ULTIMATE HOLDING COMPANY

As at 31 December 2020, the directors considered that the parent company of the Company is Joywise, a company with limited liability incorporated in the BVI on 8 January 2007. The ultimate holding company is Harvest Well Holding Limited, a company with limited liability incorporated in the BVI on 9 March 2007. These entities do not produce financial statements available for public use.

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36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for Accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to IFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1, <i>Classification of liabilities as current or Non-current</i>	1 January 2023
IFRS 17, Insurance contracts Basis for conclusions on IFRS 17 Illustrative examples on IFRS 17 Amendments to IFRS 17	1 January 2023
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined at a future date
Amendments to IFRS 4, <i>Extension of the temporary exemption from applying IFRS 9</i>	Before 1 January 2023

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group does not anticipate that the application of these amendments will have significant impact on the Group's consolidated financial statements.

37 SUBSEQUENT EVENTS

(a) Issuance of senior notes

The Company issued senior notes of amount of USD120,000,000 on 3 February 2021, which are interest bearing at 12.0% per annum, due in October 2023 and listed on the Singapore Exchange Securities Trading Limited.

(b) Repurchase of convertible bonds

The Company repurchased the convertible bonds of amount of HKD750,000,000 as of 1 March 2021, due in October 2023 in the open market and cancelled the repurchased bonds in accordance with the terms of the convertible bonds.



Independent Auditor's Report

To the shareholders of Sunshine 100 China Holdings Ltd

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunshine 100 China Holdings Ltd ("the Company") and its subsidiaries ("the Group") set out on pages 103 to 236, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report

Valuation of investment properties

Refer to Note 10 to the consolidated financial statements and the accounting policies on page 120.

The Key Audit Matter

The Group held investment properties with a total carrying amount of RMB11,670,105,000 as at 31 December 2019, which accounted for 20.0% of the Group's total assets as at that date.

The net changes in fair value of investment properties recorded in the consolidated statement of comprehensive income was RMB529,499,000 and represented 13.2% of the Group's profit before taxation for the year ended 31 December 2019.

The investment properties principally comprise office and retail properties mainly located in tier 2 and tier 3 cities in Mainland China.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included:

- evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity;
- meeting with the external property valuer to assess the approach to the valuations and the findings, reviewing management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer;

The Key Audit Matter

The fair values of investment properties as at 31 December 2019 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates.

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the net changes in fair value of investment properties to the Group's profit before taxation and because determining the fair values of investment properties involves a significant degree of judgement and may be subject to management bias.

How the matter was addressed in our audit

- assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer;
- involving our internal valuation specialists, on a sample basis, to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted and challenging the assumptions used, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the same location and condition, by comparing these against market available data and government produced market statistics;
- comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and
- considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.



Independent Auditor's Report

Assessing the net realisable value for properties under development and completed properties held for sale

Refer to Note 16 to the consolidated financial statements and the accounting policies on page 131.

The Key Audit Matter

The carrying value of properties under development and completed properties held for sale totalled RMB27,977,447,000 as at 31 December 2019, which accounted for 47.9% of the Group's total assets as at that date. Properties under development and completed properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 2 and tier 3 cities in Mainland China, and are stated at the lower of cost and net realisable value.

The assessment of the net realisable value of properties under development and completed properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions.

Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities.

We identified assessing the net realisable value of properties under development and completed properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value of the properties require a significant degree of management judgement which could be subject to error or management bias.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties under development and completed properties held for sale included:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs;
- conducting site visits to property development sites, on a sample basis, discussing with management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;
- challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of similar type and size and in similar location;
- assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods; and
- evaluating the sensitivity analyses prepared by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

Assessing the recoverability of RMB581,089,000 due from the Government of Chenghua District in Chengdu

Refer to Note 30(a) to the consolidated financial statements and the accounting policies on page 124.

The Key Audit Matter

Based on a series of agreements entered into by the Group and the Government of Chenghua District in Sichuan Province, the Group has an entitlement to receive RMB581,089,000 from the Government of Chenghua District. The Government of Chenghua District issued a notice dated 2 July 2013 to confirm this amount.

Considering the long ageing of the receivable, in February 2015, the Group sued the Government of Chenghua District and asked for the repayment of the RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court accepted and approved an application for withdrawal of the trial filed by the Group on 26 July 2018. As of the date of this report, the Group is still in negotiation with the Government of Chenghua District.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of RMB581,089,000 due from the Government of Chenghua District in Sichuan Province included:

- obtaining and inspecting the legal opinion issued by the Group's external lawyer which opined on the legitimacy of the Group's right to receive the outstanding balance and negotiation status between the Group and the Government of Chenghua District; and
- assessing management's judgement in connection with the recoverability of the outstanding balance, including comparing management's assessment with the legal opinion provided by the external lawyer and the progress of the negotiations with the Government of Chenghua District and challenging management's assessment in respect of the ability of the Government of Chenghua District to repay the receivable with reference to reports which disclose relevant financial data published by the Government of Chenghua District.



Independent Auditor's Report

The Key Audit Matter

As at 31 December 2019, the directors of the Group were of the opinion that the RMB581,089,000 due from the Government of Chenghua District was fully recoverable and no expected credit loss allowance was required, taking into consideration a legal opinion received from an external lawyer about the legitimacy of the Group's right to receive the outstanding balance and also taking into consideration that there is no indication that the Government of Chenghua District does not have the financial ability to fulfil its obligations to settle the balance.

We identified the recoverability of RMB581,089,000 due from the Government of Chenghua District as a key audit matter because of its financial significance to the Group and because the assessment of its recoverability requires the application of management judgement.

How the matter was addressed in our audit

Assessing the recoverability of loans provided to third parties

Refer to Note 20 to the consolidated financial statements and the accounting policies on page 133.

The Key Audit Matter

As at 31 December 2019, the carrying value of loans provided to third parties totalled RMB2,852,398,000 after deducting a loss allowance of RMB1,004,932,000.

Management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month expected credit losses ("ECLs") unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs, pursuant to the requirements under IFRS 9 "Financial Instruments" which has been adopted by the Group since 1 January 2018. The determination of ECLs is subject to management judgement on a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default, adjustments for forward-looking information, available remedies for recovery, collateral valuation and the seniority of the claim.

We identified the recoverability of loans provided to third parties as a key audit matter because of its financial significance to the Group and because the assessment of their recoverability is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of loans provided to third parties included:

- evaluating the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans provided to third parties, and the estimate of ECLs;
- assessing management's judgement in connection with the assessment of credit risk and the estimate of ECLs for individual credit-impaired debtor, on a sample basis, including reviewing the debtor's repayment history and financial information, researching market information about the debtor's business, evaluating management's assessment of the value of any collateral held and the timing and means of realisation of collateral, and considering other sources of repayment asserted by management;
- where a lawsuit against individual debtor has been filed by the Group and obtained the judgment from the court, comparing the result of judgment with the carrying amount of loans provided to the individual debtor;
- inspecting cash repayments from debtors subsequent to the financial year end; and
- considering whether the disclosures in the consolidated financial statements in respect of the expected credit losses for loans provided to third parties satisfy the requirements of the prevailing accounting standards.



Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the 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 directors are assisted by the audit committee of the Company (the "Audit Committee") in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.



Independent Auditor's Report

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
Revenue	2	8,288,648	7,579,091
Cost of sales		(6,188,628)	(5,988,281)
Gross profit		2,100,020	1,590,810
Valuation gains on investment properties	10	529,499	888,666
Other income	3	2,521,513	278,970
Selling expenses		(483,241)	(553,707)
Administrative expenses		(590,769)	(545,904)
Other operating expenses	30	(182,864)	(990,400)
Profit from operations		3,894,158	668,435
Finance income	4(a)	696,812	519,354
Finance costs	4(a)	(585,580)	(550,788)
Share of profits less losses of associates		12,888	(28,216)
Profit before taxation	4	4,018,278	608,785
Income tax	5	(803,169)	(366,012)
Profit for the year		3,215,109	242,773
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(3,016)	(18,017)
Other comprehensive income for the year		(3,016)	(18,017)
Total comprehensive income for the year		3,212,093	224,756

The notes on pages 111 to 236 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 27(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
Profit/(loss) for the year attributable to:			
Equity shareholders of the Company		1,804,811	(29,954)
Non-controlling interests		1,410,298	272,727
Profit for the year		3,215,109	242,773
Total comprehensive income for the year			
Attributable to:			
Equity shareholders of the Company		1,801,795	(47,971)
Non-controlling interests		1,410,298	272,727
Total comprehensive income for the year		3,212,093	224,756
Earnings/(loss) per share (RMB)			
	8		
Basic		0.70	(0.01)
Diluted		0.55	(0.01)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

		31 December 2019	31 December 2018
	<i>Note</i>	RMB'000	<i>(Note)</i> RMB'000
Non-current assets			
Property and equipment	9	643,367	697,864
Investment properties	10	11,670,105	11,707,246
Intangible assets	11	863,900	–
Restricted deposits	21	42,900	130,054
Investments in associates	13	1,325,528	905,007
Trade and other receivables	20	192,315	576,506
Deferred tax assets	14(b)	691,570	1,400,667
Other non-current financial assets	15	273,730	103,777
Total non-current assets		15,703,415	15,521,121
Current assets			
Properties under development and completed properties held for sale	16	27,977,447	32,464,688
Land development for sale	17	2,013,294	866,431
Contract costs	18	249,106	246,555
Trade and other receivables	20	8,338,127	7,674,633
Restricted deposits	21	1,567,656	1,975,407
Cash and cash equivalents	22	2,438,612	2,588,630
Trading securities	23	107,953	114,663
Total current assets		42,692,195	45,931,007
Current liabilities			
Loans and borrowings	24	10,601,383	10,419,807
Trade and other payables	25	6,805,049	7,207,298
Contract liabilities	19	9,106,391	9,094,428
Lease liabilities	26	23,738	–
Contract retention payables		155,554	173,482
Current tax liabilities	14(a)	1,677,894	1,093,894
Total current liabilities		28,370,009	27,988,909
Net current assets		14,322,186	17,942,098
Total assets less current liabilities		30,025,601	33,463,219

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	31 December 2019 <i>RMB'000</i>	31 December 2018 (Note) <i>RMB'000</i>
Non-current liabilities			
Loans and borrowings	24	14,452,841	19,275,499
Contract retention payables		154,463	170,166
Lease liabilities	26	61,251	–
Trade and other payables	25	423,249	469,535
Deferred tax liabilities	14(b)	3,185,570	3,939,724
Total non-current liabilities		18,277,374	23,854,924
NET ASSETS			
		11,748,227	9,608,295
CAPITAL AND RESERVES			
Share capital	27	20,240	20,704
Reserves		9,146,484	7,454,138
Total equity attributable to equity shareholders of the Company		9,166,724	7,474,842
Non-controlling interests		2,581,503	2,133,453
TOTAL EQUITY		11,748,227	9,608,295

Approved and authorised for issue by the board of directors on 31 March 2020.

YI Xiaodi
Directors

FAN Xiaochong
Directors

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company										Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	General reserve fund RMB'000	Property revaluation reserve RMB'000	Retained profits (Note) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2018	20,700	3,419,358	-	-	(3,776)	707,302	13,036	3,454,903	7,611,523	1,769,996	9,381,519
Changes in equity for 2018:											
(Loss)/profit for the year	-	-	-	-	-	-	-	(29,954)	(29,954)	272,727	242,773
Other comprehensive income	-	-	-	-	(18,017)	-	-	-	(18,017)	-	(18,017)
Total comprehensive income	-	-	-	-	(18,017)	-	-	(29,954)	(47,971)	272,727	224,756
Conversion of convertible bonds	4	1,366	-	-	-	-	-	-	1,370	-	1,370
Equity transaction with non-controlling interests	-	-	-	-	-	-	-	(90,080)	(90,080)	83,080	(7,000)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	7,684	7,684
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	(34)	(34)
Transfer to general reserve fund	-	-	-	-	-	30,564	-	(30,564)	-	-	-
Balance at 31 December 2018 and 1 January 2019	20,704	3,420,724	-	-	(21,793)	737,866	13,036	3,304,305	7,474,842	2,133,453	9,608,295
Changes in equity for 2019:											
Profit for the year	-	-	-	-	-	-	-	1,804,811	1,804,811	1,410,298	3,215,109
Other comprehensive income	-	-	-	-	(3,016)	-	-	-	(3,016)	-	(3,016)
Total comprehensive income	-	-	-	-	(3,016)	-	-	1,804,811	1,801,795	1,410,298	3,212,093
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	4,250	4,250
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,176,170)	(1,176,170)
Repurchase of own shares 27(c)	(464)	-	(21)	-	-	-	-	-	(485)	-	(485)
- par value paid	-	(76,279)	(2,841)	-	-	-	-	-	(79,120)	-	(79,120)
- premium paid	-	(464)	-	464	-	-	-	-	-	-	-
- transfer between reserves	-	-	-	-	-	-	-	-	-	-	-
Acquisition of a subsidiary 34	-	-	-	-	-	-	-	-	-	263,684	263,684
Equity transaction with non-controlling interests	-	-	-	-	-	-	-	(30,308)	(30,308)	30,308	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(84,320)	(84,320)
Transfer to general reserve fund	-	-	-	-	-	47,203	-	(47,203)	-	-	-
Balance at 31 December 2019	20,240	3,343,981	(2,862)	464	(24,809)	785,069	13,036	5,031,605	9,166,724	2,581,503	11,748,227

