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

This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No securities may be offered or sold in the United States absent registration or an exemption from applicable registration requirements. There will be no public offering of securities in the United States. None of the Notes (as defined hereinafter) will be offered to the public in Hong Kong.

This announcement is not for distribution, directly or indirectly, in or into the United States.

***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 (the "Listing Rules") and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined hereinafter) 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 and the Guarantor (as defined hereinafter) confirm that the Notes are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

Sino-Ocean Group Holding Limited

(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

Stock Code : 03377

PUBLICATION OF OFFERING CIRCULAR

SINO-OCEAN LAND TREASURE IV LIMITED
遠洋地產寶財IV有限公司
(Incorporated in the British Virgin Islands with limited liability)
(the "**Issuer**")

US$200,000,000 3.80% CREDIT ENHANCED GREEN NOTES DUE 2025
(Stock Code: 05202)
(the "Notes")

unconditionally and irrevocably guaranteed by

SINO-OCEAN GROUP HOLDING LIMITED
遠洋集團控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 03377)
(the "**Guarantor**")

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

HSBC

China Zheshang Bank Co., Ltd. (Hong Kong Branch)

China Minsheng Banking Corp., Ltd., Hong Kong Branch

Joint Lead Manager and Joint Bookrunner

ABC International

Sole Green Structuring Bank

HSBC

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Please refer to the offering circular dated 20 April 2022 (the "**Offering Circular**") appended herein in relation to the issuance of the Notes. The Offering Circular is published in English only. No Chinese version of the Offering Circular has been published. As disclosed in the Offering Circular, the Notes were intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Stock Exchange on that basis.

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

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of Sino-Ocean Land Treasure IV Limited, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

By order of the Board
Sino-Ocean Group Holding Limited
CHAN King Tak
Company Secretary

Hong Kong, 27 April 2022

As at the date of this announcement, the board of directors of Sino-Ocean Land Treasure IV Limited comprises Mr. LI Ming, Mr. SUM Pui Ying and Ms. LIU Cheuk Kei, Chloe.

As at the date of this announcement, the board of directors of Sino-Ocean Group Holding Limited comprises Mr. LI Ming, Mr. WANG Honghui and Mr. CUI Hongjie as executive directors; Ms. HUANG Xiumei, Mr. ZHAO Peng, Mr. HOU Jun, Mr. CHEN Ziyang and Mr. ZHAN Zhong as non-executive directors; and Mr. HAN Xiaojing, Mr. SUEN Man Tak, Mr. WANG Zhifeng, Mr. JIN Qingjun and Ms. LAM Sin Lai Judy as independent non-executive directors.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES (THE "**NOTES**"), THE GUARANTEE AND THE IRREVOCABLE STANDBY LETTER OF CREDIT DESCRIBED THEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES, THE GUARANTEE AND THE IRREVOCABLE STANDBY LETTER OF CREDIT 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 CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON OR ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes described therein, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to The Hongkong and Shanghai Banking Corporation Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), China Minsheng Banking Corp., Ltd., Hong Kong Branch and ABCI Capital Limited (together, the "**Joint Lead Managers**") that your stated electronic mail address to which this e-mail has been delivered is not located in the United States and that you consent to delivery of the Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The materials relating to the issue of the Notes 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 issue of the notes be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the issue of the notes shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

No EEA or UK PRIIPs key information document has been prepared as the Notes will not be made available to retail investors in the European Economic Area or in the United Kingdom.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers. You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

SINO-OCEAN LAND TREASURE IV LIMITED

遠洋地產寶財IV有限公司

(incorporated in the British Virgin Islands with limited liability)

U.S.$200,000,000 3.80 per cent. Credit Enhanced Green Notes due 2025

unconditionally and irrevocably guaranteed by

遠洋集團
SINO-OCEAN GROUP

SINO-OCEAN GROUP HOLDING LIMITED

遠洋集團控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 03377)

and with the benefit of an Irrevocable Standby Letter of Credit issued by China Zheshang Bank Co., Ltd. Beijing Branch

Issue Price: 100 per cent.

Sino-Ocean Land Treasure IV Limited 遠洋地產寶財IV有限公司 (the "**Issuer**") proposes to issue U.S.$200,000,000 in principal amount of credit enhanced green notes due 2025 (the "**Notes**"). The Notes will constitute direct, unsecured and unsubordinated obligations of the Issuer and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Sino-Ocean Group Holding Limited (the "**Company**" or the "**Guarantor**"). Payments of principal and interest in respect of the Notes will have the benefit of an irrevocable standby letter of credit (the "**Irrevocable Standby Letter of Credit**") denominated in U.S. dollars and issued by China Zheshang Bank Co., Ltd. Beijing Branch (the "**LC Bank**"). See "*Appendix A — Form of Irrevocable Standby Letter of Credit*" for the form of the Irrevocable Standby Letter of Credit.

The Notes will bear interest from and including 26 April 2022 at the rate of 3.80 per cent. per annum. Interest on the Notes will be payable semi-annually in arrear in equal instalments of U.S.$19.0 per Calculation Amount (as defined in the terms and conditions of the Notes (the "**Terms and Conditions of the Notes**")) on 26 April and 26 October in each year, commencing on 26 October 2022. All payments under or in respect of the Notes, the Trust Deed, the Guarantee or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands or Hong Kong or, in either case, any authority thereof or therein having power to tax to the extent described under "*Terms and Conditions of the Notes — Taxation*".

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 26 April 2025 (the "**Maturity Date**"). The Notes will be subject to redemption in whole, but not in part, at their principal amount together with interest, if any, accrued to (but excluding) the date fixed for redemption and unpaid at the option of the Issuer upon the occurrence of certain tax events. See "*Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption for Taxation Reasons*".

The Notes may be redeemed at the option of the Issuer, in whole but not in part, at any time from or after 26 March 2025, at 100 per cent. of their principal amount, together with interest, if any, accrued to (but excluding), the relevant redemption date specified in the Relevant Redemption Notice (as defined in the Terms and Conditions of the Notes) and unpaid. See "*Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption at the Option of the Issuer*".

The Notes may also be redeemed at the option of the holders of the Notes ("**Holders**", and each, a "**Holder**") on the Put Event Redemption Date (as defined in the Terms and Conditions of the Notes) at 100 per cent. of their principal amount, together with interest, if any, accrued to (but excluding) such Put Event Redemption Date and unpaid, following the occurrence of a Put Event (as defined in the Terms and Conditions of the Notes). See "*Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption for Put Event*".

The Notes will be redeemed in whole, but not in part, at their principal amount on the Interest Payment Date (as defined in the Terms and Conditions of the Notes) falling immediately after the date the Pre-funding Failure Notice (as defined in the Terms and Conditions of the Notes) is given to the Holders in accordance with the Terms and Conditions of the Notes (the "**Mandatory Redemption Date**"), together with interest accrued to, but excluding, the Mandatory Redemption Date. See *"Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Mandatory Redemption upon Pre-funding Failure"*.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the National Development and Reform Commission of the People's Republic of China (the "**NDRC**") on 14 September 2015 which came into effect immediately, the issuance of the Notes has been registered with the NDRC and a pre-issuance registration certificate from the NDRC dated 8 October 2021 has been obtained from the NDRC evidencing such registration. Pursuant to the pre-issuance registration certificate, the Guarantor will file or cause to be filed the requisite information and documents in respect of the issuance of the Notes with the NDRC within 10 PRC Business Days (as defined in the Terms and Conditions of the Notes) after the issue date of the Notes.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of 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) ("**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

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

The SEHK has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes, the Issuer, the Guarantor, the Group or the quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, 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 Circular. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their adviser. This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular 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.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Notes. Investors should take note of the risks associated with a guaranteed note supported by a letter of credit and various other risks relating to the Notes, the Issuer, 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.

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

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 (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU)2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, 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 (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Notes will be initially evidenced by a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out in the Global Certificate, individual certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificate. See "*The Global Certificate*". It is expected that delivery of the Global Certificate will be made on 26 April 2022 or such later date as may be agreed (the "**Closing Date**") by the Issuer and the Joint Lead Managers (as defined in "Sale and Subscription").

The Notes are expected to be rated "Baa3" by Moody's Investors Service, Inc. and its affiliates ("**Moody's**"). The credit ratings accorded to the Notes are not a recommendation to purchase, hold or sell the Notes in as much as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for a given period or that the ratings will not be revised by the rating agencies in the future. Such ratings should be evaluated independently of any other rating of the other securities of the Issuer, the Company or the LC Bank or of the Issuer, the Company or the LC Bank. The Company is rated "Baa3" by Moody's, "BBB-" by Fitch Ratings and its affiliates ("**Fitch**") and "BBB_g+" by China Chengxin (Asia Pacific) Credit Ratings Company Limited and its affiliates ("**CCXAP**").

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

HSBC | **China Zheshang Bank Co., Ltd. (Hong Kong Branch)** | **China Minsheng Banking Corp., Ltd., Hong Kong Branch**

Joint Lead Manager and Joint Bookrunner

ABC International

Sole Green Structuring Bank

HSBC

Offering Circular dated 20 April 2022

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NOTICE TO INVESTORS

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed issuance of the Notes. Both the Issuer and the Company, as well as The Hongkong and Shanghai Banking Corporation Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), China Minsheng Banking Corp., Ltd., Hong Kong Branch and ABCI Capital Limited (together, the "**Joint Lead Managers**"), reserve the right to withdraw the offering of the Notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby.

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer, the Company and the Group. Each of the Issuer and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular 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.

Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, 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 Circular.

This Offering Circular is personal to the prospective investor to whom it has been delivered by the Joint Lead Managers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Distribution of this Offering Circular to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorised, and any disclosure of its contents without the Issuer's prior written consent is prohibited. The prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and agrees not to make any copies of this Offering Circular.

This Offering Circular is intended solely for use in connection with the proposed offering of the Notes, and does not purport to summarise all of the terms, conditions, covenants and other provisions contained in the Trust Deed and other transaction documents described herein. The information provided is not all-inclusive. The market information in this Offering Circular has been obtained by the Issuer and the Company from publicly available sources deemed by them to be reliable.