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Profit before taxation		4,018,278	608,785
Adjustments for:			
– Depreciation	4(c)	69,393	55,078
– Valuation gains on investment properties	10	(529,499)	(888,666)
– Finance costs	4(a)	569,166	536,695
– Finance income	4(a)	(696,812)	(519,354)
– Net loss on disposal of property and equipment		63	432
– Net loss/(gain) on disposal of investment properties	3	31,192	(9,085)
– Gain on disposal of subsidiaries	3	(2,117,598)	–
– Remeasurement to fair value of pre-exiting interest in acquiree	3	(399,839)	–
– Impairment loss on trade and other receivables	4(c)	117,168	958,003
– Write-down of/(reversal of) properties under development and completed properties held for sale	4(c)	31,769	(31,622)
– Gain on bargain purchase	3	–	(250,519)
– Share of profits less losses of associates		(12,888)	28,216
		1,080,393	487,963
Decrease/(increase) in properties under development and completed properties held for sale		1,938,203	(502,512)
(Increase)/decrease in land development for sale		(188,460)	247,315
Decrease in trade and other receivables		232,221	1,447,420
Decrease/(increase) in restricted deposits		301,435	(153,720)
(Decrease)/increase in trade and other payables, and contract retention payables		(785,797)	82,958
Increase in contract liabilities		145,531	604,707
Increase in contract costs		(2,551)	(42,156)
Cash generated from operation		2,720,975	2,171,975
Income tax paid		(357,412)	(429,235)
Net cash generated from operating activities		2,363,563	1,742,740

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
Investing activities			
Finance income received		180,791	178,875
Proceeds from disposal of property and equipment		2,180	7,634
Proceeds from disposal of investment properties		68,008	173,384
Prepayment for acquisition of an associate		(4,000)	–
Prepayment for acquisition of a subsidiary		(28,327)	–
Acquisition of subsidiaries, net of cash acquired	34	(49,442)	(124,544)
Acquisition of property and equipment		(12,415)	(44,473)
Acquisition of investment properties		(84,128)	(188,852)
Acquisition of associates		(274,987)	(25,207)
Proceeds from disposal subsidiaries	35	3,739,523	–
Loans provided to related parties	31	(3,404)	(138,059)
Repayment of loans provided to a related party	31	117,500	–
Loans provided to third parties		(3,084,320)	(2,433,717)
Repayment of loans provided to third parties		2,935,365	1,663,663
Loans provided to associates	31	(154,952)	(562,566)
Repayment of loans provided to an associate	31	20,170	–
Loans provided to non-controlling interests		(290,389)	(152,788)
Acquisition of non-listed equity securities		(169,953)	(36,777)
Acquisition of non-controlling interests		–	(7,000)
Net cash generated from/(used in) investing activities		2,907,220	(1,690,427)

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019
(Expressed in Renminbi)

		2019	2018
	<i>Note</i>	RMB'000	<i>(Note)</i> RMB'000
Financing activities			
Proceeds from loans and borrowings	22(b)	11,003,445	9,420,797
Repayment of loans and borrowings	22(b)	(10,889,011)	(8,819,116)
Repayment of senior notes	22(b)	–	(583,283)
Repayment of PRC bonds	22(b)	(1,506,789)	(1,500,000)
Redemption of convertible bonds	22(b)	(1,109,726)	–
Proceeds from issue of convertible bonds	22(b)	–	580,876
Proceeds from issue of senior notes	22(b)	1,015,060	2,215,097
Interest paid	22(b)	(2,869,464)	(2,521,215)
Decrease/(increase) in restricted deposits	22(b)	193,470	(1,001,628)
Loans from related parties	22(b)	557	91,586
Repayment of loans from related parties	22(b)	(317)	(17,841)
Capital contribution from non-controlling interests		4,250	7,684
Capital element of lease rentals paid	22(b)	(23,163)	–
Interest element of lease rentals paid	22(b)	(7,686)	–
Repurchase of own shares		(79,605)	–
Distribution to non-controlling interests		(1,176,170)	–
Net cash used in financing activities		(5,445,149)	(2,127,043)
Net decrease in cash and cash equivalent		(174,366)	(2,074,730)
Cash and cash equivalents at 1 January	22(a)	2,588,630	4,654,189
Effect of foreign exchange rate changes		24,348	9,171
Cash and cash equivalents at 31 December	22(a)	2,438,612	2,588,630

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

The notes on pages 111 to 236 form part of these financial statements.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the Company and the entities carrying out the principal activities of the Group in the People’s Republic of China (the “PRC”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see Note 1(i));
- investments in equity securities (see Note 1(g)); and
- derivative financial instruments (see Note 1(h)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 32.

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 29(c). For an explanation of how the Group applies lessee accounting, see Note 1(l).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 8.54%.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group recognised right-of-use assets of RMB88,376,000 (RMB22,788,000 was recognised in investment properties and RMB65,588,000 was recognised in property and equipment) and the lease liabilities of RMB88,376,000 as at 1 January 2019.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB83,355,000 right-of-use assets (RMB29,466,000 was recognised in investment properties and RMB53,889,000 was recognised in property and equipment) and RMB84,989,000 lease liabilities as at 31 December 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised RMB24,797,000 depreciation charges and RMB7,686,000 interest costs from these leases.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17.

IFRS 16 has no material impact on financial result, segment results and cash flows of the Group.

d. Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

e. Lessor accounting

In addition to leasing out the investment property referred to in paragraph d. above, the Group leases out a number of items of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 1(s), (t) or (u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to gain on bargain purchase and no gain or loss is recognised.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is accounted for under equity method, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 1(f) and (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)).

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(z)(vii)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group make an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 1(z)(viii).

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of investment properties is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(z)(iii).

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in the property revaluation reserve, when a deficit arises, it will be charged to profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(m)).

The cost of self-constructed items of property includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(bb)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Hotel properties	30–40 years
– Supermarkets	20–30 years
– Office premises	20–30 years
– Motor vehicles	5–8 years
– Office equipment	3–5 years

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are the exclusive right of land development, which is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(m)).

Amortisation of intangible assets with finite useful lives is capitalised as part of the cost of that asset. The exclusive right of land development with finite useful lives are amortised from the date they are available for use and based on the completion progress of land development.

The period and method of amortisation are reviewed annually.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Leased assets (Continued)

As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 1(j) and 1(m)(iii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 1(i).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets

(i) **Credit losses from financial instruments, contract assets and lease receivables**

The Group recognises a loss allowance for expected credit losses on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables including loans provided to non-controlling interests in subsidiaries, related parties, and third parties); and
- contract assets as defined in IFRS 15 (see Note 1(q));

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) **Credit losses from financial instruments, contract assets and lease receivables (Continued)**

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) **Credit losses from financial instruments, contract assets and lease receivables (Continued)**

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(z)(vii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 1(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts); and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

- *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(n) Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development for sale. Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– **Property under development for sale**

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(bb)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– **Completed property held for sale**

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative for the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When properties under development and completed properties held for sale are sold, the carrying amount of those properties under development and completed properties held for sale is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of properties under development and completed properties held for sale to net realisable value and all losses of properties under development and completed properties held for sale are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties under development and completed properties held for sale is recognised as a reduction in the amount of properties under development and completed properties held for sale recognised as an expense in the period in which the reversal occurs.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as properties under development and completed properties held for sale (see Note 1(o)), or property, plant and equipment (see Note 1(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 1(z).



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(z)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 1(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 1(r)).

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue (see Note 1(z)). A contract liability would also be recognised if the group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 1(r)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 1(z)).

(r) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 1(q)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 1(m)(i)).

(s) Loans and borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 1(bb)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Convertible bonds

(i) **Convertible notes that contain an equity component**

Convertible notes that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible notes as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the notes are converted or redeemed.

If the notes are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the capital reserve is released directly to retained profits.

(ii) **Other convertible notes**

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see Note 1(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Convertible bonds (Continued)

(ii) Other convertible notes (Continued)

The derivative component is subsequently remeasured in accordance with Note 1(h). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 1(m)(i).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits

(i) **Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contributions retirement scheme as required under the relevant PRC laws and regulations are charged to profit or loss when incurred.

(ii) **Termination benefits**

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(y) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Provisions and contingent liabilities (Continued)

(ii) Onerous contracts

An onerous contract exists when the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(iii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortization where appropriate, and the amount that would be determined in accordance with Note 1(y)(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(y)(i).

(z) Revenue recognition

Income is classified by the Group as revenue when it arising from the sales of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a property or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (Continued)

Further details of the group's revenue and other income recognition policies are as follows:

(i) **Sale of properties**

Revenue arising from the sale of properties with full payment in advance before the construction of respective properties are completed, and a corresponding contract asset (see Note 1(q)), are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual construction costs incurred relative to the estimated total construction costs.

Revenue arising from the sale of properties other than those with full payment in advance is recognised when legal assignment is complete, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see Note 1(q)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the IAS 23, *Borrowing Costs*, in accordance with the policies set out in Note 1(bb), if significant.

(ii) **Revenue from land development for sale**

Revenue from land development for sale is recognised upon the transfer of control in connection with the land development for sale and when the amount of revenue can be measured reliably, which occurs upon the completion of related works as well as the sale of land.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (Continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Property management and hotel operation income

Property management and hotel operation income is recognised over the periods in which the services management are rendered.

(v) Property selling agency income

Property selling agency income mainly refers to the selling income of the property market. Property selling agency income is recognised according to the calculation method as stipulated in the relevant contracts when the service provided meets the terms required.

(vi) Brand-use service income

Brand-use service income is determined according to the period and fee calculation method as stipulated in the relevant contracts or agreements.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the assets (see Note 1(m)(i)).

(viii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting periods. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are a joint venture of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

Disaggregation of revenue

The principle activities of the Group are property and land development, property investment, property management and hotel operation, and light-asset operation. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	7,638,985	6,944,119
Property management and hotel operation income	457,899	443,365
Light-asset operation income	29,363	38,726
	8,126,247	7,426,210
Revenue from other sources		
Rental income from investment properties	162,401	152,881
	8,288,648	7,579,091
Disaggregated by timing of revenue recognition		
Point in time	6,568,202	6,094,501
Over time	1,720,446	1,484,590
	8,288,648	7,579,091

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by segment and by the timing of revenue recognition is disclosed in Note 2(b)(i).

The Group's customer base is diversified and there are no customers with whom transactions have exceed 10% of the Group's revenue.

(b) Segment reporting

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, property management and hotel operation, and light-asset operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments:

- (a) the mixed-use business complexes segment that develops and sells business complex products;
- (b) the multi-functional residential communities segment that develops and sells residential properties and develops land;
- (c) investment properties segment that leases offices and commercial premises;
- (d) the property management and hotel operation segment that provides property management services, and hotel accommodation services; and
- (e) the light-asset operation segment that provides property selling agency and brand-use services.

No operating segments have been aggregated to form the above reportable segments.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Management is provided with segment information concerning revenue, cost of sales, valuation gains on investment properties, net operating expenses, finance costs, income tax, additions on investment properties and property and equipment, and loans and borrowings.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

	Year ended 31 December 2019					Total RMB'000
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Light-asset operation RMB'000	
Disaggregated by timing of revenue recognition						
Point in time	2,104,247	4,434,592	-	-	29,363	6,568,202
Over time	548,502	551,644	162,401	457,899	-	1,720,446
Revenue from external customer	2,652,749	4,986,236	162,401	457,899	29,363	8,288,648
Inter-segment revenue	-	-	32,553	81,089	-	113,642
Reportable segment revenue	2,652,749	4,986,236	194,954	538,988	29,363	8,402,290
Cost of sales	(1,901,808)	(3,888,888)	-	(560,913)	(5,695)	(6,357,304)
Reportable segment gross profit/(loss)	750,941	1,097,348	194,954	(21,925)	23,668	2,044,986
Valuation gains on investment properties	-	-	529,499	-	-	529,499
Other income	(494,093)	3,032,716	(29,998)	4,432	-	2,513,057
Net operating expenses	(351,836)	(622,006)	(22,262)	(64,676)	(44)	(1,060,824)
Net finance costs	(20,910)	(36,872)	(7,816)	(14,689)	-	(80,287)
Reportable segment (loss)/ profit before taxation	(115,898)	3,471,186	664,377	(96,858)	23,624	3,946,431
Income tax	(27,719)	(655,109)	(167,345)	(2,005)	(2,126)	(854,304)
Reportable segment (loss)/profit	(143,617)	2,816,077	497,032	(98,863)	21,498	3,092,127
Additions on investment properties and property and equipment	11,191	2,310	96,761	14,629	367	125,258

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	At 31 December 2019					
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Light-asset operation RMB'000	Total RMB'000
Loans and borrowings	2,822,903	14,344,693	–	952,490	–	18,120,086
Reportable segment assets	12,870,293	35,641,319	11,808,640	1,399,824	102,136	61,822,212
Reportable segment liabilities	12,399,072	34,243,571	527,285	1,047,487	32,785	48,250,200
	Year ended 31 December 2018					
	Mixed-use business complexes RMB'000 (Note)	Multi- functional residential communities RMB'000 (Note)	Investment properties RMB'000 (Note)	Property management and hotel operation RMB'000	Light-asset operation RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
Point in time	1,176,631	4,879,144	–	–	38,726	6,094,501
Over time	221,258	667,086	152,881	443,365	–	1,484,590
Revenue from external customer	1,397,889	5,546,230	152,881	443,365	38,726	7,579,091
Inter-segment revenue	–	–	11,650	61,907	–	73,557
Reportable segment revenue	1,397,889	5,546,230	164,531	505,272	38,726	7,652,648
Cost of sales	(1,445,083)	(4,157,448)	–	(447,391)	(12,648)	(6,062,570)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2018					
	Mixed-use business complexes RMB'000 (Note)	Multi- functional residential communities RMB'000 (Note)	Investment properties RMB'000 (Note)	Property management and hotel operation RMB'000	Light-asset operation RMB'000	Total RMB'000
Reportable segment gross (loss)/profit	(47,194)	1,388,782	164,531	57,881	26,078	1,590,078
Valuation gains on investment properties	–	–	888,666	–	–	888,666
Net operating expenses	(209,004)	(901,665)	(13,550)	(91,306)	(1,538)	(1,217,063)
Net finance (costs)/income	(579)	(171,049)	31	(20,268)	3	(191,862)
Reportable segment (loss)/ profit before taxation	(256,777)	316,068	1,039,678	(53,693)	24,543	1,069,819
Income tax	45,453	(280,720)	(256,344)	(1,668)	(2,209)	(495,488)
Reportable segment (loss)/profit	(211,324)	35,348	783,334	(55,361)	22,334	574,331
Additions on investment properties and property and equipment	26,003	8,517	197,098	3,927	62	235,607
	At 31 December 2018					
	Mixed-use business complexes RMB'000 (Note)	Multi- functional residential communities RMB'000 (Note)	Investment properties RMB'000 (Note)	Property management and hotel operation RMB'000	Light-asset operation RMB'000	Total RMB'000
Loans and borrowings	4,571,818	16,453,862	–	581,440	–	21,607,120
Reportable segment assets	11,692,208	38,992,879	11,930,806	1,238,111	107,395	63,961,399
Reportable segment liabilities	11,628,000	38,458,643	534,896	1,017,670	55,804	51,695,013