You should rely only on the information contained in this Offering Circular. The Issuer and the Company have not authorised anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell the Notes. The information in this Offering Circular is given only as of the date of this Offering Circular. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the Issuer's or the Company's affairs or the LC Bank's affairs and those of each of their respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

Prospective investors hereby acknowledge that (i) they have been afforded an opportunity to request from the Issuer and the Company and to review, and have received, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) they have not relied on the Joint Lead Managers, the Trustee (as defined in the Terms and Conditions of the Notes) or the Agents (as defined in the Terms and Conditions of the Notes) or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them in connection with any investigation of the accuracy of such information or their investment decision, and (iii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Company, the Group, the LC Bank, the Notes, the Guarantee or the Irrevocable Standby Letter of Credit (other than as contained herein and information given by the Issuer's or the Company's duly authorised officers and employees, as applicable, in connection with investors' examination of the Issuer, the Company, the Group and the LC Bank, and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the LC Bank, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them. In making an investment decision, prospective investors must rely on their examination of the Issuer, the Company, the Group and the LC Bank and the terms of this offering, including the merits and risks involved.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Company, the LC Bank, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them that any recipient of this Offering Circular should purchase the Notes. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations, in making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group and the LC Bank and the terms of the Offering, including the merits and risks involved.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Company believe this information to be reliable, this information has not been independently verified by the Issuer, the Company, the LC Bank, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them, and none of the Issuer, the Company, the LC Bank, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them, makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them undertakes to review the financial condition and affairs of the Issuer, the Company or the LC Bank following the date of this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them.

This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, the Notes, the Guarantee and the Irrevocable Standby Letter of Credit offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

None of the Issuer, the Company, the LC Bank, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them is making any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them have independently verified any of the information that the Issuer, the Company and the LC Bank may also provide and in this Offering Circular and they can give no assurance that this information is accurate, truthful or complete. No representation, warranty or undertaking, express or implied, is made or any responsibility

accepted, with respect to the accuracy or completeness of any of the information that the Issuer, the Company and the LC Bank may also provide and in this Offering Circular. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any such person or on their behalf in connection with the Issuer, the Company, the Group, the LC Bank or the issue and offering of the Notes, or the giving of the Guarantee or the Irrevocable Standby Letter of Credit. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, affiliates, representatives, advisers and agents and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any of the information that the Issuer, the Company and the LC Bank may also provide and in this Offering Circular or any such statement.

The distribution of this Offering Circular and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. Each person into whose possession this Offering Circular comes are required by the Issuer, the Company, the LC Bank, the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, affiliates, representatives, advisers and agents and each person who controls any of them to inform themselves about and to observe any such restrictions and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. See "*Sale and Subscription*" for a description of certain restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions.

This Offering Circular is an advertisement and is not a prospectus for the purposes of Regulation (EU) 2017/1129.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PROHIBITION OF SALES TO 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 (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS AS STABILISATION MANAGER (SUCH PARTY, A "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) TO DO THIS. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF OFFER OF THE NOTES IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, references to:

- "**2021 Notes**" are to the U.S.$700,000,000 Floating Rate Guaranteed Notes due 2021 issued by the Issuer, which were fully redeemed by the Issuer on 31 July 2021;
- "**2022 Notes**" are to the U.S.$500,000,000 5.25 per cent. Guaranteed Notes due 2022 issued by the Issuer;
- "**2024 Notes**" are to the U.S.$700,000,000 6.00 per cent. Guaranteed Notes due 2024 issued by Sino-Ocean Land Treasure Finance I Limited;
- "**2025 New Notes**" are to the U.S.$200,000,000 2.70 per cent. Guaranteed Green Notes due 2025 issued by the Issuer, which have been consolidated and form a single series with the 2025 Original Notes;
- "**2025 Notes**" are to the 2025 Original Notes and the 2025 New Notes;
- "**2025 Original Notes**" are to the U.S.$320,000,000 2.70 per cent. Guaranteed Green Notes due 2025 issued by the Issuer;
- "**2026 Notes**" are to the U.S.$400,000,000 3.25 per cent. Guaranteed Green Notes due 2026 issued by the Issuer;
- "**2029 Notes**" are to the U.S.$600,000,000 4.75 per cent. Guaranteed Notes due 2029 issued by the Issuer;
- "**2030 Notes**" are to the U.S.$400,000,000 4.75 per cent. Guaranteed Notes due 2030 issued by the Issuer;
- "**ABS**" are to the RMB3,203,000,000 asset-backed securities with a term of not more than five years issued by our wholly-owned subsidiary, Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司) (the "**ABS Issuer**"), which includes a principal amount of RMB1,601,500,000 with a fixed coupon rate of 5.5 per cent. being senior class A1 securities, and a principal amount of RMB1,281, 200,000 with a fixed coupon rate of 6.0 per cent. (subject to an increment of 0.3 per cent. should the credit rating of the securities and the ABS Issuer fall to or below certain rating threshold) being senior class A2 securities and a principal amount of RMB320,300,000 being subordinated class securities;
- "**Beijing Region**" include Beijing, Langfang, Taiyaun, Jinzhong, Qinhuangdao, Shijiazhuang and Zhangjiakou;
- "**Bohai Rim Region**" include Tianjin, Dalian, Jinan, Qingdao, Shenyang, Changchun, Anshan and Harbin;
- "**BVI**" are to the British Virgin Islands;
- "**CBRC**" are to the China Banking Regulatory Commission which has been incorporated into the newly-established China Banking and Insurance Regulatory Commission;
- "**Central Region**" include Wuhan, Changsha, Zhengzhou, Ganzhou, Hefei and Nanchang;
- "**China Life**" are to China Life Insurance Company Limited (中國人壽保險股份有限公司);

- "**Dajia Life Insurance**" are to Dajia Life Insurance Co., Ltd* (大家人壽保險股份有限公司) (formerly known as Anbang Life Insurance Co., Ltd.* (安邦人壽保險股份有限公司));

- "**Eastern Region**" include Shanghai, Suqian, Wenzhou, Suzhou, Zhenjiang, Yangzhou, Wuxi, Changzhou, Nanjing, Nantong, Jinhua, Huzhou, Hangzhou, Huai'an, Jiaxing and Ningbo;

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

- "**Issuer**" are to Sino-Ocean Land Treasure IV Limited (遠洋地產寶財IV有限公司), a wholly-owned subsidiary of the Company;

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

- "**MLR**" are to the Ministry of Land and Resources of the PRC;

- "**NDRC**" are to the National Development and Reform Commission;

- "**Notes**" are to the U.S.$200,000,000 3.80 per cent. credit enhanced green notes due 2025 to be issued by the Issuer;

- "**Other Region**" include Jakarta and Singapore;

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

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

- "**RMB**" and "**Renminbi**" are to Renminbi, the official currency of the PRC;

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

- "**SAIC**" are to the State Administration for Industry and Commerce which has been reorganised as the State Administration for Market Regulation;

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

- "**Sino-Ocean Service**" are to Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the SEHK (Stock Code: 06677), a non wholly-owned subsidiary of the Company;

- "**Southern Region**" include Shenzhen, Zhongshan, Guangzhou, Zhanjiang, Jiangmen, Zhangzhou, Foshan, Maoming, Xiamen, Longyan, Fuzhou, Sanya and Hong Kong;

- "**Swire Properties**" are to Swire Properties Limited (太古地產有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the SEHK (Stock Code: 01972);

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

* *For identification purposes only*

- "**we**", "**our**", "**us**", the "**Company**" and the "**Guarantor**" are to Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), and the "**Group**" are to Sino-Ocean Group Holding Limited (遠洋集團控股有限公司) and its consolidated subsidiaries;

- "**Western Region**" include Chengdu, Xi'an, Guiyang, Xining, Urumqi, Liuzhou, Chongqing, Xishuangbanna, Kunming, Luzhou and Lanzhou.

- Unless otherwise indicated, all references in this Offering Circular to "Terms and Conditions of the Notes" are to the terms and conditions governing the Notes as set out in "Terms and Conditions of the Notes".

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

GLOSSARY OF TECHNICAL TERMS

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

"aggregate GFA"	the total of saleable/rentable GFA and non-saleable/rentable GFA
"CAGR"	compound annual growth rate
"certificate of completion"	the construction project planning inspection and clearance certificate (建設工程竣工驗收備案) issued by various local bureaus in China including the fire protection department, planning department, environmental protection department and air defense department with respect to the completion of property projects subsequent to their onsite examination and inspection
"commodity properties"	residential properties, commercial properties and other buildings that are developed by real estate developers for the purposes of sale or lease after their completion
"construction land planning permit"	the construction land planning permit (建設用地規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"construction permit"	the construction works commencement permit (建設工程施工許可證) issued by a local governmental construction committee or some other relevant government authority
"construction works planning permit"	the construction works planning permit (建設工程規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"GFA"	gross floor area
"land bank"	the total amount of GFA from all of the following: (i) projects for which the relevant governmental authorities have granted us land use rights certificates; and (ii) projects for which we have entered into land grant contracts or successfully tendered but have not yet obtained land use rights certificates. Land bank is calculated based on the amount of "remaining GFA". "Remaining GFA" is not equivalent to "remaining saleable GFA" as it includes both saleable and non-saleable remaining GFA
"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 right certificate"	a certificate issued by a local property and land resources bureau in the PRC with respect to land use rights
"land use right transfer agreement"	an agreement in respect of the transfer of the land use right of a parcel of land by the previous grantee of the land use right in the secondary market
"LAT"	land appreciation tax
"non-saleable/rentable GFA"	the amount of GFA that is not for sale or for rent, which typically includes communal facilities and service areas

"**pre-sale**"	sales of properties prior to the completion of their construction after the satisfaction of certain conditions under PRC laws and regulations
"**pre-sale permit**"	the commodity property pre-sale permit (商品房預售許可證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"**primary land development**"	a type of development whereby we are appointed by a government department to carry out certain planning, removal, resettlement and foundational infrastructure work ahead of the tender, bid, or auction process of a given plot of land to a property developer
"**property ownership certificate**"	the property ownership certificate (房地產權證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"**saleable/rentable GFA**"	the amount of GFA that a property developer intends to sell or rent and that does not exceed the multiple of the site area and the maximum permissible plot ratio
"**sq.m.**"	square meter
"**urbanisation rate**"	the percentage of a given population of a defined area that lives in an urban area

PRESENTATION OF FINANCIAL AND OTHER DATA

FINANCIAL DATA

Our consolidated financial statements as at and for the years ended 31 December 2019, 2020 and 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact of the adoption is disclosed in Notes 3 and 4 of the audited financial statements for the year ended 31 December 2019. The Group has also applied "Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16" for the first time for its annual reporting period commencing 1 January 2021. The impact of the adoption is disclosed in Notes 3.1 of the audited consolidated financial statements for the year ended 31 December 2021. Potential investors should consult their own professional advisers for an understanding of the differences between HKFRS and the accounting principles in certain other jurisdictions. Unless otherwise specified or the context otherwise requires, all financial information in this Offering Circular is presented on a consolidated basis. Unless otherwise indicated, the historical financial information included in this Offering Circular has been derived from the Guarantor's audited consolidated financial statements as of and for the years ended 31 December 2019, 2020 and 2021 audited by the auditor of the Guarantor in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

EXCHANGE RATE INFORMATION

Solely for your convenience, this Offering Circular contains translations of certain Hong Kong dollar amounts into U.S. dollar amounts, Renminbi amounts into Hong Kong dollar amounts, and Renminbi amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.3726 to U.S.$1.00, the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the "**Federal Reserve Board**") on 30 December 2021 (because 31 December 2021, the last day of the year 2021, is a public holiday in the United States). Further information on exchange rates is set forth in "Exchange Rate Information". You should not construe these translations as representations that the Renminbi amounts could actually be converted into any U.S. dollar or Hong Kong dollar amounts, as the case may be, or any Hong Kong dollar amounts could be converted into any U.S. dollar amounts, at the rates indicated or at all.