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue, profit, assets and liabilities

	2019	2018 (Note)
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	8,402,290	7,652,648
Elimination of intra-group revenue	(113,642)	(73,557)
Consolidated revenue (Note 2(a))	8,288,648	7,579,091
Profit		
Reportable segment profit	3,092,127	574,331
Elimination of intra-group loss	34,468	25,581
Unallocated head office and corporate income/(loss)	88,514	(357,139)
Consolidated profit	3,215,109	242,773
Loans and borrowings		
Reportable segment loans and borrowings	18,120,086	21,607,120
Unallocated head office and corporate loans and borrowings	6,934,138	8,088,186
Consolidated loans and borrowings	25,054,224	29,695,306
Assets		
Reportable segment assets	61,822,212	63,961,399
Elimination of intra-group balances	(21,157,594)	(19,957,249)
Unallocated head office and corporate assets	17,730,992	17,447,978
Consolidated total assets	58,395,610	61,452,128
Liabilities		
Reportable segment liabilities	48,250,200	51,695,013
Elimination of intra-group balances	(20,561,523)	(19,217,022)
Unallocated head office and corporate liabilities	18,958,706	19,365,842
Consolidated total liabilities	46,647,383	51,843,833

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(iii) Geographical information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

3 OTHER INCOME

	Note	2019 RMB'000	2018 RMB'000
Disposal of subsidiaries	35	2,117,598	–
Remeasurement to fair value of pre-existing interest in acquiree	(i)	399,839	–
Gain on bargain purchase		–	250,519
Net (loss)/gain on disposal of investment properties		(31,192)	9,085
Others		35,268	19,366
		2,521,513	278,970

Notes:

- (i) The remeasurement to fair value of the Group's pre-existing interest in a subsidiary acquired during the year, resulted in a gain of RMB399,839,000. See Note 34(a)(iii).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

	2019	2018 (Note)
	RMB'000	RMB'000
Finance income		
Interest income on financial assets measured at amortised cost	(435,205)	(517,404)
Dividend income from the trading securities	(3,215)	(1,950)
Net change in fair value of the derivative component of the convertible bonds (Note 24(e))	(258,392)	–
	(696,812)	(519,354)
Finance costs		
Total interest expense on loans and borrowings (Note 22(b))	2,888,167	2,657,834
Less: Interest expense capitalised into land development for sale, properties under development and investment properties under construction*	(2,391,047)	(2,274,488)
	497,120	383,346
Net change in fair value of the derivative component of the convertible bonds (Note 24(e))	–	16,745
Net foreign exchange loss	26,227	130,450
Net change in fair value of the trading securities	38,133	6,154
Interest element of lease rentals paid	7,686	–
Bank charges and others	16,414	14,093
	585,580	550,788

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 1(c).

* The borrowing costs have been capitalised at a rate of 4.20% – 14.00% per annum (2018: 4.69% – 18.00%).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2019	2018
	RMB'000	RMB'000
Contributions to defined contribution retirement plan	36,740	37,555
Salaries, wages and other benefits	534,146	528,258
	570,886	565,813

(c) Other items

	2019	2018
	RMB'000	(Note) RMB'000
Depreciation charge (Note 9)		
– Owned property, plant and equipment*	44,596	55,078
– Right-of-use assets*	24,797	–
	69,393	55,078
Total minimum lease payments for leases previously classified as operating leases under IAS 17*	–	22,666
Impairment losses		
– Trade and other receivables (Note 30(a))	117,168	958,003
– Write-down of/(reversal of) properties under development and completed properties held for sale	31,769	(31,622)
	148,937	926,381
Auditors' remuneration		
– Audit services	13,213	10,916
– Tax services	351	3,757
	13,564	14,673
Rental receivable from investment properties less direct outgoing of RMB Nil	(162,401)	(152,881)

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 1(c).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i>
Provision for the year			
– PRC Corporate Income Tax		662,574	254,721
– Land Appreciation Tax		304,584	184,381
Over-provision of PRC Corporate Income tax in respect of prior years		(1,748)	(348)
Deferred tax	14(b)	(162,241)	(72,742)
		803,169	366,012

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "BVI"), the Group incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 5% to 7% based on types of properties.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 RMB'000	2018 RMB'000
Profit before taxation	4,018,278	608,785
Notional tax at profit before taxation, calculated at the tax rate of 25%	1,004,570	152,196
Provision for Land Appreciation Tax	304,582	184,381
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	(76,146)	(46,095)
Tax effect of unused tax losses not recognised	55,794	34,825
Effect of preferential tax rate	(466,038)	92,046
Tax effect of share of profits less losses of associates	(3,222)	7,054
Tax effect of non-deductible expenses	85,125	3,779
Over-provision in prior years	(1,748)	(348)
Tax effect of non-taxable income	(99,748)	(61,826)
Actual tax expense	803,169	366,012

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2019 Total RMB'000
Chairman:					
Mr. Yi Xiaodi	-	1,248	834	50	2,132
Executive director:					
Mr. Fan Xiaochong	-	1,183	798	50	2,031
Non-executive directors:					
Mrs. Fan Xiaohua ("Mrs. Fan")	-	580	183	-	763
Mr. Wang Gongquan	296	-	-	-	296
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	299	-	-	-	299
Mr. Gu Yunchang	299	-	-	-	299
Mr. Wang Bo	296	-	-	-	296
	1,190	3,011	1,815	100	6,116

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	2018 Total <i>RMB'000</i>
Chairman:					
Mr. Yi Xiaodi	–	1,246	960	42	2,248
Executive director:					
Mr. Fan Xiaochong	–	1,182	960	40	2,182
Non-executive directors:					
Mrs. Fan	–	580	144	–	724
Mr. Wang Gongquan	238	–	–	–	238
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	238	–	–	–	238
Mr. Gu Yunchang	238	–	–	–	238
Mr. Wang Bo	238	–	–	–	238
	952	3,008	2,064	82	6,106

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: two) are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other three (2018: three) individuals are as follows:

	2019 RMB'000	2018 <i>RMB'000</i>
Salaries and other emoluments	3,570	2,466
Discretionary bonuses	1,310	2,149
Retirement scheme contributions	79	104
	4,959	4,719

The emoluments of the three (2018: three) individuals with the highest emoluments are within the following bands presented in Hong Kong Dollar ("HKD"):

	2019 Numbers of individuals	2018 <i>Numbers of</i> <i>individuals</i>
HKD1,500,001 to HKD2,000,000	2	2
HKD2,000,001 to HKD2,500,000	1	1

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB1,804,811,000 (2018: loss attributable to equity shareholders of the Company of RMB29,954,000) and the weighted average of 2,563,577,724 ordinary shares (2018: 2,611,907,327 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	Note	2019	2018
Issued ordinary shares at 1 January		2,611,907,327	2,611,736,625
Effect of shares repurchased and cancelled	27(c)	(48,206,200)	–
Effect of treasury shares	27(c)	(123,403)	–
Exercise of conversion of convertible bonds		–	170,702
Weighted average number of ordinary shares at 31 December		2,563,577,724	2,611,907,327

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Diluted earnings per share

There was no difference between basic and diluted loss per share for the year ended 31 December 2018.

For the year ended 31 December 2019, the calculation of diluted earnings per share is based on the diluted profit attributable to equity shareholders of the Company of RMB1,655,588,000 and the diluted weighted average number of ordinary shares of 3,025,337,438 calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2019 RMB'000
Profit attributable to equity shareholders	1,804,811
After tax effect of effective interest on the liability component of convertible bonds	105,109
After tax effect of gains recognised on the derivative component of convertible bonds	(254,332)
Profit attributable to equity shareholders (diluted)	<u>1,655,588</u>

(ii) Weighted average number of ordinary shares (diluted)

	2019
Weighted average number of ordinary shares at 31 December	2,563,577,724
Effect of conversion of convertible bonds	461,759,714
Weighted average number of ordinary shares (diluted) at 31 December	<u>3,025,337,438</u>

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2018	726,549	59,407	91,958	49,230	95,739	1,022,883
Acquisition of subsidiaries	-	-	-	-	663	663
Reclassification	-	-	15,498	-	(15,498)	-
Additions	24,071	970	768	5,590	13,074	44,473
Transfer to properties under development and completed properties held for sale	-	-	(15,498)	-	-	(15,498)
Disposals	(2,044)	(21)	(894)	(3,425)	(8,810)	(15,194)
At 31 December 2018	748,576	60,356	91,832	51,395	85,168	1,037,327
Impact on initial application of IFRS 16 (Note)	-	-	65,588	-	-	65,588
At 1 January 2019	748,576	60,356	157,420	51,395	85,168	1,102,915
Additions	12,522	-	4,333	3,729	4,929	25,513
Acquisition of subsidiaries	-	-	-	-	778	778
Disposals of subsidiaries	-	-	(32)	(764)	(771)	(1,567)
Transfer to investment properties	(73,173)	-	-	-	-	(73,173)
Disposals	(76)	(643)	(4,226)	(1,885)	(6,590)	(13,420)
At 31 December 2019	687,849	59,713	157,495	52,475	83,514	1,041,046

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Accumulated depreciation:						
At 1 January 2018	151,741	5,078	50,445	34,425	62,765	304,454
Charge for the year	27,393	1,826	7,288	4,895	13,676	55,078
Reclassification	-	-	12,941	-	(12,941)	-
Transfer to properties under development and completed properties held for sale	-	-	(12,941)	-	-	(12,941)
Written back on disposals	(1,552)	(20)	(826)	(1,248)	(3,482)	(7,128)
At 31 December 2018	177,582	6,884	56,907	38,072	60,018	339,463
At 1 January 2019	177,582	6,884	56,907	38,072	60,018	339,463
Charge for the year	28,207	1,233	23,980	3,955	12,018	69,393
Written back on disposals	(63)	(491)	(3,627)	(1,016)	(5,980)	(11,177)
At 31 December 2019	205,726	7,626	77,260	41,011	66,056	397,679
Net book value:						
At 31 December 2018	570,994	53,472	34,925	13,323	25,150	697,864
At 31 December 2019	482,123	52,087	80,235	11,464	17,458	643,367

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See Note 1(c).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT (CONTINUED)

(a) The analysis of net book value of properties

The net book values of hotel properties, supermarkets and office premise in aggregate of RMB614,445,000 as at 31 December 2019 (2018: RMB659,391,000), were under medium-term leases in the PRC.

(b) Certain portion of the Group's hotel properties were pledged against certain loans and borrowings, details of which are set out on Note 24(j).

(c) As at 31 December 2019, the Group had not obtained ownership certificates for certain hotel properties, supermarkets and office premises with aggregate carrying value of RMB27,722,000 (2018: RMB30,713,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

(d) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		31 December 2019 RMB'000	01 January 2019 RMB'000
Office premise, carried at depreciated cost	(i)	43,178	65,588
Hotel properties, carried at depreciated cost	(ii)	10,711	–
Investment property, carried at fair value, with remaining lease term of:			
– between 10 and 50 years	(iii)	29,466	22,788
		83,355	88,376

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT (CONTINUED)

(d) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019	2018
	RMB'000	(Note) RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Office premise	22,986	–
– Hotel properties	1,811	–
	24,797	–
Interest on lease liabilities (Note 4(a))	7,686	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	5,924	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	–	22,666

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 1(c).



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY AND EQUIPMENT (CONTINUED)

During the year, additions to right-of-use assets related to the expensed lease payments payable under new tenancy agreements were RMB19,776,000.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 22(c) and Note 26, respectively.

(i) Office premise

The Group has obtained the right to use office premise as its office work building through tenancy agreements. The leases typically run for an initial period of 2 to 7 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes an option to purchase the leased office premise at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(ii) Hotel properties

The Group has obtained the right to use hotel properties by sale and leasebacks through tenancy agreements. The leases typically run for an initial period of 2 to 5 years. None of the leases include an option to renew the lease when all terms are renegotiated, None of the leases includes an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(iii) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 2 to 13 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the lease payments is increased years to reflect market rentals. None of the leases includes variable lease payments.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES

	Properties under construction <i>RMB'000</i>	Completed properties <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	1,618,139	9,139,048	10,757,187
Additions	196,776	–	196,776
Transfer from properties under development and completed properties held for sale	89,944	391,983	481,927
Valuation surplus on investment properties for the year	71,952	816,714	888,666
Transfer to completed properties	(642,419)	642,419	–
Disposals	–	(617,310)	(617,310)
At 31 December 2018	1,334,392	10,372,854	11,707,246
At 31 December 2018	1,334,392	10,372,854	11,707,246
Impact on initial application of IFRS 16 (Note)	–	22,788	22,788
At 1 January 2019	1,334,392	10,395,642	11,730,034
Additions	124,226	31,700	155,926
Transfer from properties under development and completed properties held for sale	89,887	178,417	268,304
Transfer from property and equipment	–	73,173	73,173
Valuation gains on investment properties for the year	87,645	441,854	529,499
Transfer to completed properties	(95,082)	95,082	–
Disposal of subsidiaries	(270,668)	(700,226)	(970,894)
Disposals	–	(115,937)	(115,937)
At 31 December 2019	1,270,400	10,399,705	11,670,105

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See Note 1(c).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
— Commercial	11,670,105	-	-	11,670,105

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
— Commercial	11,707,246	-	-	11,707,246

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: RMB Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's completed investment properties and investment properties under construction were revalued as at 31 December 2019. The valuations were carried out by CHFT Advisory And Appraisal Ltd ("CHFT"), a firm of independent qualified valuers in Hong Kong with recent experience in the location and category of properties being valued. The Group's finance manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Completed investment properties	Direct comparison approach, and	Market unit sale price (RMB/sq.m.)	6,120 – 75,900 (2018: 6,625 – 72,107)	23,507 (2018: 22,744)
		Income capitalization approach	Capitalisation rate	3.5% – 6.5% (2018: 3.5% – 7.0%)
		Market monthly rent rate (RMB/sq.m.)	24 – 280 (2018: 15 – 266)	166 (2018: 126)
Investment properties under construction	Direct comparison approach	Market unit sale price (RMB/sq.m.)	13,599 – 41,643 (2018: 13,599 – 30,248)	27,965 (2018: 26,658)

The fair values of completed investment properties is determined using an open market value basis with reference to comparable sales transactions as identified in the relevant markets, and where, appropriate, taking into account the fair market valuations using the income capitalization approach. The fair value measurement is positively correlated to the market monthly rent rate, market unit sale price, and negatively correlated to the capitalization rate.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The investment properties under construction have been valued on the basis that the properties will be constructed and completed in accordance with the relevant development plans. The valuation were performed by CHFT by using the direct comparison approach which is commonly used in valuating development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deductions on construction costs, professional fees and interest payments to be incurred as at the valuation date as well as developer’s profits. The fair value measurement is positively correlated to the market unit sale price.

The (loss)/gain on disposal of investment properties and changes in fair value of investment properties are presented in “other income” and “valuation gains on investment properties” in the consolidated statements of comprehensive income, respectively.

- (b) The investment properties were under medium-term leases in the PRC.
- (c) Certain investment properties of the Group were pledged against the loans and borrowings, details are set out in Note 24(j).
- (d) As at 31 December 2019, the Group had not obtained ownership certificates for certain completed investment properties with aggregate carrying value of RMB770,619,000 (2018: RMB1,035,698,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.
- (e) As at 31 December 2019, completed investment properties with carrying value of RMB74,031,000 of the Group (2018: RMB72,203,000), were pledged with banks to secure banking facilities of a third party of the Group until July 2021.
- (f) As at 31 December 2019, certain investment properties with carrying value of RMB1,242,000,000 (2018: RMB1,262,000,000) of the Group are not permitted for sale until the end of May 2021.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(g) Total future minimum lease payments receivables by the Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year	115,049	122,968
After 1 year but within 2 years	107,128	109,864
After 2 year but within 3 years	91,717	96,762
After 3 year but within 4 years	73,783	77,595
After 4 year but within 5 years	63,007	57,497
After 5 years	386,599	304,425
	837,283	769,111

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 INTANGIBLE ASSET

	Exclusive right of land development
	<i>RMB'000</i>
Cost	
At 1 January 2018, 31 December 2018 and At 1 January 2019	–
Acquisition of a subsidiary	863,900
At 31 December 2019	863,900
Accumulated amortisation:	
At 1 January 2018, 31 December 2018 and At 31 December 2019	–
Net book value:	
At 31 December 2019	863,900
At 31 December 2018	–

Intangible asset for the year ended 31 December 2019 represented the recognition of the exclusive right of land development, an intangible asset, acquired from the acquisition of a subsidiary, amounting to RMB863,900,000, which was determined by reference to the excess earnings method under income approach. See Note 34(a)(i).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the company	Held by a subsidiary	
1 Guangxi Vantone Real Estate Co., Ltd. ("Guangxi Vantone") 廣西萬通房地產有限公司 **	Guangxi Zhuang, Autonomous Region, the PRC	RMB192,525,900	100%	–	100%	Property development
2 Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100 Group") 陽光壹佰置業集團有限公司 *	Beijing, the PRC	RMB1,000,000,000	100%	–	100%	Investment holding
3 Chang Zhou Kailei Properties Limited ("Changzhou Kailei") 常州凱雷置業有限公司 *	Jiangsu Province, the PRC	RMB117,640,000	51%	–	51%	Property development
4 Sunshine 100 Real Estate (Hunan) Co., Ltd. ("Hunan Sunshine 100") 陽光壹佰(湖南)置業發展有限責任公司 *	Hunan Province, the PRC	RMB105,880,000	100%	–	100%	Property development
5 Wu Xi Yitou Development Co., Ltd. ("Wuxi Yitou") 無錫藝投開發有限責任公司 *	Jiangsu Province, the PRC	RMB30,000,000	100%	–	100%	Property development
6 Chang Jia International Limited ("Chang Jia") 長佳國際有限公司	the BVI	USD50,000	55%	–	55%	Investment holding <i>Note (i)</i>
7 Wenzhou Center Plaza Construction Development Co., Ltd. ("Wenzhou Center") 溫州中心大廈建設發展有限公司 *	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development <i>Notes (i)</i>
8 Wenzhou Shihe Ecological Town Development Co., Ltd. ("Wenzhou Shihe") 溫州世和生態城開發有限公司 *	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development
9 Jinan Sunshine 100 Real Estate Development Co., Ltd. ("Jinan Sunshine 100") 濟南陽光壹佰房地產開發有限公司 *	Shandong Province, the PRC	RMB100,000,000	49%	–	49%	Property development <i>Note (i)</i>
10 Xizang Sunshine 100 Sales Management Co., Ltd. ("Xizang Sales Management") 西藏陽光壹佰營銷管理有限公司 *	Tibet Autonomous Region, the PRC	RMB100,000,000	100%	–	100%	Sales Management

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the company	Held by a subsidiary	
11 Wei Fang Sunshine 100 Real Estate Development Co., Ltd. ("Weifang Sunshine 100") 濰坊陽光壹佰置業有限公司*	Shandong Province, the PRC	RMB200,000,000	100%	–	100%	Property development
12 Yueyang Lixin Cultural Tourism Development Co., Ltd. ("Yueyang Lixin") 岳陽利信文化旅遊發展有限公司*	Hunan Province, the PRC	RMB20,480,000	51%	–	51%	Property development
13 Wenzhou Zhongxin Haoyuan Investment Co., Ltd. ("Wenzhou Zhongxin Haoyuan") 溫州中信昊園投資有限公司*	Zhejiang Province, the PRC	RMB100,000,000	100%	–	100%	Property development

* The Company is registered as a limited liability company in the PRC.

** The Company is registered as a sino-foreign equity joint venture enterprise in the PRC.

The following tables list out the information relating to Jinan Sunshine 100, Chang Jia and Wenzhou Center, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

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(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2019	2018
	RMB'000	(Note) RMB'000
Jinan Sunshine 100		
NCI percentage	51%	51%
Current assets	2,313,867	1,981,334
Non-current assets	1,480,818	1,536,778
Current liabilities	(1,689,315)	(1,208,357)
Non-current liabilities	(806,307)	(884,162)
Net assets	1,299,063	1,425,593
Carrying amount of NCI	662,522	727,052
Revenue	349,558	357,940
Profit for the year	73,470	245,262
Total comprehensive income	73,470	245,262
Profit allocated to NCI	37,470	125,084
Dividends paid to NCI	102,000	–
Cash flows from operating activities	458,414	699,756
Cash flows from investing activities	22	(223)
Cash flows from financing activities	(261,448)	(480,000)
Chang Jia		
NCI percentage	45%	45%
Current assets	5,012,606	3,648,620
Non-current assets	125,716	87,983
Current liabilities	(3,685,828)	(2,755,733)
Non-current liabilities	(183,288)	(101,984)
Net assets	1,269,206	878,886
Carrying amount of NCI	571,143	395,499
Revenue	962,543	1,267,999
Profit for the year	2,736,919	329,496
Total comprehensive income	2,736,919	329,496
Profit allocated to NCI	1,231,614	148,273
Dividends paid to NCI	1,055,970	–
Cash flows from operating activities	(65,379)	320,822
Cash flows from investing activities	179,515	(541,572)
Cash flows from financing activities	(292,058)	(165,546)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2019	2018
	RMB'000	(Note) RMB'000
Wenzhou Center		
NCI percentage	49%	49%
Current assets	2,253,010	2,404,167
Non-current assets	1,047,112	973,199
Current liabilities	(1,836,776)	(1,888,578)
Non-current liabilities	(833,220)	(905,827)
Net assets	630,126	582,961
Carrying amount of NCI	308,762	285,651
Revenue	35,768	1,013,120
Profit for the year	47,164	37,495
Total comprehensive income	47,164	37,495
Profit allocated to NCI	23,110	18,373
Dividends paid to NCI	–	–
Cash flows from operating activities	11,024	112,607
Cash flows from investing activities	(53,928)	(325)
Cash flows from financing activities	–	(420,000)

Note: The subsidiary has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of RMB Nil relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

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13 INVESTMENTS IN ASSOCIATES

The following list contains only the particulars of the material associates, all of which are unlisted corporate entities incorporated in the PRC, whose quoted market prices are not available.

Name of company	Place of incorporation	Particulars and paid-in capital <i>RMB'000</i>	Proportion of ownership interest held by subsidiaries	Principal activity
1 Beijing Yinxin Guanghua Real Estate Development Co., Ltd. ("Beijing Yinxin") 北京銀信光華房地產開發有限公司	Beijing, the PRC	66,660	49%	Property investment
2 Guangxi Tianqi Investment Co., Ltd. ("Guangxi Tianqi") 廣西天祺投資有限公司	Guangxi, the PRC	60,000	30%	Property investment
3 Chongqing Sunshine 100 Real Estate Development Co., Ltd. ("Chongqing Sunshine 100") 重慶陽光壹佰房地產開發有限公司	Chongqing, the PRC	379,130	30%	Property development

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

	2019	2018
	RMB'000	(Note) RMB'000
Beijing Yinxin		
Current assets	213,216	198,461
Non-current assets	1,228,405	1,215,631
Current liabilities	(105,168)	(109,632)
Non-current liabilities	(310,125)	(306,900)
Equity	1,026,328	997,560
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	1,026,328	997,560
Group's effective interest	49%	49%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	502,901	488,804
Revenue	31,550	25,623
Profit from continuing operations	28,768	29,280
Total comprehensive income	28,768	29,280
Dividends received from the associate	–	–
Guangxi Tianqi		
Current assets	1,859,446	1,838,999
Non-current assets	122	185
Current liabilities	(827,051)	(854,149)
Non-current liabilities	–	–
Equity	1,032,517	985,035
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	1,032,517	985,035
Group's effective interest	30%	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	309,755	295,510
Revenue	411,186	381,525
Profit from continuing operations	47,482	40,268
Total comprehensive income	47,482	40,268
Dividends received from the associate	–	–

Note: The associate has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of RMB Nil relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

Chongqing Sunshine 100

	2019
	RMB'000
Current assets	7,849,458
Non-current assets	5,236
Current liabilities	(4,383,042)
Non-current liabilities	(2,700,000)
Equity	771,652
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	771,652
Group's effective interest	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	425,889
Revenue	189,112
Loss from continuing operations	(14,775)
Total comprehensive income	(14,775)
Dividends received from the associate	–

Aggregate information of associates that are not individually material:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	86,983	120,693
Aggregate amounts of the Group's share of those associates'		
— Loss from continuing operations	(11,020)	(54,644)
— Total comprehensive income	(11,020)	(54,644)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	31 December 2019 RMB'000	31 December 2018 RMB'000
PRC Corporate Income Tax payable	1,293,146	719,411
Land Appreciation Tax payable	384,748	374,483
	1,677,894	1,093,894

(b) Deferred tax assets and liabilities recognised:

(i) **Movements of each component of deferred tax assets and liabilities**

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Note	Tax losses RMB'000	Land development for sale, properties under development and completed properties held for sale RMB'000	Investment properties RMB'000	Amortisation of capitalised contract costs RMB'000	Loss allowance RMB'000	Property and equipment RMB'000	Fair value adjustment on intangible asset RMB'000	Total RMB'000
At 1 January 2018	501,780	(1,406,093)	(1,567,459)	(51,099)	-	(9,331)	-	(2,532,202)
Credited/(charged) to profit or loss	76,033	16,743	(199,058)	(10,540)	189,181	383	-	72,742
Acquisition of subsidiaries	-	(79,597)	-	-	-	-	-	(79,597)
At 31 December 2018	577,813	(1,468,947)	(1,766,517)	(61,639)	189,181	(8,948)	-	(2,539,057)
At 1 January 2019	577,813	(1,468,947)	(1,766,517)	(61,639)	189,181	(8,948)	-	(2,539,057)
Credited/(charged) to profit or loss	84,559	185,559	(123,667)	(10,210)	25,615	385	-	162,241
Acquisition of subsidiaries	3,733	-	-	-	-	-	(215,975)	(212,242)
Disposal of subsidiaries	(61,310)	18,188	138,180	-	-	-	-	95,058
At 31 December 2019	604,795	(1,265,200)	(1,752,004)	(71,849)	214,796	(8,563)	(215,975)	(2,494,000)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	691,570	1,400,667
Deferred tax liabilities recognised in the consolidated statement of financial position	(3,185,570)	(3,939,724)
	(2,494,000)	(2,539,057)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(x), the Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB798,399,000 at 31 December 2019 (2018: RMB690,142,000), as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant subsidiaries. As at 31 December 2019, RMB100,677,000, RMB161,350,000, RMB138,508,000, RMB176,464,000 and RMB221,400,000 of these tax losses will expire in 2020, 2021, 2022, 2023 and 2024, respectively.