ROUNDING

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

NON-GAAP FINANCIAL MEASURES

We have included certain financial measures in this Offering Circular that are not defined under HKFRS or the accounting principles generally accepted in certain other jurisdictions, including EBITDA and EBITDA margin. For purposes of this Offering Circular, we have defined (i) EBITDA as revenue plus depreciation, amortisation and capitalised interest recognised in cost of sales minus cost of sales, selling and marketing expenses and administrative expenses; and (ii) EBITDA margin as EBITDA divided by our revenue for the period. EBITDA and EBITDA margin are not standard measurements under HKFRSs. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense, capitalised interest or other non-operating items. In evaluating

EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

Potential investors should be cautious and not place undue reliance on certain financial information contained in this Offering Circular that is not audited and/or reviewed.

FORWARD-LOOKING STATEMENTS

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

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

In some cases, you can identify forward-looking statements by such terminology as "may", "will", "should", "could", "would", "expect", "intend", "plan", "anticipate", "going forward", "ought to", "seek", "project", "forecast", "believe", "estimate", "predict", "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and some of which may not materialise or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled "*Risk Factors*" in this Offering Circular. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this Offering Circular, whether as a result of new information, future events or otherwise after the date of this Offering Circular. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to you. You should therefore read this Offering Circular in its entirety.

Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

OVERVIEW

We are a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region and the Western Region. Our core businesses include development of residential property, investment property development and operation, property services and whole-industrial chain construction services, along with synergic businesses in real estate financing, senior living service, logistics real estate and internet data center, etc. We aim to build upon our proven track records in real estate development and grow into a leading group that excels in sector investments. Attributable to our focus on quality products and professional services, we have built "Sino-Ocean" ("遠洋") into a strong national brand.

We owned more than 330 projects in different stages of development as of 31 December 2021 in rapidly growing Chinese cities and metropolitan regions, such as Beijing, Langfang, Qinhuangdao and Shijiazhuang in the Beijing Region; Tianjin, Dalian, Jinan and Qingdao in the Bohai Rim Region; Shanghai, Wezhou and Suzhou in the Eastern Region; Shenzhen, Zhongshan, Guangzhou and Zhanjiang in the Southern Region; Wuhan, Changsha and Zhengzhou in the Central Region; Chengdu, Xi'an and Guiyang in the Western Region. In addition, the Company's business territory has expanded abroad to Indonesia and Singapore. As of 31 December 2021, we had a land reserve of over 53 million sq.m. We have developed a balanced property portfolio, with residential, office and retail properties typically situated in either prime or central city locations with convenient transportation access. Most of our residential properties target the emerging or affluent urban middle class in the PRC, especially first-time home buyers and upgraders. We sell most of the properties we developed while selectively retaining portions as investment properties. This allows us to achieve strong sales while generating growing recurring income with capital appreciation potential. As at 31 December 2021, we held more than 23 operating investment properties. Our investment properties are mainly A-grade office premises, shopping malls, commercial complexes and logistics projects at good location. The total leasable area of our investment properties amounted to approximately 3,923,000 sq.m. as of 31 December 2021, with office developments about 24 per cent., logistics projects about 48 per cent. and others including commercial complexes, car parks and others 28 per cent. In 2021, revenue from property investment decreased by 17 per cent. to RMB410 million as compared to RMB494 million in 2020, which was mainly due to the implementation of mid to light asset mode for the Group's investment properties.

China Life is our single largest shareholder and held approximately 29.59 per cent. of our shares as of 31 December 2021. Dajia Life Insurance is our second largest shareholder and held approximately 29.58 per cent. of our shares as of the same date. Both China Life and Dajia Life Insurance have nominated directors on our Board of Directors. As at the date of this Offering Circular, China Life nominates three non-executive directors, while Dajia Life Insurance nominates two non-executive directors. We have received strong support from China Life. From an operational perspective, we have cooperated with China Life in numerous projects. From a financial perspective, China Life, together with China Guangfa Bank, in which China Life has a controlling stake, actively supported the Company's bond issuances. They have subscribed over RMB7 billion in our past issuances, including a domestic corporate bond, USD notes, "panda" medium-term notes and private placement notes. Please refer to the section headed "Relationship with Principal Shareholders" for more details.

For the years ended 31 December 2019, 2020 and 2021, our contracted sales amounted to RMB130,030 million, RMB131,040 million and RMB136,260 million, respectively. For those same periods, our revenue was RMB50,926 million, RMB56,511 million and RMB64,247 million, respectively, and revenue from property development accounted for approximately 85 per cent., 88 per cent. and 86 per cent. of our revenue, respectively. Profit for the years ended 31 December 2019, 2020 and 2021 was RMB4,166 million, RMB4,683 million and RMB5,091 million, respectively.

OUR STRENGTHS

We believe that our success and future prospects are supported by the following strengths:

- Leading national property developer with strong sales growth
- Reaping improvement in profitability from strategic positioning
- Optimised land banking oriented with fast turnover and shift in geographical focus
- Growing investment properties to strengthen earnings and diversity
- Solid balance sheet and strong financing capabilities
- Strong support from major shareholders

OUR STRATEGIES

Our vision is to become the premier diversified property developer in China. Our strategies to achieve this vision are to:

- Continue to optimise profitability and improve operational efficiency
- Create more value and achieve additional synergies across the value chain of our business operations
- Continue to further strengthen our business foundation and improve our development capabilities

RECENT DEVELOPMENTS

COVID-19 Pandemic

The COVID-19 pandemic, which began at the end of 2019, has affected millions of individuals and adversely affected and impaired national economies worldwide, including China. The governmental policies designed to suppress the adverse impacts and reverse the trend of the ever-growing COVID-19 cases also had the repercussions of limiting economic growth potential. A multitude of cities around the globe, including several cities in China where we have land bank and operations, imposed and maintained travel restrictions and mandatory tests in a collective effort to contain and curb the spread of the highly infectious COVID-19. Majority if not all related policies contributed to improving and safeguarding public health, but the COVID-19 pandemic still affected our business operation and financial condition as much as it affected those of many other businesses, especially businesses which are by nature labour-intensive. In 2020, the COVID-19 pandemic significantly interfered with the global economy, pushing it to the verge of an irreversible global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including real estates, stocks, bonds and other commodities. This volatility may foreseeably persist for some time. Several countries are showing signs of resurgence, such signs being stimulated further by numerous COVID-19 variants, the strength of which are yet to be studied enough. Further waves of infections are recorded every week if not every day. Notably, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. While China has managed to contain the COVID-19 pandemic effectively, in 2021, the control and vaccination against COVID-19 remain the major factors against economic recovery across the world. Despite dreadful and tragic numbers of positive cases and deaths, worldwide vaccination rates remained stagnant. We will continue to closely monitor the evolving situation of COVID-19, evaluate and proactively assess and respond to its impact on our financial position and operating results. Given the uncertainties as to the development of the pandemic at the moment, it is difficult to predict how long these conditions will persist and to what extent we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. For details, please see "*Risk Factors — The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God, occurrence of epidemics, acts of war and other disasters, which in turn affect our prospects*" and "*Risk Factors — Our business may be adversely affected by the COVID-19 pandemic or the government policies designed to curb the spread of it.*"

Subscription of shares in a non-wholly owned subsidiary

On 29 December 2021, Big Profit Creation Limited (巨利創建有限公司) ("**Big Profit**"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with Sino-Ocean Yuntai Data Technology Co., Limited (遠洋雲泰數據科技有限公司) ("**Sino-Ocean Yuntai Data**"), an indirect non-wholly owned subsidiary of the Company, pursuant to which Big Profit agreed to subscribe for, and Sino-Ocean Yuntai Data agreed to issue and sell, certain subscription shares at the aggregate subscription price of the US dollars equivalent of RMB1,023,829,000. The subscription shares represent approximately 24.83 per cent. of the enlarged issued share capital of Sino-Ocean Yuntai Data upon closing. Sino-Ocean Yuntai Data and its subsidiaries are primarily engaged in internet data centers operation and internet data centerintegrated solutions provision in the PRC. As at 29 December 2021 and prior to closing, the Group is interested in approximately 34.72 per cent. shareholding of Sino-Ocean Yuntai Data. Upon closing, the Group's shareholding in Sino-Ocean Yuntai Data will be increased from approximately 34.72 per cent. to approximately 50.92 per cent. and Sino-Ocean Yuntai Data will continue to be a non-wholly owned subsidiary of the Company. To support continual growth of our internet data center business, we will from time to time explore various opportunities including but not limited to certain fund raising activities. As of the date of this Offering Circular, we have not entered into any new definitive agreement in this regard.

Change of company secretary and authorised representative of the Company

Mr. CHUNG Kai Cheong has tendered his resignation as the company secretary and will cease to be an authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 13 April 2022. Mr. CHUNG confirmed that he has no disagreement with the Board and there is no other matter in respect of his resignation that needs to be brought to the attention of the shareholders of the Company and/or the SEHK. Mr. CHAN King Tak has been appointed as the company and authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 13 April 2022. Mr. CHAN graduated from The Hong Kong Polytechnic University with a bachelor's degree majoring in Accountancy in 2002, and graduated from The Chinese University of Hong Kong with an executive master's degree in Business Administration in 2021. Prior to joining the Company, Mr. CHAN worked in several listed companies and an international accounting firm. He has extensive experience in capital markets, financial management, corporate finance, compliance of Listing Rules and corporate governance. He is currently a fellow member of Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

SUMMARY FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information for the periods indicated.