(d) Deferred tax liabilities not recognised

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profits earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future. As at 31 December 2019, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB6,274,789,000 (2018: RMB6,274,337,000). Deferred tax liabilities of RMB627,479,000 (2018: RMB627,434,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15 OTHER NON-CURRENT FINANCIAL ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Equity securities designated at FVOCI (non-recycling) — Unlisted equity securities	273,730	103,777

16 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	31 December 2019	31 December 2018
Properties under development	20,847,784	25,884,879
Completed properties held for sale	7,129,663	6,579,809
	27,977,447	32,464,688

- (a) The analysis of carrying value of leasehold land included in properties under development and completed properties held for sale is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
In the PRC		
— Long-term lease	3,414,045	3,379,719
— Medium-term lease	2,191,724	2,203,785
	5,605,769	5,583,504

- (b) The amount of properties under development expected to be recovered after more than one year is analyzed as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Properties under development	16,401,582	19,157,170

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

- (c) The analysis of the amount of properties under development and completed properties held for sale recognised as cost of sales and included in profit or loss is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Carrying amount of properties sold	5,623,010	5,524,943
Write-down of/(reversal of) properties under development and completed properties held for sale	31,769	(31,622)
	5,654,779	5,493,321

- (d) Certain properties under development and completed properties held for sale of the Group were pledged against the loans and borrowings, details are set out in Note 24(j).

17 LAND DEVELOPMENT FOR SALE

	31 December 2019 RMB'000	31 December 2018 RMB'000
Land development for sale	2,013,294	866,431

Land development for sale mainly represents the cost of land development for the Group's land development projects. Though the Group does not have ownership title or land use rights to the land, the Group is given the right to carry out preparation works in respect of land infrastructure in those projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

In accordance with the accounting policy set out in Note 1(z)(ii), revenue in relation to land development for sale is recognised depending on the timing of sales of related land plots by the government to third parties.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 CONTRACT COSTS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract costs		
— Sales commissions	249,106	246,555

Contract costs capitalised as at 31 December 2019 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at reporting date. Contract costs are recognised as part of "Selling expenses" in the statement of comprehensive income in the period in which sales from properties is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2019 was RMB168,432,000 (2018:RMB178,104,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2018:RMB Nil).

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of properties as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

As at 31 December 2019, the amount of capitalised contract costs that is expected to be recovered after more than one year was RMB91,823,000 (2018:RMB93,767,000).

19 CONTRACT LIABILITIES

Contract liabilities represented proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

	31 December 2019 RMB'000	31 December 2018 RMB'000
Balance at 1 January	9,094,428	8,083,120
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(7,613,478)	(7,352,434)
Increase in contract liabilities as a result of sales deposits	7,625,441	8,363,742
Balance at 31 December	9,106,391	9,094,428

The amount of contract liabilities expected to be recognised as income after more than one year is RMB3,609,667,000 (2018: RMB4,164,893,000).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables and bill receivables	(a)	929,451	952,602
Loans provided to third parties, net of loss allowance	(b)	2,852,398	3,029,336
Loans provided to non-controlling interests of subsidiaries, net of loss allowance		752,160	951,818
Loans provided to associates	(c)	242,339	648,417
Amounts due from other related parties	(d)	24,265	138,059
Consideration receivables	35(e)	1,085,145	–
Other receivables, net of loss allowance		324,576	354,885
Financial assets measured at amortised cost, net of loss allowance		6,210,334	6,075,117
Deposits and prepayments		2,320,108	2,176,022
		8,530,442	8,251,139
Less: non-current portion of other receivables		192,315	576,506
		8,338,127	7,674,633

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bill receivables, based on the revenue recognition date, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 6 months	70,974	130,814
6 months to 1 year	18,283	22,227
Over 1 year	840,194	799,561
	929,451	952,602



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(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Loans provided to third parties

The balance mainly represented loans provided to third parties which were interest bearing at a weighted interest rate of 11% (2018: 11%) per annum. Pursuant to the accounting policy as set out in Note 1, management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

During the year ended 31 December 2019, a total loss allowance of RMB102 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees and with an outstanding balance totalled RMB102 million as at 31 December 2019. Management determined that the credit risks of such balances of RMB102 million increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB102 million has been recognised thereon (see Note 30(a)).

During the year ended 31 December 2018, a total loss allowance of RMB902 million was recognised on the loans provided to third parties, which was primarily related to loans provided to a number of companies indirectly owned by an individual (the “Individual”) or guaranteed by the Individual, with an outstanding balance totalled RMB1,002 million as at 31 December 2018. Management determined that the credit risks of such balances of RMB1,002 million related to the Individual increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB852 million has been recognised thereon (see Note 30(a)). Management’s estimation on the loss allowance has considered the value of the legal titles of land and properties obtained by the Group as collaterals and other forms of guarantees provided by the debtors and the Individual as credit enhancements. As at 31 December 2019, the above loss allowance of RMB902 million was not reversed due to the credit risks have not been changed.

(c) Loans provided to associates

The balance as at 31 December 2019 represented loans provided to associates, which were unsecured and bearing interest rate at 12% per annum, of which RMB242,339,000 will be matured in 2021.

The balance as at 31 December 2018 represented loans provided to associates, which were unsecured and bearing interest rate at 12% per annum, of which RMB411,910,000 will be matured in 2021.

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(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Amounts due from other related parties

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans provided to the entities under control of Mrs. Fan	<i>(i)</i>	3,706	117,500
Advance provided to a key management personnel of the Group	<i>(ii)</i>	20,559	20,559
		24,265	138,059

(i) The balance amounting to RMB3,706,000 as at 31 December 2019 (2018: RMB117,500,000) represented loans provided to the entities under control of Mrs. Fan, bearing an interest rate at 10% per annum and will be matured on 9 April 2020.

(ii) The balance amounting to RMB20,559,000 as at 31 December 2019 (2018: RMB20,559,000) represented amounts provided to a key management personnel of the Group, Mr. Chen Meng, which were interest-free, unsecured and had no fixed terms of repayment.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 RESTRICTED DEPOSITS

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current restricted deposits for:			
— Guarantee for mortgage loans	(i)	26,344	18,294
— Guarantee for demolition fees	(ii)	35	35
— Guarantee for construction fees	(iii)	12,916	9,393
— Restricted cash related to pre-sale proceeds received	(v)	3,600	95,873
— Guarantee for loans and borrowings	22(b)/24(j)	5	6,459
		42,900	130,054
Current restricted deposits for:			
— Guarantee for mortgage loans	(i)	112,053	140,743
— Guarantee for demolition fees	(ii)	—	20,284
— Guarantee for construction fees	(iii)	35,409	64,231
— Guarantee for bills payable	(iv)	10,058	22,437
— Restricted cash related to pre-sale proceeds received	(v)	428,728	559,288
— Guarantee for loans and borrowings	22(b)/24(j)	981,408	1,168,424
		1,567,656	1,975,407
		1,610,556	2,105,461

The above restricted deposits are restricted as follows:

- (i) The Group has entered into agreements with certain banks and other financial institutions with respect to mortgage loans provided to buyers of the Group's property units. As at 31 December 2019, the Group had restricted bank deposits of RMB138,397,000 (2018: RMB159,037,000), as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank or other financial institution can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks and other financial institutions or the related mortgage loans are repaid by buyers.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 RESTRICTED DEPOSITS (CONTINUED)

- (ii) As at 31 December 2019, the Group had restricted bank deposits of RMB35,000 (2018: RMB20,319,000), as non-cancellable guarantees on demolition fees payable to original residents. Should the Group fail to pay the demolition fees, the government can draw down the security deposits up to the amount of outstanding demolition fees and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.
- (iii) As at 31 December 2019, pursuant to a government regulation, the Group had restricted deposits placed at banks of RMB48,325,000 (2018: RMB73,624,000), as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank or the government can drawdown the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.
- (iv) As at 31 December 2019, the Group had restricted bank deposits with terms of one to six months of RMB10,058,000 (2018: RMB22,473,000), as security for settlement of bills payable. Should the Group fail to settle the bills payable, the bank can draw down the security deposits up to the amount of outstanding bills payable and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.
- (v) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB432,328,000, at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2019 (2018: RMB655,161,000). The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Cash on hand	710	672
Cash at bank	2,437,902	2,587,958
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	2,438,612	2,588,630

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities

	Loans and borrowings RMB'000	Senior Notes RMB'000	Corporate bonds RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Restricted deposits for guarantee for loans and borrowings RMB'000	Interest payables RMB'000	Deposits related to loans RMB'000	Amounts due to related parties RMB'000	Total RMB'000
	Note (i)	Note 24 (a)/(b)/(c)	Note 24(d)	Note 24(e)	Note 26	Note 21	Note (ii)	Note (iii)		
At 1 January 2018	15,957,628	1,521,917	7,917,524	1,368,070	-	(173,255)	604,335	(116,633)	29,400	27,108,986
Changes from financing cash flow:										
Proceeds from loans and borrowings	9,500,124	-	-	-	-	-	-	(79,327)	-	9,420,797
Proceeds from issue of senior notes	-	2,215,097	-	-	-	-	-	-	-	2,215,097
Proceeds from issue of convertible bonds	-	-	-	580,876	-	-	-	-	-	580,876
Repayment of loans and borrowings	(8,819,116)	-	-	-	-	-	-	-	-	(8,819,116)
Repayment of senior notes	-	(583,283)	-	-	-	-	-	-	-	(583,283)
Repayment of PRC bonds	-	-	(1,500,000)	-	-	-	-	-	-	(1,500,000)
Interest paid	-	-	-	(85,115)	-	-	(2,436,100)	-	-	(2,521,215)
Increase in restricted deposits	-	-	-	-	-	(1,001,628)	-	-	-	(1,001,628)
Loans from related parties	-	-	-	-	-	-	-	-	91,586	91,586
Repayment of loans from related parties	-	-	-	-	-	-	-	-	(17,841)	(17,841)
Total changes from financing cash flow	681,008	1,631,814	(1,500,000)	495,761	-	(1,001,628)	(2,436,100)	(79,327)	73,745	(2,134,727)
Exchange adjustments	-	125,255	-	73,233	-	-	-	-	-	198,488
Changes in fair value	-	-	-	16,745	-	-	-	-	-	16,745
Other changes:										
Interest expense (Note 4(a))	-	18,722	19,616	173,728	-	-	2,441,059	-	4,709	2,657,834
Acquisition of subsidiaries	1,195,655	-	-	-	-	-	-	-	-	1,195,655
Conversion of convertible bonds	-	-	-	(1,370)	-	-	-	-	-	(1,370)
Total other changes	1,195,655	18,722	19,616	172,358	-	-	2,441,059	-	4,709	3,852,119
At 31 December 2018	17,834,291	3,297,708	6,437,140	2,126,167	-	(1,174,883)	609,294	(195,960)	107,854	29,041,611

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities (Continued)

	Loans and borrowings RMB'000 Note (i)	Senior Notes RMB'000 Note 24 (a)/(b)/(c)	Corporate bonds RMB'000 Note 24(d)	Convertible bonds RMB'000 Note 24(e)	Lease liabilities RMB'000 Note 26	Restricted deposits for guarantee for loans and borrowings RMB'000 Note 21	Interest payables RMB'000 Note (ii)	Deposits related to loans RMB'000 Note (iii)	Amounts due to related parties RMB'000	Total RMB'000
At 31 December 2018	17,834,291	3,297,708	6,437,140	2,126,167	-	(1,174,883)	609,294	(195,960)	107,854	29,041,611
Impact on initial application of IFRS 16 (Note iv)	-	-	-	-	88,376	-	-	-	-	88,376
At 1 January 2019	17,834,291	3,297,708	6,437,140	2,126,167	88,376	(1,174,883)	609,294	(195,960)	107,854	29,129,987
Changes from financing cash flow:										
Proceeds from loans and borrowings	11,003,445	-	-	-	-	-	-	-	-	11,003,445
Proceeds from issue of senior notes	-	1,015,060	-	-	-	-	-	-	-	1,015,060
Repayment of loans and borrowings	(10,985,300)	-	-	-	-	-	-	96,289	-	(10,889,011)
Repayment of PRC bonds	-	-	(1,506,789)	-	-	-	-	-	-	(1,506,789)
Repayment of Convertible bonds	-	-	-	(1,109,726)	-	-	-	-	-	(1,109,726)
Interest paid	-	(24,562)	-	(120,108)	-	-	(2,709,023)	-	(15,771)	(2,869,464)
Increase in restricted deposits	-	-	-	-	-	193,470	-	-	-	193,470
Capital element of lease rentals paid	-	-	-	-	(23,163)	-	-	-	-	(23,163)
Interest element of lease rentals paid	-	-	-	-	(7,686)	-	-	-	-	(7,686)
Loans from related parties	-	-	-	-	-	-	-	-	557	557
Repayment of loans from related parties	-	-	-	-	-	-	-	-	(317)	(317)
Total changes from financing cash flow	18,145	990,498	(1,506,789)	(1,229,834)	(30,849)	193,470	(2,709,023)	96,289	(15,531)	(4,193,624)
Exchange adjustments	-	72,412	-	43,483	-	-	-	-	-	115,895
Changes in fair value	-	-	-	(258,392)	-	-	-	-	-	(258,392)
Other changes:										
Interest expenses (Note 4(a))	-	-	11,360	198,235	7,686	-	2,670,886	-	-	2,888,167
Non-cash transaction (Note v)	-	-	-	-	-	-	-	-	(91,234)	(91,234)
Acquisition of subsidiaries	18,800	-	-	-	-	-	-	-	-	18,800
Disposal of subsidiaries	(2,999,000)	-	-	-	-	-	-	-	-	(2,999,000)
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	19,776	-	-	-	-	19,776
Total other changes	(2,980,200)	-	11,360	198,235	27,462	-	2,670,886	-	(91,234)	(163,491)
At 31 December 2019	14,872,236	4,360,618	4,941,711	879,659	84,989	(981,413)	571,157	(99,671)	1,089	24,630,375

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(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities (Continued)

Notes:

- i As at 31 December 2019, loans and borrowing consists of long-term loans and borrowing at amortised cost amounting to RMB12,277,707,000 (2018: RMB14,097,177,000) and short-term loans and borrowing at amortised cost amounting to RMB2,534,530,000 (2018: RMB3,737,114,000), included in Note 24.
- ii Interest payables were included in "Other payables" in "Trade and other payables" (Note 25).
- iii Deposits related to loans were included in "Deposits and prepayments" in "Trade and other receivables" (Note 20).
- iv The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See Notes 1(c).
- v The amounts due to related parties of RMB91,234,000 were eliminated at consolidated statement of financial position as at 31 December 2019 as a result of acquisition of 51% equity interests in Wenzhou Zhongxin Haoyuan Investment Co., Ltd. ("Wenzhou Zhongxin Haoyuan") (Note 34(a)).