The summary consolidated financial information for the years ended 31 December 2019, 2020 and 2021 set forth below has been derived from our published audited consolidated financial statements for such respective years. Our audited consolidated financial statements for the years ended 31 December 2019, 2020 and 2021 are included elsewhere in this Offering Circular.

Our consolidated financial statements are prepared and presented in accordance with HKFRS, which differs in certain material respects from generally accepted accounting principles in other jurisdictions. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact of the adoption is disclosed in Notes 3 and 4 of the audited financial statements for the year ended 31 December 2019. The Group has also applied "Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16" for the first time for their annual reporting period commencing 1 January 2021. The impact of the adoption is disclosed in Notes 3.1 of the audited consolidated financial statements for the year ended 31 December 2021. You should read the summary financial information below in conjunction with the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements included in this Offering Circular. Historical results are not necessarily indicative of future results.

CONSOLIDATED INCOME STATEMENT INFORMATION

	For the years ended 31 December		
	2019	2020	2021
	(RMB in millions) (audited)		
Revenue	50,926	56,511	64,247
Cost of sales	(40,704)	(46,053)	(52,989)
Gross profit	10,222	10,457	11,258
Interest and other income	2,771	2,394	2,250
Other gains — net	699	1,335	76
Fair value (losses)/gains on investment properties	373	(156)	(64)
Selling and marketing expenses	(1,270)	(1,293)	(1,664)
Administrative expenses	(1,919)	(1,816)	(1,955)
Operating profit	10,875	10,921	9,901
Finance costs	(2,394)	(2,111)	(2,239)
Share of results of joint ventures	1,519	983	1,573
Share of results of associates	415	258	562
Profit before income tax	10,416	10,050	9,797
Income tax expense	(6,250)	(5,367)	(4,706)
Profit for the year	4,166	4,683	5,091

	For the years ended 31 December		
	2019	2020	2021
	(RMB in millions) (audited)		
Attributable to:			
Owners of the Company	2,656	2,866	2,729
Non-controlling interests	1,510	1,817	2,362
	4,166	4,683	5,091
Other financial data(1):			
EBITDA	12,291	11,918	13,349
EBITDA margin	24.1%	21.1%	20.8%

(1) For purposes of this Offering Circular, we have defined (i) EBITDA as revenue plus depreciation, amortisation and capitalised interest recognised in cost of sales minus cost of sales, selling and marketing expenses and administrative expenses; and (ii) EBITDA margin as EBITDA divided by revenue for the period. EBITDA and EBITDA margin are not standard measurements under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating items. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Accordingly, investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

SELECTED CONSOLIDATED BALANCE SHEET INFORMATION

	As at 31 December		
	2019	2020	2021
	(RMB in millions) (audited)		
ASSETS			
Non-current assets			
Property, plant and equipment	1,775	2,476	3,204
Right-of-use assets	191	140	407
Land use rights	181	177	198
Intangible assets	30	109	219
Investment properties	13,328	12,056	6,441
Goodwill	196	147	378
Investments in joint ventures	17,355	21,218	25,291
Investments in associates	6,846	6,697	6,731
Financial assets at fair value through other comprehensive income	2,716	6,752	6,235
Financial assets at fair value through profit or loss	6,446	5,064	4,924
Trade and other receivables	12,841	12,289	12,507
Deferred income tax assets	1,439	1,773	1,984
Total non-current assets	63,344	68,898	68,519

	As at 31 December		
	2019	2020	2021
	(RMB in millions) (audited)		
Current assets			
Prepayments for land use rights	2,229	—	—
Properties under development	60,378	74,719	81,334
Inventories, at cost	457	668	780
Land development cost recoverable	1,234	1,269	1,283
Completed properties held for sale	18,353	18,075	23,498
Financial assets at fair value through profit or loss	266	11	563
Trade and other receivables	61,163	51,197	77,970
Contract assets	2,708	924	226
Restricted bank deposits	2,512	4,800	5,424
Cash and cash equivalents	31,054	39,129	21,655
Total current assets	180,355	190,791	212,733
Total assets	243,699	259,689	281,252
EQUITY			
Equity attributable to owners of the Company			
Capital	27,329	27,329	27,329
Shares held for Restricted Share Award Scheme	(167)	(180)	(52)
Reserves	(1,133)	401	(88)
Retained earnings	23,878	26,099	27,885
	49,907	53,649	55,074
Non-controlling interests	15,704	16,256	21,373
Total equity	65,611	69,905	76,447
LIABILITIES			
Non-current liabilities			
Borrowings	74,612	56,270	73,557
Trade and other payables	19	18	19
Lease liabilities	130	97	361
Deferred income tax liabilities	2,947	3,313	2,202
Total non-current liabilities	77,707	59,699	76,139
Current liabilities			
Borrowings	9,295	25,934	18,667
Trade and other payables	55,011	57,527	55,236
Contract liabilities	25,458	34,318	42,348
Lease liabilities	64	51	67
Income tax payable	10,501	12,066	11,964
Financial liabilities at fair value through profit or loss	51	190	384
Total current liabilities	100,381	130,085	128,666
Total liabilities	178,088	189,784	204,805
Total equity and liabilities	243,699	259,689	281,252

SUMMARY OF THE OFFERING

The following is a brief summary of some of the terms and conditions of the Notes. For a more complete description of the Notes, see "*Terms and Conditions of the Notes*" in this Offering Circular. Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

Issuer	Sino-Ocean Land Treasure IV Limited (遠洋地產寶財IV有限公司).
Guarantor	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司).
LC Bank	China Zheshang Bank Co., Ltd. Beijing Branch.
Issue	U.S.$200,000,000 3.80 per cent. credit enhanced green notes due 2025.
Status of the Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured obligations.
Issue Price	100 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$200,000 and higher integral multiples of U.S.$1,000 in excess thereof.
Interest and Interest Payment Dates	The Notes bear interest at a rate of 3.80 per cent. per annum, payable semi-annually in arrear on 26 April and 26 October in each year, commencing on 26 October 2022.
Issue Date	26 April 2022.
Maturity Date	26 April 2025.
Status of the Notes	The Notes will constitute direct, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes will, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Irrevocable Standby Letter of Credit	The Notes will have the benefit of the Irrevocable Standby Letter of Credit issued by the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Notes. The Irrevocable Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Irrevocable Standby Letter of Credit on behalf of itself and the holders of the Notes upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Irrevocable Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Irrevocable Standby Letter of Credit (each a "**Demand**") stating that (i) there has been a failure to comply with Condition 4(B) of the Terms and Conditions of the Notes in relation to pre-funding the amount that is required to be pre-funded under the Terms and Conditions of the Notes and/or a failure to provide the Required Confirmations (as defined below) in accordance with 4(B) of the Terms and Conditions of the Notes or (ii) an Event of Default (as defined in Condition 10 of the Terms and Conditions of the Notes) has occurred and the Trustee has given notice in writing to the Issuer that the Notes are immediately due and payable in accordance with Condition 10 of the Terms and Conditions of the Notes. Only one drawing under the Irrevocable Standby Letter of Credit is permitted. Such drawing on the Irrevocable Standby Letter of Credit will be payable in U.S. dollars in immediately available funds to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. All amounts received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account. The payment made under the Irrevocable Standby Letter of Credit in respect of any amount payable under the Terms and Conditions of the Notes or in connection with the Notes, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Notes shall, to the extent of the drawing, be paid to or to the order of the Trustee to satisfy the obligations of the Issuer and the Guarantor in respect of such amount payable under the Terms and Conditions of the Notes or in connection with the Notes, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Notes. The LC Bank's aggregate liability under the Irrevocable Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.$204,800,000 (the "**Maximum Limit**"). The Irrevocable Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 6:00 p.m. (Hong Kong time) on 26 May 2025 and shall expire at the place of the LC Bank unless extended in accordance with its terms. See "*Terms and Conditions of the Notes — Irrevocable Standby Letter of Credit and Pre-funding — Irrevocable Standby Letter of Credit*" and "*Appendix A — Form of Irrevocable Standby Letter of Credit*".

Pre-funding	In order to provide for the payment of any amount in respect of the Notes and under the Trust Deed as the same shall become due (other than the amounts payable under Condition 8(D) of the Terms and Conditions of the Notes) (the "**Relevant Amount**"), the Issuer or the Guarantor shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (London time) on the Business Day falling 10 Business Days (the "**Pre-funding Date**") prior to the due date for such payment under the Terms and Conditions of the Notes: (i) unconditionally pay or procure to be (as defined in the Terms and Conditions of the Notes) paid the Relevant Amount into the Pre-funding Account; and (ii) deliver to the Trustee and the Principal Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorised Signatory (as defined in the Trust Deed) of each of the Issuer and the Guarantor, and (y) a copy of the irrevocable payment instruction from the Issuer or the Guarantor, as the case may be, to the relevant Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the relevant Pre-funding Date in full to the Principal Agent by no later than 10:00 a.m. (London time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (London time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall (a) on the second Business Day immediately following the Pre-funding Date give notice substantially in the form set out in the Trust Deed (the "**Pre-funding Failure Notice**") to the Noteholders of the Pre-funding Failure and (y) the redemption of the Notes in accordance with Condition 8(D) of the Terms and Conditions of the Notes to occur as a result of the Pre-funding Failure; and (b) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date issue a Demand to the LC Bank (which shall be presented by the Trustee or on behalf of the Trustee by The Bank of New York Mellon, Hong Kong Branch acting as the Trustee's delegate in relation to the Irrevocable Standby Letter of Credit (the "**Delegate**")) for the Mandatory Redemption Amount (as defined below) in respect of all of the Notes which will be due and payable on the Mandatory Redemption Date, together with interest accrued to but excluding the Mandatory Redemption Date and any fees, costs, expenses, indemnity payments and all other amounts payable to the Trustee under or in connection with the Notes, the Guarantee, the Trust Deed and the Agency Agreement and/or any other transaction document relating to the Notes then outstanding, being an amount not exceeding the Maximum Limit, provided that, in accordance with the terms of the Irrevocable Standby Letter of Credit, the Trustee or the Delegate need not physically present the Demand under the Irrevocable Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT to the LC Bank or, in the event that the SWIFT system is not available for any reason, the Trustee or the Delegate may instead present a Demand via facsimile transmission to the LC Bank as permitted under the Irrevocable Standby Letter of Credit.