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	31 December 2019	31 December 2018
	RMB'000	<i>(Note)</i> RMB'000
Related to lease rental paid		
— Within operating cash flows	5,924	22,666
— Within financing cash flows	30,849	—
	36,773	22,666

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB22,666,000 were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see Note 22(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in Note 1(c).

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23 TRADING SECURITIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Listed equity securities at FVPL (Note 30(e)(ii))		
— in Hong Kong	107,953	114,663

24 LOANS AND BORROWINGS

	31 December 2019 RMB'000	31 December 2018 RMB'000
	<i>Note</i>	
Loans and borrowings at amortised cost		
— Long-term	12,277,706	14,097,177
— Short-term	2,594,530	3,737,114
— 2017 Senior Notes	<i>(a)</i> 1,635,046	1,594,054
— 2018 Senior Notes	<i>(b)</i> 1,773,522	1,703,654
— 2019 Senior Notes	<i>(c)</i> 952,050	–
— Corporate bonds	<i>(d)</i> 4,941,711	6,437,140
	24,174,565	27,569,139
Convertible bonds	<i>(e)</i> 879,659	2,126,167
	25,054,224	29,695,306

(a) 2017 Senior Notes

The Company issued senior notes of aggregate amount of USD235,000,000 on 20 September 2017 (the “2017 Senior Notes”), which are interest bearing at 8.5% per annum, due in September 2020 and listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2019, the 2017 Senior Notes were guaranteed by the Company’s subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2017 Senior Notes.

The 2017 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2019, none of the covenants relating to the 2017 Senior Notes were breached.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(b) 2018 Senior Notes

The Company issued senior notes of amount of USD165,000,000 on 6 February 2018 and USD 170,000,000 on December 2018 (collectively referred to as the “2018 Senior Notes”), which are interest bearing at 8.5% per annum and 10.5% per annum, due in September 2020 and December 2021, respectively, listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2019, the 2018 Senior Notes were guaranteed by the Company’s subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2018 Senior Notes.

The 2018 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2019, none of the covenants relating to the 2018 Senior Notes were breached.

(c) 2019 Senior Notes

The Company issued senior notes of amount of USD200,000,000 on 5 July 2019 (the “2019 Senior Notes”), which are interest bearing at 11.5% per annum, due in July 2021, listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2019, the 2019 Senior Notes were guaranteed by the Company’s subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2019 Senior Notes.

The 2019 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2019, none of the covenants relating to the 2019 Senior Notes were breached.

(d) Corporate bonds

In 2015 and 2016, Guangxi Vantone issued corporate bonds of RMB7,960,000,000 in total, which comprise following bonds

- 4-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.85% per annum and an effective interest rate at 8.09% per annum from 16 September 2015 to 15 March 2018; and with a coupon rate at 8.8% per annum and an effective interest rate at 9.3% per annum after 16 March 2018, issued on 16 September 2015 which was listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the 2.5 year. The corporate bonds were repaid during the year ended 31 December 2019;

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(d) Corporate bonds (Continued)

- 5-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.95% per annum and an effective interest rate at 8.29% per annum, issued on 16 September 2015 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;
- 3-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 7.99% per annum and an effective interest rate at 8.36% per annum, issued on 12 October 2015 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year (guaranteed by the Company). The corporate bonds were repaid during the year ended 31 December 2018;
- 5-year corporate bonds of RMB1,460,000,000 issued at par, with a coupon rate at 6.9% per annum and an effective interest rate at 6.94% per annum from 25 January 2016 to 24 January 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.66% per annum from 25 January 2019 to 24 January 2021, issued on 25 January 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year (guaranteed by the Company);
- 7-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 8.4% per annum and an effective interest rate at 8.53% per annum, issued on 24 February 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the fourth year (guaranteed by the Company);
- 5-year corporate bonds of RMB560,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum from 7 April 2016 to 6 April 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.52% per annum from 07 April 2019 to 07 April 2021, issued on 7 April 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;
- 5-year corporate bonds of RMB440,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum from 11 July 2016 to 10 July 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.61% per annum from 11 July 2019 to 11 July 2021, issued on 11 July 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year; and

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(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(d) Corporate bonds (Continued)

- 3-year corporate bonds of RMB500,000,000 issued at par, with a coupon rate at 7.4% per annum and an effective interest rate at 7.53% per annum from 13 July 2016 to 12 July 2018; and with a coupon rate at 8.4% per annum and an effective interest rate at 9.31% per annum from 13 July 2018 to 12 July 2019, issued on 13 July 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year. The corporate bonds were repaid during the year ended 31 December 2019.

(e) Convertible bonds

- (i) On 28 July 2016, the Company issued convertible bonds due 2021, bearing interest at the rate of 6.5% per annum with an aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,332,300,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 December 2016 until and including the day falling ten days prior to 11 August 2021 into fully paid ordinary shares with a par value of HKD0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD3.69 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 112.15% of the principle amount. The Company has an early redemption option at any time after 11 August 2019 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 11 August 2019 at early redemption amount of 106.67% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on the Singapore Exchange Securities Trading Limited.

As the convertible bonds do not contain an equity component, the derivative component of the USD200,000,000 convertible bonds is measured at fair value and the liability component is carried at amortised cost. As at 31 December 2019, the carrying amounts of liability and derivative component of the convertible bonds were RMB278,741,000 (2018:RMB1,079,393,000) and RMB19,233,000 (2018:RMB452,807,000), respectively.

During the year ended 31 December 2019, the Company has redeemed an aggregate principal amount of USD153,600,000 (equivalent to approximately RMB1,109,726,000) of the outstanding convertible bond.

During the year ended 31 December 2018, HKD200,000 of the convertible bonds were converted into 423,852 shares of the Company.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(e) Convertible bonds (Continued)

- (ii) On 17 September 2018, the Company issued convertible bonds due 2023, bearing interest at the rate of 4.8% per annum with an aggregate principal amount of HKD 750,000,000 (equivalent to approximately RMB580,876,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 1 January 2019 until and including the day falling ten days prior to 3 October 2023 into fully paid ordinary shares with a par value of HKD 0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD 4.50 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 100% of the principle amount. The Company has an early redemption option at any time after 3 October 2021 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 3 October 2021 at early redemption amount of 100.00% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on The Stock Exchange of Singapore Limited.

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds above is measured at fair value and the liability component is carried at amortised cost. As at 31 December 2019, the carrying amounts of liability and derivative component of the convertible bonds above were RMB523,462,000 (2018: RMB490,888,000) and RMB58,223,000 (2018: RMB103,079,000), respectively.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(e) Convertible bonds (Continued)

(ii) (Continued)

	Derivative component RMB'000	Liabilities component RMB'000	Total RMB'000
At 1 January 2018	411,677	956,393	1,368,070
Issuance	106,640	474,236	580,876
Fair value adjustment debited into profit or loss	16,745	–	16,745
Accrued interest	–	173,728	173,728
Interest paid	–	(85,115)	(85,115)
Foreign exchange loss	20,824	52,409	73,233
Conversion of convertible bonds	–	(1,370)	(1,370)
At 31 December 2018	555,886	1,570,281	2,126,167
At 1 January 2019	555,886	1,570,281	2,126,167
Fair value adjustment credited into profit or loss	(258,392)	–	(258,392)
Accrued interest	–	198,235	198,235
Interest paid	–	(120,108)	(120,108)
Foreign exchange loss	4,060	39,423	43,483
Redemption of convertible bonds	(224,098)	(885,628)	(1,109,726)
At 31 December 2019	77,456	802,203	879,659

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(f) The Group's long-term loans and borrowings comprise:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans and borrowings at amortised cost:		
— Bank loans — secured	3,946,459	3,679,700
— Loans from other financial institutions — secured	8,331,247	10,416,057
— Loans from third parties — unsecured	—	1,420
— 2017 Senior Notes	1,635,046	1,594,054
— 2018 Senior Notes	1,773,522	1,703,654
— 2019 Senior Notes	952,050	—
— Corporate bonds	4,941,711	6,437,140
	21,580,035	23,832,025
Convertible bonds	879,659	2,126,167
	22,459,694	25,958,192
Less: Current portion of long-term loans and borrowings:		
— Bank loans	1,279,533	1,602,700
— Loans from other financial institutions	3,106,318	3,583,890
— 2017 Senior Notes	1,635,046	—
— 2018 Senior Notes	988,435	—
— Corporate bonds	997,521	1,496,103
Sub-total	8,006,853	6,682,693
	14,452,841	19,275,499

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(g) The Group's short-term loans and borrowings comprise:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans and borrowings at amortised cost:		
Bank loans — secured	923,600	1,169,899
Loans from other financial institutions — secured	1,168,130	2,070,397
Loans from related parties — unsecured	—	2,818
Loans from third parties — secured	181,000	181,000
— unsecured	321,800	313,000
Sub-total	2,594,530	3,737,114
Current portion of long-term loans and borrowings	8,006,853	6,682,693
	10,601,383	10,419,807

(h) The Group's effective interest rates per annum on loans and borrowings at amortised cost are as follows:

	2019	2018
Long-term		
Bank loans	4.75%–8.08%	4.75%–12.50%
Loans from other financial institutions	6.63%–13.00%	6.63%–13.00%
Loans from third parties	8.08%	8.08%–13.00%
Senior Notes	9.08%–17.50%	9.03%–12.39%
Corporate bonds	8.29%–9.31%	6.94%–9.31%
Convertible bonds	12.00%–12.01%	8.59%–10.57%
Short-term		
Bank loans	3.75%–7.83%	4.56%–7.83%
Loans from other financial institutions	7.00%– 18.00%	7.00%–12.00%
Loans from related parties	10.00%	10.00%
Loans from third parties	7.00%– 13.50%	9.00%–13.50%

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(i) The Group's loans and borrowings are repayable as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year or on demand	10,601,383	10,419,807
After 1 year but within 2 years	8,111,210	10,382,138
After 2 years but within 5 years	5,973,131	8,503,361
After 5 years	368,500	390,000
	14,452,841	19,275,499
	25,054,224	29,695,306

(j) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain loans and borrowings granted to the Group at the end of the reporting period:

(i)	<i>Note</i>	31 December 2019 RMB'000	31 December 2018 RMB'000
Property and equipment	<i>9(b)</i>	376,969	450,715
Investment properties	<i>10(c)</i>	6,242,707	5,814,777
Properties under development			
completed properties held for sale	<i>16(d)</i>	6,126,285	7,688,171
Restricted deposits	<i>21</i>	981,413	1,174,883
		13,727,374	15,128,546

(ii) As at 31 December 2019, loans and borrowings amount to RMB6,431,340,000 (2018: RMB4,265,617,000) secured by a charge over the shares of the Company and certain subsidiaries of the Group.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 LOANS AND BORROWINGS (CONTINUED)

(k) The Group has defaulted in the repayment of loans and borrowings as follows:

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans from related parties	(a)		
— Principal payables		-	2,818
— Interest payables		-	15,771
		-	18,589
Loans from Tianjin Nongken Hongyi investment Co., Ltd.	(b)		
— Principal payables		-	1,060,397
— Interest payables		-	52,672
		-	1,113,069
		-	1,131,658

- (a) The loan from a related party ("Chongqing Yuneng Wanyi") was not duly settled as the Group is in the process of negotiating certain transactions with the related party and the loan was settled together with those transactions in March 2019.
- (b) The loans from Tianjin Nongken Hongyi investment Co., Ltd. ("Tianjin Nongken") were not duly settled as the Group is in the process of negotiating certain arrangement with Tianjin Nongken and the loans was settled in April 2019.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 TRADE AND OTHER PAYABLES

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables	(a)	4,162,880	4,320,475
Advances received from third parties	(b)	376,159	473,589
Consideration payables in respect of acquisition of subsidiaries		297,224	157,000
Amounts due to related parties	(c)	5,187	111,956
Other payables	(d)	1,232,214	1,350,791
Financial liabilities measured at amortised cost		6,073,664	6,413,811
Other taxes payable		1,154,634	1,263,022
Less: non-current portion of trade payables		423,249	469,535
		6,805,049	7,207,298

(a) As of the end of reporting period, the ageing analysis of trade payables (which are included in trade and other payables) based on invoice date, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year	3,739,631	3,959,015
1 to 2 years	252,233	223,679
Over 2 years but within 5 years	171,016	137,781
	4,162,880	4,320,475

(b) Advances received from third parties

The balances as at 31 December 2019 and 2018 mainly represented advances received from third parties. These advances are interest-free, unsecured and have no fixed terms of repayment.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 TRADE AND OTHER PAYABLES (CONTINUED)

(c) Amounts due to related parties

	31 December 2019 RMB'000	31 December 2018 RMB'000
Amounts due to		
— Entities under control of Mrs. Fan	1,089	849
— Associates	4,098	111,107
	5,187	111,956

The balances as at 31 December 2019 and 2018 mainly represented advances from related parties, which were interest-free, unsecured and had no fixed terms of repayment.

- (d) Other payables mainly represented interest payables, deposits received from constructors and salary payables.

26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 <i>(Note)</i>		31 December 2018 <i>(Note)</i>	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	23,738	29,623	15,916	23,199	-	-
After 1 year but within 5 years	41,426	54,241	50,528	65,758	-	-
After 5 years	19,825	31,733	21,932	33,040	-	-
	61,251	85,974	72,460	98,798	-	-
	84,989	115,597	88,376	121,997	-	-
Less: total future interest expenses		(30,608)		(33,621)		-
Present value of lease liabilities		84,989		88,376		-

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognize lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in Note 1(c).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company:

	Share capital <i>Note 27(c)</i> RMB'000	Share premium <i>Note 27(d)(i)</i> RMB'000	Treasury Shares <i>Note 27(d)(i)</i> RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018	20,700	3,419,358	-	-	4,171,465	7,611,523
Changes in equity for 2018:						
Total comprehensive income for the year	-	-	-	-	(138,051)	(138,051)
Conversion of convertible bonds	4	1,366	-	-	-	1,370
Balance at 31 December 2018 and 1 January 2019	20,704	3,420,724	-	-	4,033,414	7,474,842
Changes in equity for 2019:						
Total comprehensive income for the year	-	-	-	-	1,801,795	1,801,795
Repurchase of own shares						
— par value paid	(464)	-	(21)	-	-	(485)
— premium paid	-	(76,279)	(2,841)	-	-	(79,120)
— transfer between reserves	-	(464)	-	464	-	-
Equity transaction with non-controlling interests	-	-	-	-	(30,308)	(30,308)
Balance at 31 December 2019	20,240	3,343,981	(2,862)	464	5,804,901	9,166,724

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The Company did not declare any dividends for the years ended 31 December 2019 and 2018.

(c) Share capital and treasury shares

(i) Share capital

	2019		2018	
	No of shares	HKD'000	No of shares	HKD'000
Authorised:				
Ordinary shares	4,000,000,000	40,000	4,000,000,000	40,000

	2019		2018	
	No of shares	RMB'000	No of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	2,612,160,477	20,704	2,611,736,625	20,700
Shares repurchase and cancelled (ii)	(54,082,000)	(464)	-	-
Conversion of convertible bonds	-	-	423,852	4
At 31 December	2,558,078,477	20,240	2,612,160,477	20,704

(ii) Shares repurchase and cancelled

During the year ended 31 December 2019, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregated price paid RMB'000
January 2019	(46,188,000)	1.79	1.36	65,955
February 2019	(4,739,000)	1.73	1.51	6,767
September 2019	(189,000)	1.45	1.40	241
October 2019	(711,000)	1.43	1.40	906
November 2019	(2,255,000)	1.46	1.37	2,874
	(54,082,000)			76,743

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital and treasury shares (Continued)

(ii) Shares repurchase and cancelled (Continued)

54,082,000 shares out of the total repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of RMB464,000 was transferred from share premium to capital redemption reserve.

(iii) Treasury shares

	2019		2018	
	No of shares	RMB'000	No of shares	RMB'000
At 1 January	-	-	-	-
Shares repurchase to be cancelled	2,230,000	2,862	-	-
At 31 December	2,230,000	2,862	-	-

During the year ended 31 December 2019, the Company repurchased 2,230,000 shares on The Stock Exchange of Hong Kong Limited, at a total consideration of HKD3,185,000 which were cancelled on 20 January 2020.

Details of treasury shares purchased during the year ended 31 December 2019 are as follow:

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregated price paid RMB'000
November 2019	566,000	1.44	1.39	726
December 2019	1,664,000	1.47	1.39	2,136
	2,230,000			2,862

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) **Share premium**

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) **Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(aa).

(iii) **General reserve fund**

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iv) **Property revaluation reserve**

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties transferred from property and equipment in Note 1(i).



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate properties, and continue to provide returns for equity shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged during the year, as defined by the Group, being the total of loans and borrowings divided by the total assets. As at 31 December 2019, the gearing ratio of the Group was 42.90% (2018: 48.32%).

28 EMPLOYEE BENEFIT PLAN

The Group participates in a defined contribution retirement scheme established by the relevant local government authorities for its staff. The Group was required to make contributions to the retirement scheme at 12% to 20% of the gross salaries of its staff.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Investment commitments

Commitments in respect of equity investments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Contracted for	733,950	–

(b) Capital commitments

As at 31 December 2019 and 2018, the Group has the following commitments in respect of properties under development and investment properties under construction not provided for in the financial statements:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Contracted for	7,606,621	4,686,190
Approved but not contracted for	7,578,952	10,012,736
	15,185,573	14,698,926

(c) Operating lease commitments

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties <i>RMB'000</i>
Within 1 year	23,199
After 1 year but within 5 years	65,758
After 5 years	33,040
	121,997



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Operating lease commitments (Continued)

The Group is the lessee in respect of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 1(l), and the details regarding the Group's future lease payments are disclosed in Note 26.

(d) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. The total amounts of mortgages outstanding which are guaranteed by the Group, were RMB6,563,861,000 as at 31 December 2019 (2018: RMB7,266,593,000).

(e) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the relevant PRC laws and regulations, and these warranties are covered by back-to-back warranties provided by the relevant contractors of the projects.

(f) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse impact on the financial position, liquidity, or operating results of the Group.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and loans provided to non-controlling interests in subsidiaries, related parties and third parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 29(d), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 29(d).

(i) Trade receivables and bill receivables

The ageing analysis of trade receivables and bill receivables that are neither individually nor collectively considered to be impaired are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Neither past due nor impaired	223,428	77,331
1 to 6 months past due	30,860	24,240
6 months to 1 year past due	11,976	104,098
More than 1 year past due	663,187	746,933
	706,023	875,271
	929,451	952,602

Receivables that were neither past due nor impaired related to customers and debtors for whom there was no recent history of default.



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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(i) Trade receivables and bill receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 63.0% (2018: 61.0%) of the total trade receivables was due from the Group's largest customer.

Receivables that were past due but not impaired included revenue from land development for sale of RMB581,089,000 as at 31 December 2019 and 31 December 2018 from the Government of Chenghua District. Based on a series of agreements entered into by the Group and the Government of Chenghua District, the Group is entitled to receive RMB581,089,000 and the government issued a notice to confirm this amount on 2 July 2013. Considering the long ageing of the receivables, in February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court has accepted and approved an application for withdrawal of the trial by the Group on 26 July 2018. As of the date of this report, the Group is still negotiating with the Government of Chenghua District.

As at 31 December 2019 and 2018, the directors of the Group were of the opinion that no provision on the receivables of RMB581,089,000 due from the Government of Chenghua District was required. As the Group has consulted its legal adviser and understood that if the parties could not reach an agreement on the settlement agreement, the Group may reinstate the trial and there is no indication that the Government of Chenghua District will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, management believes that no loss allowance is necessary in respect of the above balances and the balances are still considered fully recoverable.

The remaining receivables that were past due but not impaired mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. The Group holds the title of the property units as collateral over the balance of trade receivables of RMB124,634,000 (2018: RMB178,424,000). The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price and management considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(i) Trade receivables and bill receivables (Continued)

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. At 31 December 2019 and 2018, the Group's exposure to credit risk and ECLs for these trade receivables are insignificant.

(ii) Guarantees provided by the Group

As disclosed in Note 29(d), for properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed properties. Therefore, management considers that it would likely recover any loss incurred arising from such guarantee provided by the Group. Management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts.

(iii) Loans provided to associates and non-controlling interests of subsidiaries

For receivables due from associates and non-controlling interests of subsidiaries, the Group considers that the credit risk arising from these receivables is significantly mitigated by related property development projects held by these associates and subsidiaries, with reference to the estimated market value of those property development projects.

(iv) Loans provided to third parties

For loans provided to third parties, whose loss allowance is measured on an individual basis, management assesses whether there is a significant increase in credit risk arising from default of the counter party based on borrowers' and guarantor's specific information primarily their past due status and their liquidities from other sources available without undue cost.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(iv) Loans provided to third parties (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for loans provided to third parties as at 31 December 2019 and 2018:

	2019		2018	
	Gross carrying Amount RMB'000	Loss allowance RMB'000	Gross carrying Amount RMB'000	Loss allowance RMB'000
Current (not past due)				
— 12-month ECLs	2,153,713	–	2,426,437	–
— Life-time ECLs	111,630	(111,630)	686,851	(455,964)
Total	2,265,343	(111,630)	3,113,288	(455,964)
Within 1 year past due				
— 12-month ECLs	82,712	–	–	–
— Life-time ECLs	725,315	(396,794)	603,030	(396,508)
	808,027	(396,794)	603,030	(396,508)
1 year to 2 years past due				
— Life-time ECLs	568,470	(396,508)	215,490	(50,000)
2 year to 3 years past due				
— Life-time ECLs	215,490	(100,000)	–	–
Balance as at 31 December	3,857,330	(1,004,932)	3,931,808	(902,472)

During the year ended 31 December 2019, a total loss allowance of RMB102 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees and with an outstanding balance totalled RMB102 million as at 31 December 2019. Management determined that the credit risks of such balances of RMB102 million increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB102 million has been recognised thereon.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(iv) Loans provided to third parties (Continued)

As at 31 December 2018, within the gross balance of the loans provided to third parties guaranteed by the Individual of RMB852 million, for which a loss allowance of RMB852 million has been recognised on the whole balances as disclosed in Note 30(a)(iv) above, a total balance of approximately RMB521 million was originated during the year ended 31 December 2018. As at 31 December 2018, no loss allowance was recognised on a gross balance of loans provided to a third party indirectly controlled by the Individual of RMB150 million and certain loans provided to other third parties of RMB403 million measured at lifetime ECLs, primarily after taking into account the land and properties and shares of companies with property development projects in the PRC obtained by the Group as collaterals, with estimated values as determined by management with reference to the market prices of comparable land and properties in the relevant locations and the estimated values exceeded the gross balances of these loan balances totalled RMB553 million.

During the year ended 31 December 2018, the credit risks of certain loans provided to a number of companies indirectly owned by the Individual or guaranteed by the Individual, with an outstanding balance totalled RMB1,002 million as at 31 December 2018, increased significantly since their initial recognition, and, therefore, a loss allowance based on lifetime ECLs totalled RMB852 million has been recognised against these balances. Management's assessment resulting such significant increase in the credit risks of the above balances is after taking into account of the adverse report of an investigation involving the Individual in the China, the loss of contact with the Individual, the consequential uncertainty over the Group's ability to enforce the guarantees provided by the Individual, and the viability of realising the estimated value of other collaterals held by the Group against these outstanding loans balance.

Movement in the loss allowance in respect of loans provided to third parties during the year is as following:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	902,472	–
Impairment losses recognised during the year	102,460	902,472
Balance at 31 December	1,004,932	902,472



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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

Historically, the Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

Sunshine 100 Group is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of each reporting periods of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting periods) and the earliest date the Group can be required to pay:

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amount at 31 December <i>RMB'000</i>
2019						
Loans and borrowings						
— Long-term	10,120,891	9,304,179	6,866,446	392,203	26,683,719	22,459,694
— Short-term	2,868,801	-	-	-	2,868,801	2,594,530
Lease liabilities <i>(Note)</i>	29,623	23,956	30,285	31,733	115,597	84,989
Contract retention payables	155,554	92,303	62,160	-	310,017	310,017
Financial liabilities measured at amortised cost	5,650,415	252,232	171,017	-	6,073,664	6,073,664
	18,825,284	9,672,670	7,129,908	423,936	36,051,798	31,522,894
2018						
Loans and borrowings						
— Long-term	8,895,494	12,037,908	9,599,724	414,570	30,947,696	25,958,192
— Short-term	4,102,922	-	-	-	4,102,922	3,737,114
Contract retention payables	173,482	100,998	69,168	-	343,648	343,648
Financial liabilities measured at amortised cost	6,052,351	223,679	137,781	-	6,413,811	6,413,811
	19,224,249	12,362,585	9,806,673	414,570	41,808,077	36,452,765

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See Note 1(c).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The interest rates of the Group's loans and borrowings are disclosed in Note 24(h). The annual interest rates of the Group's deposits at bank ranged from 0.1% to 2.75% as at 31 December 2019 (2018: 0.1% to 2.75%).

The interest rate profile of the Group's interest-bearing financial instruments was:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Fixed rate instruments		
Lease liabilities <i>(Note)</i>	84,989	–
Loans and borrowings at amortised cost	22,537,608	25,881,019
Convertible bonds-liability component	802,203	1,570,281
	23,424,800	27,451,300
Variable rate instruments		
Loans and borrowings at amortised cost	1,636,957	1,688,120

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See Note 1(c).

As at 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB4,358,438 (2018: RMB2,033,400), and would increase/decrease the Group's properties under development and completed properties held for sale, investment properties, property and equipment and land development for sale, by approximately RMB10,558,334 (2018: RMB14,170,000).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2018.

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30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through The People's Bank of China ("PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on cash and cash equivalents denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results.

Included in trade and other receivables, cash and cash equivalents, restricted deposits and loans and borrowings in the consolidated statement of financial position as at 31 December 2019 and 2018, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	Exposure to foreign currencies			
	2019		2018	
	USD RMB'000	HKD RMB'000	USD RMB'000	HKD RMB'000
Trade and other receivables	33,033	254,338	32,498	219,050
Cash and cash equivalents	21,600	4,473	106,959	44,659
Restricted deposits	785,381	-	1,141,282	-
Trading Securities	-	107,953	-	114,663
Loans and borrowings	(4,658,592)	(598,857)	(4,829,908)	(593,966)
Net exposure arising from recognised assets and liabilities	(3,818,578)	(232,093)	(3,549,169)	(215,594)

5% increase or decrease in USD and HKD exchange rate against RMB, assuming such change had occurred as at 31 December 2019, would decrease the Group's profit after tax and retained profits by approximately RMB151,900,000 (2018: RMB141,179,000).



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(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

(i) **Financial assets and liabilities measured at fair value**

Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loan, categorized into the three level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair valued hierarchy (Continued)

The Group has a team headed by the finance manager who is responsible for engaging external valuers to perform valuations for convertible bonds at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2019				Fair value at 31 December 2018			
	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into			Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Assets:								
Trading securities	107,953	107,953	-	-	114,663	114,663	-	-
Liabilities:								
Derivative component of convertible bonds (Note 24 (e))	77,456	-	-	77,456	555,886	-	-	555,886

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair valued hierarchy (Continued)

Information about Level 3 fair value measurements.