If the LC Bank receives such Demand on or before 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall on or before 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following the Business Day on which such Demand was received (or, if such Demand is received by the LC Bank after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following the Business Day on which such Demand was received), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand in immediately available funds to the LC Proceeds Account.

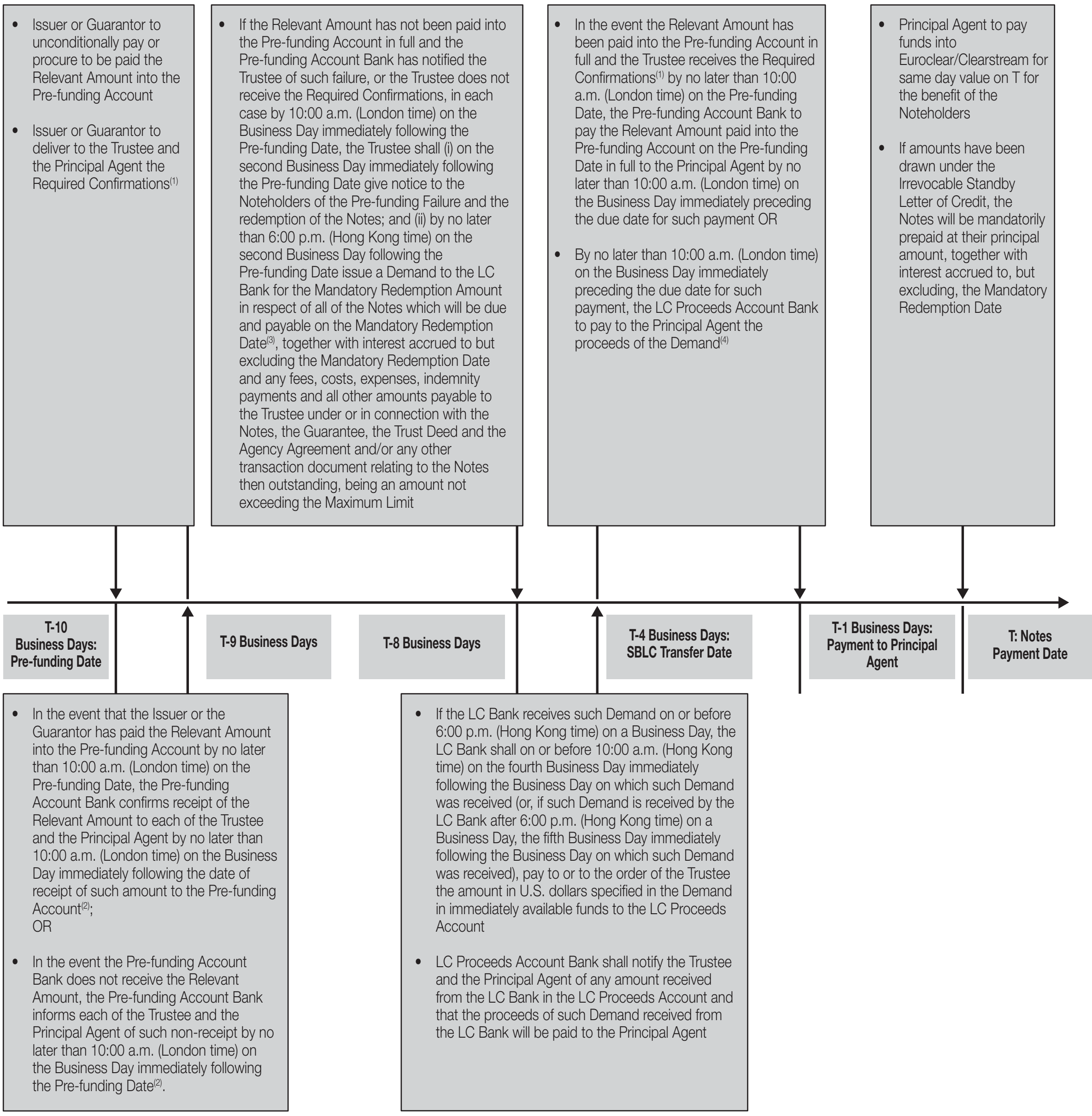
"**Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in Hong Kong, Beijing, London and New York City.

	See "*Terms and Conditions of the Notes — Irrevocable Standby Letter of Credit and Pre-funding — Pre-funding*" and "*Appendix A — Form of Irrevocable Standby Letter of Credit*".
Taxation	All payments made by the Issuer or the Guarantor under or in respect of the Notes, the Trust Deed, the Guarantee or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands, or Hong Kong or, in either case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law, to the extent described in Condition 9 of the Terms and Conditions of the Notes.
Events of Default	The Notes will contain certain events of default provisions as further described in Condition 10 of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with interest, if any, accrued to (but excluding) the date fixed for redemption and unpaid, in the event of certain changes affecting taxes of the British Virgin Islands or Hong Kong, as further described in Condition 8(B) of the Terms and Conditions of the Notes.
Redemption for Put Event	At any time following the occurrence of a Put Event, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all, and not some only, of that Holder's Notes on the Put Event Redemption Date at 100 per cent. of their principal amount, together with interest, if any, accrued to (but excluding) such Put Event Redemption Date and unpaid, as further described in Condition 8(C) of the Terms and Conditions of the Notes.
Mandatory Redemption upon Pre-funding Failure	The Notes will be redeemed in whole, but not in part, at their principal amount (the "**Mandatory Redemption Amount**") on the Interest Payment Date falling immediately after the date the Pre-funding Failure Notice is given to the Noteholders in accordance with Condition 4(B) of the Terms and Conditions of the Notes (the "**Mandatory Redemption Date**"), together with interest accrued to, but excluding, the Mandatory Redemption Date, as further described in Condition 8(D) of the Terms and Conditions of the Notes.
Redemption at the Option of the Issuer	On giving not less than 30 nor more than 60 days' notice (the "**Relevant Redemption Notice**") to the Trustee and the Principal Agent in writing and to the Holders in accordance with Condition 16 of the Terms and Conditions of the Notes (which notice shall be irrevocable), the Issuer may at any time from or after 26 March 2025, redeem the Notes, in whole but not in part, at 100 per cent. of their principal amount, together with interest, if any, accrued to (but excluding), the relevant redemption date specified in the Relevant Redemption Notice and unpaid.

Clearing System	The Notes will be represented initially by a Global Certificate registered in the name of, and deposited with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.
Governing Law	English law.
Jurisdiction	Exclusive jurisdiction of the Hong Kong courts.
Ratings	The Notes are expected to be rated "Baa3" by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Issuer, the Company or the LC Bank or of the Issuer, the Company or the LC Bank.
Trustee	The Bank of New York Mellon, London Branch.
Principal Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch.
LC Proceeds Account Bank and Pre-funding Account Bank	The Bank of New York Mellon, London Branch.
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only.
Use of Proceeds	To repay existing medium and long-term external indebtedness of the Guarantor and/or its subsidiaries due within one year and in accordance with our Green Finance Framework. The Joint Lead Managers make no assurances as to (i) whether the Notes will meet investor criteria and expectations with regard to environmental impact and sustainability performance for any investors, (ii) whether the use of the net proceeds will be used for Eligible Green Projects or (iii) the characteristics of the Eligible Green Projects, including their environmental and sustainability criteria.
LEI	213800EAGXDYG9QWS896
ISIN/Common Code	XS2432500309/243250030

SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE NOTES

The following diagram sets forth a summary of the pre-funding arrangements under the Notes and the drawing arrangements in respect of the Irrevocable Standby Letter of Credit on each scheduled due date under the Notes. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with "Terms and Conditions of the Notes", the Trust Deed and the Agency Agreement referred to therein and "Appendix A — Form of Irrevocable Standby Letter of Credit". Words and expressions defined in the "Terms and Conditions of the Notes" shall have the same meaning in this summary.



Notes:

(1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any Authorised Signatory of each of the Issuer and the Guarantor; and (b) a copy of the irrevocable payment instruction from the Issuer or the Guarantor, as the case may be, to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Agent by no later than 10:00 a.m. (London time) on the Business Day immediately preceding the due date for such payment.

(2) The confirmation of receipt or notification of non-receipt, as the case may be, from the Pre-funding Account Bank to the Trustee and the Principal Agent shall be by way of authenticated SWIFT or other means of communication as the Principal Agent and Trustee may agree with the Pre-funding Account Bank.

(3) The Trustee or the Delegates need not physically present the Demand under the Irrevocable Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT to the LC Bank or, in the event that the SWIFT system is not available for any reason, the Trustee or the Delegate may instead present a Demand via facsimile transmission to the LC Bank as permitted under the Irrevocable Standby Letter of Credit.

(4) The amount of the Demand to be paid to the Principal Agent excludes any amount of the drawing under the Irrevocable Standby Letter of Credit for fees, costs, expenses, indemnity payments and other amounts payable by the Issuer under or in connection with the Notes, the Trust Deed, the Irrevocable Standby Letter of Credit, the Agency Agreement and/or any other transaction document relating to the Notes (but includes principal, premium (if any), interest and other amounts payable under the Terms and Conditions of the Notes).

RISK FACTORS

Prior to making any investment decision, you should consider carefully all of the information in this Offering Circular, including the risk factors and uncertainties described below. Our business, financial condition or results of operations could be materially adversely affected by any of these considerations and uncertainties. Additional considerations and uncertainties not presently known to us, or which we currently deem immaterial, may also have an adverse effect on an investment in the Notes.

RISKS RELATING TO OUR BUSINESS

We are dependent on the performance of the PRC property sector.

Demand for private residential properties in the PRC has fluctuated significantly in recent years, coupled with volatility in market conditions and fluctuations in property prices. In addition, demand for properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time. Previously, the PRC government has announced a series of measures designed to stabilise the rapid growth of the PRC economy and the growth of specific sectors, including the property market, to a more sustainable level. Since late 2009, the PRC government has adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. In 2010 and 2011, the PRC government adopted certain new policies to cool down the real estate market. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. On 26 February 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. In addition, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20 per cent. on the profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for home buyers purchasing a second unit. Furthermore, the new measures stipulated that non-residential families without a certain number of years of tax payment certificates or social insurance payments would be banned from buying homes in the cities in which they currently reside. Regulations were also promulgated at various levels to promote affordable housing.