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivative component of convertible bonds issued in 2016	Binomial Tree model	Expected volatility	94.80% – 95.80% (2018: 37.00% – 38.00%)	95.30% (2018: 37.50%)
Derivative component of convertible bonds issued in 2018	Binomial Tree model	Expected volatility	45.60%-46.60% (2018:15.00% – 16.00%)	46.10% (2018: 15.50%)

The fair value of derivative component of convertible bonds is determined by Binomial Tree model and the significant unobservable input used in fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2019, for the USD200,000,000 convertible bond, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB281,000/RMB282,000 (2018: RMB1,867,000/RMB13,172,000), and for the HKD750,000,000 convertible bond, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB560,000/RMB561,000(2018: RMB1,288,000/RMB1,266,000).

The movements during the period in the balance of these Level 3 fair value measurements are as followings:

	2019 RMB'000	2018 RMB'000
Derivative component of convertible bonds		
At 1 January	555,886	411,677
Additions	–	106,640
Fair value adjustment (credited into)/charged to profit or loss	(258,392)	16,745
Foreign exchange loss	4,060	20,824
Redemption of convertible bonds	(224,098)	–
At 31 December	77,456	555,886

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30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2019 and 2018.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Loans provided to		
— Associates	179,952	562,566
— Entities under control of Mrs. Fan	3,404	117,500
— Members of key management personnel	–	20,559
Repayment of loans to		
— Associates	586,030	–
— Entities under control of Mrs. Fan	117,500	–
Repayment of loans from		
— Associates	91,234	17,090
— Entities under control of Mrs. Fan	317	751
Loans received from		
— An associate	–	91,234
— Entities under control of Mrs. Fan	557	–
Interest income received from		
— Associates	–	17,657
— Entities under control of Mrs. Fan	302	–
Interest repaid to		
— An associate	15,771	–

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(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6, and certain of the highest paid employees as disclosed in Note 7, is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Salaries, wages and other benefits	15,200	14,169
Contributions to defined contribution retirement plan	322	305
	15,522	14,474

Total remuneration is included in "Staff costs" (see Note 4(b)).

(c) The Listing Rules relating to connected transactions

The related party transactions in respect of loans provided to associates and entities under control of Mrs. Fan above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).



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32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgments used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Land appreciation taxes

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

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalized its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. 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 income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(o), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices and the costs of completion in case for properties under development.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in the provision would affect profit or loss in future periods.



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(Expressed in Renminbi unless otherwise indicated)

32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of property and equipment as described in Note 1(m) (iii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(e) Valuation of investment properties

As described in Note 10(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation which involves, inter alia, certain estimates including capitalization rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates. In relying on the valuation report, the management has exercised their judgment and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the respective end of each reporting periods.

(f) Expected credit losses of loans provided to third parties

As explained in Note 1(m)(i), the Group estimates ECLs for loans provided to third parties. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions, forecasts of future economic conditions and viability of realising the estimated value of collaterals held by the Group. If the financial condition of the debtors were to deteriorate, or the actual value of collaterals held by the Group were lower than the estimated value, actual write-offs would be higher than estimated.

(g) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management have reviewed the investment property portfolios of the Group and concluded that investment properties held by the Group are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the deferred taxation on investment properties of the Group, the management have determined that the "sales" presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties at the applicable corporate income tax rates.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current assets			
Investments in subsidiaries	12	9,165,496	6,833,581
Property and equipment		247	342
		9,165,743	6,833,923
Current assets			
Other receivables		999,833	1,540,510
Amounts due from subsidiaries		5,472,599	3,227,679
Restricted deposit		488,334	1,141,282
Cash and cash equivalents		26,299	151,642
Trading securities		107,953	114,663
		7,095,018	6,175,776
Current liabilities			
Loans and borrowings		2,640,653	–
Other payables		1,836,589	82,778
		4,477,242	82,778
Net current assets			
		2,617,776	6,092,998
Total assets less current liabilities			
		11,783,519	12,926,921
Non-current liabilities			
Loans and borrowings		2,616,795	5,452,079
NET ASSETS			
		9,166,724	7,474,842
CAPITAL AND RESERVES			
Share capital	27(a)	20,240	20,704
Reserves		9,146,484	7,454,138
TOTAL EQUITY			
		9,166,724	7,474,842

Approved and authorised for issue by the board of directors on 31 March 2020.

YI Xiaodi
Directors

FAN Xiaochong
Directors

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 ACQUISITION OF SUBSIDIARIES

The Group acquired certain subsidiaries during the year ended 31 December 2019, the following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition dates:

	Wenzhou Zhongxin		
	Haoyuan	Yueyang Lixin	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property and equipment	778	–	778
Intangible asset	863,900	–	863,900
Deferred tax assets	3,733	–	3,733
Trade and other receivables	273,989	–	273,989
Properties under development and completed properties held for sale	958,403	628,604	1,587,007
Cash and cash equivalents	558	–	558
Loans and borrowings	(18,800)	–	(18,800)
Trade and other payables	(947,585)	(364,920)	(1,312,505)
Current tax liabilities	(49,158)	–	(49,158)
Deferred tax liabilities arising from the fair value adjustment on intangible asset	(215,975)	–	(215,975)
Total net assets	869,843	263,684	1,133,527
Non-controlling interests acquired	–	(263,684)	(263,684)
Cash acquired during the year	558	–	558
Cash paid during the year	(50,000)	–	(50,000)
Net cash outflow including in the consolidated cash flow statements	(49,442)	–	(49,442)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Wenzhou Zhongxin Haoyuan

The Group acquired 51% of the remaining equity interests and voting interests at a consideration of RMB443,620,000 in Wenzhou Zhongxin Haoyuan which was an associate of and 49% owned by the Group during the year ended 31 December 2019. As a result, the Group obtained control of Wenzhou Zhongxin Haoyuan and Wenzhou Zhongxin Haoyuan became and was accounted for as a subsidiary of the Group from then on.

Wenzhou Zhongxin Haoyuan is a project company which is principally engaged in work with regard to first grade land consolidation at Linli area of Wenzhou. Taking control of Wenzhou Zhongxin Haoyuan will help improve the overall environment and quality of the area, and in turn enhance the value of Arles Project and obtain substantial contract profits therefrom.

For the period from 4 December 2019 (the acquisition date) to 31 December 2019, Wenzhou Zhongxin Haoyuan did not recognise any revenue and incurred a gain of RMB473,000 to the Group's results for the year ended 31 December 2019. If the acquisition had occurred on 1 January 2019, management estimates that Wenzhou Zhongxin Haoyuan would have incurred a loss of RMB3,856,000 to the Group. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2019.

(i) Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Land development for sale	Income Approach technique: The fair value of the target asset as the present value of the cash flows attributable to it. As the target asset will generally earn cash flows through interaction with other tangible and intangible assets, the contributions to cash flows of those other assets must be removed. Those assets are referred as contributory assets which are defined as all assets that are utilized in the realisation of expected future cash flows for the target asset. Fixed assets, working capital and assembled workforce required have been included in the calculation.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Wenzhou Zhongxin Haoyuan (Continued)

(ii) Gain on bargain purchase

No gain on bargain purchase has been recognised from the acquisition of Wenzhou Zhongxin Haoyuan.

(iii) Remeasurement to fair value of pre-existing interest in acquiree

Remeasurement to fair value of pre-existing interest in acquiree has been recognised from the acquisition of Wenzhou Zhongxin Haoyuan, as presented follows:

	<i>RMB'000</i>
Fair value of previously held 49% equity interest	426,223
Carrying amount of investment in an associate	(26,384)
	<hr/>
Remeasurement to fair value of pre-existing interest in acquiree	399,839

(b) Yueyang Lixin Cultural Tourism Development Co., Ltd. ("Yueyang Lixin")

During the year ended 31 December 2019, the Group entered into an agreement with Yueyang Highsun Hotel Co., Ltd, a third party company, to acquire 51% equity interest in Yueyang Lixin, a property owner that mainly engaged in the hotel operation of Yueyang Highsun Hotel, at a consideration of RMB10,408,000. As a result, the Group obtained control of Yueyang Lixin and Yueyang Lixin has been accounted for as a subsidiary of the Group from then on.

Yueyang Lixin is a hotel operator in the market of Yueyang, a city of Hunan Province. Taking control of Yueyang Lixin will enable the Group to have exposure to this market. The assets acquired and liabilities assumed did not constitute a business as defined in IFRS 3 and, therefore, the acquisition has been accounted for as assets acquisition.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Eminent Star Group Limited (“Eminent Star”)

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Victor Select Limited, a third party, to dispose the 55% equity interest of Eminent Star held by the Group, at a total consideration of RMB4,661 million which was comprised of an equity consideration of RMB4,397 million and a loan consideration of RMB264 million. Eminent Star was engaged in development of part of Qingyuan project. The disposal will be completed in four stages, and the first stage and the second stage had been completed as at 31 December 2019.

(b) Disposal of Chongqing Sunshine 100 Real Estate Development Co., Ltd. (“Chongqing Sunshine 100”)

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Sunac South-West Real Estate Development (Group) Co., Ltd., a third party, to dispose the 70% equity interest of Chongqing Sunshine 100 held by the Group, at a total consideration of RMB1,334 million which was comprised of an equity consideration of RMB370 million and a loan consideration of RMB964 million. Chongqing Sunshine 100 was engaged in development of Chongqing Sunshine100 project.

(c) Disposal of Sunshine 100 Resort Development Company Limited. (“Resort Development”)

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Crest Honour International Limited., a third party, to dispose the 51% equity interest of Resort Development held by the Group, at a total consideration of US dollar (“USD”) 8.418 million which was comprised of an equity consideration of USD4.083 million and a loan consideration of USD4.335 million. Resort Development was engaged in development of Sunmode Limited project on Saipan Island.

(d) Disposal of Dongguan Qingyuan Incubator Limited Company. (“Dongguan Qingyuan”)

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Shenzhen Shi Chengjin Holding Group Limited Company, a third party, to dispose the 100% equity interest of Dongguan Qingyuan held by the Group, at a total consideration of RMB513 million which was comprised of an equity consideration of RMB117 million, a loan consideration of RMB347 million and a debt consideration of RMB49 million. Dongguan Qingyuan was engaged in development of a project located in Dongguan.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 DISPOSAL OF SUBSIDIARIES (CONTINUED)

- (e) The disposals above had the following effects on the Group's assets and liabilities on the disposal dates:

	Eminent Star <i>RMB'000</i>	Chongqing Sunshine 100 <i>RMB'000</i>	Resort Development <i>RMB'000</i>	Dongguan Qingyuan <i>RMB'000</i>	Total <i>RMB'000</i>
Property and equipment	(99)	(1,264)	–	(204)	(1,567)
Investment properties	–	(700,226)	(270,668)	–	(970,894)
Deferred tax assets	–	(64,130)	–	–	(64,130)
Properties under development and completed properties held for sale	(318,458)	(4,358,010)	–	(526,227)	(5,202,695)
Trade and other receivables	(8,355)	(666,043)	–	(15,817)	(690,215)
Cash and cash equivalents	(405)	(25,443)	(1,330)	(1,149)	(28,327)
Trade and other payables	210,957	2,187,798	59,081	405,581	2,863,417
Loans and borrowings	–	2,999,000	–	–	2,999,000
Deferred tax liabilities	–	113,100	25,080	21,008	159,188
Net assets and liabilities	(116,360)	(515,218)	(187,837)	(116,808)	(936,223)
Equity consideration	2,805,391	370,000	27,229	116,840	3,319,460
Consideration cost	(5,874)	(12,155)	–	–	(18,029)
Waived interest charged to the subsidiary	–	(498,221)	–	–	(498,221)
Gain/(loss) on disposal of subsidiaries	2,683,157	(497,023)	(68,568)	32	2,117,598
Consideration received, satisfied in cash	2,297,850	1,300,000	–	170,000	3,767,850
Cash and cash equivalents disposed of	(405)	(25,443)	(1,330)	(1,149)	(28,327)
	2,297,445	1,274,557	(1,330)	168,851	3,739,523
Debt consideration	155,888	964,135	30,242	357,770	1,508,035
Consideration receivables	663,429	34,135	57,471	304,610	1,059,645

The undisclosed disposal of subsidiaries have had an immaterial effect on the Group's financial information.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

36 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 1(c).

37 PARENT AND ULTIMATE HOLDING COMPANY

As at 31 December 2019, the directors considered that the parent company of the Company is Joywise, a company with limited liability incorporated in the BVI on 8 January 2007. The ultimate holding company is Harvest Well Holding Limited, a company with limited liability incorporated in the BVI on 9 March 2007. These entities do not produce financial statements available for public use.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for Accounting periods beginning on or after
Amendments to IFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to IAS 1 and IAS 8, <i>Definition of material</i>	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group does not anticipate that the application of these amendments will have significant impact on the Group's consolidated financial statements.



Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

39 SUBSEQUENT EVENTS

- (a) The Company issued senior notes of USD18,000,000 and USD105,000,000 on 7 January 2020 and 20 January 2020, respectively, which are interest bearing at 11.5% per annum, due in 2021 and listed on the Singapore Exchange Securities Trading Limited.
- (b) On 16 March 2020, the parties to the equity transfer agreement of disposal of Chongqing Sunshine 100 (see Note 35(b)), entered the shareholders' resolutions to provide for the replacement of the consideration adjustment mechanism with another adjustment mechanism (the "Dividend Adjustment Mechanism") through a future dividend distribution plan of Chongqing Sunshine 100. It should be noted that completion of the disposal has already taken place during the year ended 31 December 2019. Under the Dividend Adjustment Mechanism, the majority of the adjustment will be out of the dividend entitled by the Group. The consideration for the shareholder loan will not be adjusted.
- (c) The Novel Coronavirus Pneumonia Outbreak (the "NCP Outbreak") since early 2020 has brought about additional uncertainties in the Group's operating environment and impact the Group's operations and financial position. As far as the Group's businesses are concerned, the NCP Outbreak may cause decrease of sales, but the directors of the Group consider that such impact could be temporary and not be material. The possible impact has not been reflected in these financial statements, and the actual impact may differ from estimates adopted in these financial statements as the NCP Outbreak situation continues to evolve and when further information may become available.

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