Since 2016, the local governments in various cities in the PRC have announced a series of measures designed to stabilise the growth of the property market to a more sustainable level, such as, for example, limiting the number of residential home that households with local resident registration are able to purchase; raising the down-payment ratio requirement (or even disallowing mortgages), depending on how many residential houses the buyers already own; limiting the purchase of residential homes by households without local resident registration and in some cases meeting eligibility criteria will be required (such as proving they have paid income tax or made social security contributions up to the requirement); stricter pre-sale management enhancements (such as not allowing developers to sell the projects before getting the pre-sale permit, and ensuring developers closely follow the rules during the pre-sale process); and tighter requirements for land bidding deposits.

As a result of changes in the PRC's economic environment and the PRC government's tightening monetary policies, the growth of the PRC real estate market has slowed down with sales volumes or average selling prices decreasing in many major cities in 2014 as compared with the corresponding period in 2013 but this has partially recovered in 2015 and 2016.

The real estate markets in China experienced extreme fluctuations in 2021. It was "warm like spring" in the first half of the year but "took a sharp turn to winter" in the second half. The industry has undergone profound changes. In the first half of the year, the market was buoyant as both supply and demand were booming, pushing sales of housing in the country up by 39 per cent. as compared with the same period in 2020. The situation took a sharp dive since July 2021 into a drastic correction period. As a result of tightening financing policies and excessive curtailing of bank mortgage loans, property enterprises' funds were under huge pressure, some even faced liquidity crisis. Projects were sold cheaply for volume. Customers delayed purchase as they were forecasting a downward trend and worried about delivery. This caused transactions to plummet and further squeezed enterprises' cash flow. As breach of contracts in the open market spread to more enterprises, financial institutions shrank financing channels even more. Local authorities stepped up monitoring of pre-sale funds which in turn caused more enterprises to collapse, customers to lose confidence and the market to go into a downward spiral. In the fourth quarter of 2021, there were policy adjustments but market sentiments were not reversed yet. Sales of housing in the country in the second half of the year dropped 17 per cent. as compared with the same period in 2020.

The PRC government may introduce further initiatives which may affect our access to capital and the means in which we may finance our property development. In particular, reports about a developer running into difficulties on repayment and operations could prompt the PRC government to further tighten restrictions on PRC property developers, which could have a material adverse impact on our business and operations. See "*Risk Factors — Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property market in China or adopt further measures to tighten restrictions on PRC property developers*".

In addition, the future demand for different types of properties is uncertain. If we do not respond to changes in market conditions or customer preferences in a timely manner, our results of operation will be adversely affected. There can be no assurance that our property development and investment activities will continue at past levels or that we will be able to benefit from the future growth, if any, of the property markets in Beijing — Tianjin — Hebei Region, or other parts of the PRC.

Increasing competition in the PRC, particularly in the Beijing Region and Bohai Rim Region, 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 the Beijing Region, Bohai Rim Region and elsewhere in the PRC. Our major competitors include large national and regional property developers and overseas developers (including a number of leading Hong Kong property developers), some of which may have better track records and greater financial and other resources than we do. In addition, we also compete with small local homebuilders.

The intensity of the competition among property developers in the Beijing Region, Bohai Rim Region and elsewhere in the PRC for land, financing, raw materials and skilled management and labour resources may result in increased costs for land acquisition and construction, an oversupply of properties in certain parts of the PRC, including Beijing, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the commodity properties we sell. Any of the above may adversely affect our business, financial condition and results of operations.

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

We cannot assure you that we will be successful when expanding into other cities in the PRC.

We are currently developing projects outside Beijing and are rapidly expanding our operations in other areas of the PRC. Our active penetration into other areas in the PRC may place a strain on our managerial, operational and financial resources and will further contribute to an increase in our financing requirements. Our experience as primarily a residential property developer in Beijing may not be applicable in other regions. We cannot assure you that we will be able to replicate our successful business models and leverage such experience to expand into other parts of the PRC or outside the PRC. When we enter new markets, we may face intense competition from developers with experience or an established presence in the geographical areas or segments that we plan to expand into and from other developers with similar expansion plans. There can be no assurance that we will be successful in expanding into other areas in China and that our revenue from those projects in other areas in China will grow at the rate we anticipate or at all. For example, we could face considerable reputational and financial risks if our development projects outside Beijing are mismanaged or do not meet the expectations of customers.

We may not be able to successfully manage our growth.

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

Our business depends on the availability of an adequate supply of sites.

The growth and success of our business depend on our ability to continue to acquire suitable sites in desirable locations. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain substitute land sites for development in the future at prices that allow us to achieve reasonable returns upon sale to our customers.

The PRC government controls substantially all of the land supply in the PRC. As a result, the policies of the PRC government towards land supply will affect our ability to acquire land use rights for the sites we have identified for future developments and our land acquisition costs. In the PRC, land use rights for residential or commercial property developments from the PRC government must be sold by public bidding, auction or listing-for-sale. In addition, the PRC government may limit the supply of land available for development in the cities in which we have or intend to have development projects. We cannot assure you that we will be successful in tendering or bidding for sites. In addition, we have acquired and in the future intend to acquire land by acquiring other property development companies and we cannot assure you that we will be able to obtain applicable government approvals for companies so acquired.

If changes in government policy lead to a reduction in land supply, our business, future financial condition and results of operations may be materially and adversely affected.

Our business may be adversely affected by increases in interest rates.

We cannot assure you that we will have adequate cash flow to service our financing obligations. We have substantial interest obligations for our borrowings, and, for the years ended 31 December 2019, 2020 and 2021, our interest expenses on total borrowings (including the capitalised portion) was RMB5,236 million, RMB4,832 million and RMB4,639 million, respectively. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC, and the PBOC has from time to time adjusted the benchmark lending rates. Starting from August 2019, the PBOC has introduced the one-year loan prime rate (the "**LPR**") and commercial banks has since then adopted the LPR as the pricing benchmark in floating rate loan contracts. As of 31 December 2021, the LPR is 3.8 per cent. The PBOC may raise the benchmark lending rate again in the future in order to control the growth rate of the Chinese economy or for other policy objectives. Any increases in interest rates on our borrowings, including as a result of interest rate increases by the PBOC, may have a material adverse effect on our financial condition and results of operations.

In addition, increases in interest rates by the PBOC will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties, which could, in turn, adversely affect our business, financial condition and results of operations.

Our business may be adversely affected by the COVID-19 pandemic or the government policies designed to curb the spread of it.

We cannot assure you that we will never be adversely affected by the COVID-19 pandemic or the government policies designed to curb the spread of it. While the relaxation of restrictions of marketing activities in 2021 enabled us to garner resources to increase selling and marketing expenses, from RMB1,293 million for the year ended 31 December 2020 to RMB1,665 million for the year ended 31 December 2021, to pursue better recognition of our quality and higher revenue in the future, the collective impact of the recent resurgence of COVID-19 positives in certain provinces in the PRC and of the anti-pandemic government policies is yet to be assessed and may end up reversing any upward force that favors market and industry growth. In particular, the high transmissibility of various variants of COVID-19 and the strict enforcement of lockdown policies may adversely affect our business. For instance, our suppliers and contractors may need to suspend their contractual obligations or make alternative, less effective arrangements to accommodate the society's efforts at large to reduce human interactions. We may also need to scale down interactive marketing activities. Our business may be adversely affected by the COVID-19 pandemic or the government policies designed to curb the spread of it.

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

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

We may not be able to obtain adequate funding for our property developments.

We generally fund our development projects through bank loans, internal cash flows, including proceeds from the pre-sale and sale of our properties, and capital raisings. There is no guarantee that we will always have sufficient funds available to fund all our future property developments.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. Various PRC regulations restrict our ability to raise capital through internal operation and external financing for property developments, including without limitation, 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 if, (i) for supportive residential development projects or common residential development projects, the property developer's available internal funds are less than 20 per cent. of the total estimated capital required, or (ii) for other development projects, the property developer's available internal funds are less than 25 per cent. of the total estimated capital required;
- 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 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 certain exceptions;
- PRC banks are restricted from granting revolving credit facilities to property developers that hold idle land and a large amount of 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 premium to 50 per cent. and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions;
- in March 2010, the Ministry of Land and Resources stipulated that the minimum down payment of land premium of 50 per cent. must be paid within one month after the signing of a land grant contract and the rest of the land premium must be fully paid within one year after the signing of a land grant contract;

- on 29 September 2010, the PBOC and CBRC promulgated the "Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies" (Yin Fa [2010] No. 275 (《關於完善差別化住房信貸政策有關問題的通知》(銀發[2010]275號)), which provides that all property companies with records of having idle land, changing the land use purpose and nature, delaying the project commencement or completion time and hoarding properties or other acts of noncompliance with applicable laws or regulations shall be restricted from obtaining bank loans or credit facilities for new projects;

- on 26 February 2013, the State Council issued the "Circular on Continuing the Regulation of Real Estate Market" (Guo Ban Fa [2013] No. 17) (the "**Guo Ban Fa [2013] No. 17**") (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)), pursuant to which, with regard to any real estate development enterprises that violate laws and regulations such as having idle land, driving up land prices, hoarding properties for speculation and driving up prices of houses, the relevant departments shall establish cooperative mechanisms, and investigate and impose appropriate penalties more strictly. Moreover, banking financial institutions shall not offer loans to such enterprises for their new projects, the securities regulatory departments shall suspend the approval of the listing, refinancing and restructuring of such enterprises, and banking regulatory departments shall not allow such enterprises to obtain financing through trust plans;

- on 13 February 2017, the Asset Management Association of China issued the "Circular on Issuing the No. 4 Administrative Rules for Filing of Private Asset Management Plans by Securities and Futures Institutions" (《關於發佈〈證券期貨經營機構私募資產管理計劃備案管理規範第4號〉的通知》), which provides that where securities and futures institutions are to establish private asset management plans, and make investment in common residential real estate projects located in cities where property prices are soaring, such plans shall not be registered. Private asset management plans may not finance real estate developers through, among other things, entrusted loans, trust plans and transfers of the right to earnings (the beneficiary right) of assets for paying land acquisition prices or replenishing working capital; and may not directly or indirectly facilitate any violation or illegality, such as granting loans used as down payments;

- on 7 April 2017, the CBRC issued the "Guiding Opinions of the China Banking Regulatory Commission on Risk Prevention and Control for the Banking Sector" (《中國銀監會關於銀行業風險防控工作的指導意見》(銀監發[2017]6號)), which requires that all banks and other financial institutions acting in concert should insist on category-based regulation and the implementation of city-based policy, and prevent risks in the real estate field;

- on 12 January 2018, the CBRC issued the "Key Work Points on Rectify Chaos in the Banking Industry in 2018" (《2018年整治銀行業市場亂象工作要點》), which states that the CBRC has decided to further sort out the chaos in the banking industry, including violation of policies of the real estate industry, such as the policy that an institution not provide, directly or indirectly, different kinds of on-balance-sheet and off-balance-sheet financing services, or provide support or channels with its own credit, for real estate enterprises to cover the land purchase expenses;

- effective from 1 January 2021, PRC financial institutions (excluding their overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans they lend to the proportions determined by the PBOC and the China Banking and Insurance Regulatory Commission ("**CBIRC**", the successor of the China Banking Regulatory Commission or CBRC) 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 2.0 per cent. of the legal proportion based on the statistical data relating to such bank as of 31 December 2020. Under the notice, the 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 we will have adequate resources to fund property developments such as land acquisitions (including any unpaid land premiums for past acquisitions). We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire new land reserves, commence new projects or continue the development of existing projects. Such failure may also increase our finance costs and have a material adverse effect on our business, prospects, financial condition and results of operations.

We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities granted by financial institutions in the future on reasonable terms or at all or that any fluctuation in the interest rate will not affect our ability to fund our property developments.

Our level of indebtedness may adversely affect our future strategy and operations.

As at 31 December 2021, on a consolidated basis, we had approximately RMB92,224 million of total bank and other borrowings, consisting of a non-current portion of approximately RMB73,557 million and a current portion of approximately RMB18,667 million. As at such date, we had approximately RMB76,447 million in total equity of the Guarantor and our net gearing ratio (total borrowings less cash resources divided by total equity of the Guarantor) was approximately 85 per cent. For more details, please see "*Capitalisation and Indebtedness*". We will continue to have a substantial amount of indebtedness after the offering of the Notes.

Our level of indebtedness may adversely affect our future strategy and operations in a number of ways, including:

- our debt service requirements will reduce the funds available to us for other purposes;
- our ability to obtain adequate financing for working capital and capital expenditures for our projects on terms which will enable such projects to achieve a reasonable return to us may be limited; and
- our leverage may hinder our ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

There can be no assurance that our level of indebtedness will not further increase or that our level of indebtedness and such restrictions will not materially and adversely affect our ability to finance our future operations or capital needs, successfully operate our business, engage in other business activities or pay dividends or distributions.

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

The real estate industry in the PRC is strictly regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, we must obtain various permits, license, certificates and other approvals from the relevant administrative authorities at various stages of our property development projects, including land use rights documents, construction land planning permit, construction planning permits, construction works permits, pre-sale permits and certificate of completion. Each approval is dependent on the satisfaction of various conditions, which are often subject to the discretion of relevant PRC government officials and subject to change due to new laws, regulations and policies, especially those with respect to the real estate sector, promulgated from time to time. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, financial condition and results of operations.

We typically set up a project company to develop and operate each property project. According to the current PRC regulations on the qualification of property developers, a newly established project company must first apply for a provisional qualification certificate with a one-year validity, which can be extended for a maximum of two years. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. The property developer shall apply to the property development authority for a verification of qualification classification within one month before the expiry of the provisional qualification certificate. The competent property development authority shall check and verify the corresponding class of qualifications based on the development and operating performance thereof and issue a corresponding qualification certificate. The qualification certificate for property development has a certain period of validity, and the property developer shall renew its qualification certificate for property development before the expiry of the validity for the qualification certificate. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. Any failure to obtain or renew the qualification certificates of our project companies or to obtain other permits or otherwise comply with PRC laws and regulations on property development may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to obtain land use rights certificates for certain existing properties or properties acquired in the future.

We have entered into land grant contracts for certain land parcels but have not yet obtained the land use right certificates for such land parcels. If we fail to obtain the land use right certificates with respect to such parcels of land in a timely manner, or at all, our business, financial condition and results of operations may be materially and adversely affected.

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

On 28 April 2013, SAFE issued the Notice of State Administration of Foreign Exchange on Promulgation of the Administrative Measures on Registration of Foreign Debt (Hui Fa [2013] No. 19) (國家外匯管理局關於發佈《外債登記管理辦法》的通知(匯發[2013]19號)), which was amended on 4 May 2015. The notice stipulates the following principles:

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

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

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

On 10 May 2013, SAFE issued the Notice of State Administration of Foreign Exchange on Promulgation of the Provisions on Foreign Exchange Control on Direct Investments in China by Foreign Investors and Supporting Documents (Hui Fa [2013] No. 21) (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知(匯發[2013]21號)), which was amended on 10 October 2018.The notice requires that real estate enterprises need to provide registered files to MOFCOM for making foreign exchange registrations. On 14 September 2015, NDRC issued the Circular Regarding Advancing the Management and Reform of the Registration System for Foreign Debt Issuance by Enterprises (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委《關於推進企業發行外債備案登記制管理改革的通知》(發改外資(2015)2044號)) (the "**NDRC Circular**"), which requires that a PRC enterprise or its controlled non-PRC enterprise first register with the NDRC before its issuance or incurrence of any foreign debt. These regulations restrict us from injecting funds raised offshore into our PRC project companies by way of shareholder loans. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. Without having the flexibility to transfer funds to PRC subsidiaries, our liquidity and ability to fund and expand our business in the PRC may be adversely affected. Without having the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each distribution payment date to pay the distribution due and payable under the Notes.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government. Furthermore, the filing materials and the electronic data in the system for registration of real estate projects submitted by the foreign-invested real estate enterprises shall be verified by the competent commerce departments at the provincial level, and only the enterprises that comply with the regulations shall be registered and the electronic data of those shall be submitted to MOFCOM. The aforesaid procedures may take considerable time and delay the injection of funds into such subsidiaries. This may adversely affect the financial condition of our PRC subsidiaries and may cause delays in our projects.

On 11 May 2018, the NDRC and the Ministry of Finance promulgated "the Circular on Improving the Market Restraint Mechanism and Taking Strict Precautions Against Foreign Debt Risks and Local Debt Risks" (Fa Gai Wai Zi [2018] No. 706) (《關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》(發改外資[2018]706號)) (the "**No. 706 Circular**"). According to the No. 706 Circular: (i) enterprises intending to borrow medium and long-term foreign debts shall have concrete business in fact, raise funds in a market-oriented way in accordance with laws and regulations, and meanwhile, work out a plan for the repayment of the principal and interest of foreign debts according to their respective credit status, and implement safeguards for the repayment of debts. Any enterprise is banned from, in any name, requesting the local government or a department affiliated thereto to provide any guarantee or undertake liability for debt repayment for its market-oriented fundraising; (ii) the raised funds will be mainly used to support innovation development, green development, strategic emerging industries, the high-end equipment manufacturing industry, "One Belt One Road" construction and international cooperation; (iii) an enterprise that intends to borrow medium and long-term foreign debts is required to establish the thorough and standardised corporate governance structure, the decision-making management mechanism and the financial management system; (iv) it is necessary to form the market-oriented investment return mechanism and create sustainable, stable and feasible expected financial yields, for fund raising-based investment projects financially aided by funds of foreign debts; (v) an enterprise that intends to borrow medium and long-term foreign debts is required to prudently select financing instruments and reasonably hold foreign exchange positions, in order to effectively prevent and control foreign debt risks; (vi) an enterprise that intends to borrow medium and long-term foreign debts is required to standardise its information disclosure. It should be clarified in the relevant documents that the relevant debts shall be repaid by the bond-issuing enterprises as the independent legal person; (vii) for the enterprises undertaking government investment projects in accordance with laws and regulations, the finance departments shall promptly appropriate the funds in accordance with the provisions and the approved budget; (viii) for those enterprises, underwriters, audit firms, law firms and others involved in illegal financing and guarantees provided by local governments and the principals thereof, the punishment shall be strengthened.

On 9 July 2019, NDRC issued the Circular Regarding Requirements of Applying For the Registration of Issuing Foreign Debt by Real Estate Developers (Fa Gai Ban Wai Zi [2019] No. 778) (國家發展改革委辦公廳《關於對房地產企業發行外債申請備案登記有關要求的通知》(發改辦外資 [2019]778 號)), which requires that the issuance of foreign debts by real estate developers can only be used to replace medium and long-term offshore debts due within the next year and the real estate developers shall specify the details of the foreign debts to be replaced in the application materials for the registration of foreign debts.

Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China, any funds raised outside China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

Because we derive our revenues principally from the sale of property, our results of operations may vary significantly from period to period.

At present, we derive substantially all of our revenues from the sale of residential properties that we have developed, and we only derive a very small portion of our revenues from returns on investment properties such as rental income. Our results of operations may fluctuate in the future due to a combination of factors, including the overall schedules of our property development projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties that we have developed and any volatility in expenses such as land costs and construction costs.

Furthermore, according to our accounting policy for revenue recognition, we recognise revenue from sales and pre-sales of our properties upon delivery and collectability of related receivables as reasonably assured, which normally takes place one to two years after the commencement of pre-sales. Because the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties which we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large aggregate GFA, however, may not generate a correspondingly high level of revenue, if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time, we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs as well as a limited supply of land.

In addition, seasonal variations have caused fluctuations in our interim revenues and profits, including quarterly and semi-annual results. Our operations are substantially focused on northern China, where the weather conditions during the winter are not suitable for construction work. We therefore typically seek to complete the construction of, and deliver, most of our properties by November. As a result, we have typically recognised substantially more revenue in the second half of the year than in the first half of the year, and our interim results do not proportionally reflect our annual results.

In light of the above, we believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues from period to period.

Our profit margin is sensitive to fluctuations in the cost of construction materials.

Construction costs comprise one of the predominant components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of our property development projects, with the cost of third party contractors remaining relatively stable. However, as the construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs.

Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and cement. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to renegotiate existing construction contracts to top up payment to, or receive refund from, the contractors, depending on the price movement. Our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

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

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would find ourselves liable to purchasers of pre-sold units for losses suffered by them. We cannot assure you that these losses would not exceed any deposits that may have been made in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the actual GFA of a completed property delivered to a purchaser deviates by more than 3 per cent. from the GFA originally indicated in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

On 5 August 2005, the PBOC issued a report entitled “2004 Real Estate Financing Report” in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the plenary session of the National People’s Congress and that of the Chinese People’s Political Consultative Conference held in March 2006, a total of 33 delegates to the National People Congress put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of the PBOC, published an article pointing out that the way to improve the system for commodity housing pre-sale in China is to abolish the financing function of pre-sale. On 26 April 2007, an economy research group under the NDRC proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing.

These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On 5 March 2010, a government work report delivered by the former Chinese Premiere Wen Jiabao at the Third Session of the 11th National People’s Congress pointed out that the PRC government will improve the pre-sale system of commodity housing. For example, the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential housing projects that obtained the “Permit for Construction Work” after 1 July 2010. Those residential housing projects must have completed sealing the roof of the main structural works and passed examination before they can be available for pre-sale, thus raising the standards for pre-sale.

We cannot assure you that the PRC authorities 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 business, cash flow, results of operations and financial condition.

We have experienced periods of net cash outflow from operating activities in the past.

Due to the nature of the property development business, we may from time to time experience net operating cash outflow when imbalances occur between the timing of our cash inflows relating to the pre-sale of properties and our cash outflows relating to the construction of properties and the purchases of land. For example, we had net cash used in operating activities in the years ended 31 December 2019 and 2021 in the amount of approximately RMB3,303 million and RMB7,944 million, respectively, which were primarily due to cash used in developing properties. We cannot assure you that we will not experience periods of net operating cash outflow in the future. If we continue to have net operating cash outflow in the future, our financial condition may be materially and adversely affected.

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

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of the land use right grant premium and fees and designation of the 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 per cent. of the land use right grant premium. If we do not commence development for more than two years from the date required by 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, force majeure or necessary work to be completed before commencement of the development. Moreover, even if the time of commencement of the land development is in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital actually invested is less than one-fourth of the total estimated investment of the project under the land grant contract; and (ii) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land. According to the "Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development" (Guo Tu Zi Fa [2010] No. 151) (《關於進一步加強房地產用地和建設管理調控的通知》(國土資發[2010]151號)) jointly promulgated by MLR and Ministry of Housing and Urban-Rural Development On 21 September 2010, (i) after the land use right is granted no one may change the planning and construction conditions without due authorization (if property developers apply for changes in land planning and construction conditions but do not commence construction on schedule under the construction conditions of the land grant, the land authorities may take back the land and re-grant the land use rights to other parties); and (ii) construction of all residential projects must commence within one year from the land delivery date specified in the relevant land allocation decisions or the land grant contracts, and must be completed within three years from the commencement date of the project. According to the "Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of Land Market" (Guo Tu Zi Fa [2010] No. 204) (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》(國土資發[2010]204號)) promulgated by the MLR on 19 December 2010, if a parcel of land is idle for more than one year or the relevant land developer breaches the terms of the relevant land grant contract or relevant laws or regulations, the developer will be disqualified from obtaining land in any government-run bidding process. Pursuant to the "Circular of the General Office of the State Council on Continuing the Regulation of Real Estate Market" (Guo Ban Fa [2013] No. 17) (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)) issued on 26 February 2013, with regard to any real estate development enterprises that violate laws and regulations such as having idle land, the relevant departments shall establish cooperative mechanisms, and investigate and impose appropriate penalties more strictly. Moreover, banking financial institutions shall not offer loans to such enterprises for their new projects, securities regulatory departments shall suspend the approval of the listing, refinancing and restructuring of such enterprises, and banking regulatory departments shall not allow such enterprises to obtain financing through trust plans.

Pursuant to the "Circular of the Ministry of Natural Resources on Improving the "Increments Pegged to Inventory" Mechanism for Land for Construction Use" (Zi Ran Zi Gui [2018] No. 1) (《自然資源部關於健全建設用地"增存掛鈎"機制的通知》(自然資規[2018]1號)) issued on 25 June 2018, for idle land caused by enterprise reasons, the relevant municipal and county natural resources authorities shall promptly investigate and collect idle land fees or recover the land.

We are subject to legal and business risks if our project companies fail to obtain or renew their qualification certificates.

All real estate developers in the PRC must obtain a qualification certificate in order to carry out the business of property development in the PRC. The "Provisions on Administration of Qualification Certificates of Real Estate Development Enterprises" (Order of Ministry of Construction No. 77) (the "**Provisions on Administration of Qualification**") (《房地產開發企業資質管理規定》(建設部令第77號)) provide that a newly established developer must first apply for a temporary qualification certificate with a one-year term, which can be renewed for a maximum of a two-year period. After the two-year period, the developer must apply for a formal qualification certificate as set out in the Provisions on Administration of Qualification. All formal qualification certificates are subject to annual inspection. In reviewing an application to issue, grant or renew a qualification certificate, the relevant government authority considers the real estate developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or inappropriate operations.

Property developers in the PRC must also produce a valid qualification certificate when they apply for a pre-sale permit. If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, but continues to carry on real estate development, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. As of the date of this Offering Circular, some of our project companies have not yet obtained or renewed their qualification certificates. See "— *Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments.*" We cannot assure you that the qualification certificates of any of our project companies will be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project or project management companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (Order of State Council No. 588) (《中華人民共和國土地增值稅暫行條例》(國務院令第588號)) and the "Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax" (Cai Fa Zi [1995] No. 6) (《中華人民共和國土地增值稅暫行條例實施細則》(財法字[1995]6號)) (the "**LAT Implementation Rules**"), all income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT, at progressive rates ranging from 30 per cent. to 60 per cent. of the appreciation value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties (普通標準住房) if the appreciation does not exceed 20 per cent. of the total deductible items as defined in the relevant tax laws and regulations. Sales of high-end apartments, villas and holiday villas are not eligible for such exemption. On 12 May 2009, the SAT issued the "Administrative Rules on the Settlement of Land Appreciation Tax" (《土地增值稅清算管理規程》(國稅發[2009]91號)) effective as of 1 June 2009, which further clarifies the specific conditions and procedures for settlement of LAT. On 19 May 2010, the State Administration of Taxation issued the "Circular on Issuers Concerning Settlement of Land Appreciation Tax" (Guo Shui Fa [2010] No. 220) (《關於土地增值稅清算有關問題的通知》(國稅

函[2010]220號)) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development. On 25 May 2010, the State Administration of Taxation issued the "Notice on Strengthening the Collection Land Appreciation Tax" (Guo Shui Fa [2010] No. 53) (《關於加強土地增值稅徵管工作的通知》(國稅發[2010]53號)), which requires that the minimum LAT prepayment rate shall be 2 per cent. for provinces in the eastern region, 1.5 per cent. for provinces in the central and northeastern regions, and 1 per cent. for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties. On 20 June 2013, the State Administration of Taxation issued the "Circular on Further Improving the Collection and Administration of Land Appreciation" (Shui Zong Fa [2013] No. 67) (《關於進一步做好土地增值稅徵管工作的通知》(稅總發[2013]67號)), which stipulates that local tax agencies shall settle the outstanding projects backlogged in recent years, improve efficiency, urge enterprises to conduct self-settlement within the allotted time, and enforce the consequences on those failing to conduct self-settlement.

On 25 April 2016, the State Administration of Taxation and the Ministry of Finance issued the "Circular on Issues concerning the Taxation Basis for Deed Tax, House Property Tax, Value-Added Tax of Land and Individual Income Tax Following the Collection of Value-Added Tax in lieu of Business Tax" (Cai Shui [2016] No. 43) (《關於營改增後契稅、房產稅、土地增值稅、個人所得稅計稅依據問題的通知》(財稅[2016]43號)), which provides that the transfer of property subject to the value-added tax ("**VAT**") of land shall exclude VAT. Where VAT input tax is included in the list of items for deduction of VAT of land and is allowed to be deducted from calculation of VAT output tax under the Interim Regulations of the People's Republic of China on Value-Added Tax of Land and other relevant regulations, the VAT input tax shall be exempt from deductible items; otherwise, the VAT input tax shall be calculated in deduction. On 7 July 2016, the State Administration of Taxation issued the "Circular of the State Administration of Taxation on Revising the Land Valued-added Tax Returns" (Shui Zong Fa [2016] No. 309) (《國家稅務總局關於修訂土地增值稅納稅申報表的通知》(稅總函[2016]309號)), which clarifies that the amount paid for the acquisition of land use rights should be defined as the land-transferring fees actually paid and the relevant fees paid in accordance with the unified provisions of the State for the land use rights required by the taxpayer for the acquisition of the real estate development project. On 10 November 2016, the State Administration of Taxation issued the "Announcement of the State Administration of Taxation on Several Provisions concerning the Levy and Administration of Land Appreciation Tax after the Collection of Value-added Tax in Lieu of Business Tax" (Announcement of the State Administration of Taxation [2016] No. 70) (《國家稅務總局關於營改增後土地增值稅若干徵管規定的公告》(國家稅務總局公告2016年第70號)), which clarifies levy standards such as (i) recognition of taxable income under LAT after the collection of VAT in lieu of business tax; (ii) recognition of taxable income under LAT on acts deemed as sales of real estate after the collection of VAT in lieu of business tax; (iii) deduction of tax relating to transfer of real estate; (iv) calculation for Settlement of LAT before and after the collection of VAT in lieu of business tax; (v) recognition of invoices for expenditure of the construction and installation engineering cost after the collection of VAT in lieu of business tax; and (vi) deduction and calculation relating to transfer of old houses.

We have estimated and made provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations. For the years ended 31 December 2019, 2020 and 2021, we made a net provision for LAT in the amount of RMB3,715 million, RMB2,817 million and RMB2,022 million, respectively. It is not certain as to when the PRC tax authorities will collect the amount of LAT in full. In the event that the LAT we have provided for is actually collected in full by the PRC tax authorities, our cash flow and financial position will be affected. Furthermore, in the event that LAT eventually collected by the PRC tax authorities exceeds the amount we have provided for, our net profits after tax will be adversely affected.

If our contract counterparties fail to comply with our contractual arrangements with them, our business will suffer and our financial condition may be materially and adversely affected.

We enter into a significant number of contracts in connection with our land acquisitions, including various land grant contracts. Once we enter into a contract in connection with our land acquisitions, we may be required to pay substantial amounts of money, although there may be a period of time before formal title to the land is transferred to us or land use rights certificates are delivered to us. If our contract counterparties fail to comply with our contractual arrangements with them or if the business conditions of our counterparties deteriorate, we may not be able to continue to enjoy our rights under the relevant contractual arrangements and our business will suffer and our financial condition may be materially and adversely affected.

We rely on external contractors for most of our property construction and are subject to risks relating to the performance of these contractors.

External contractors carry out construction of most of our real estate projects. These contractors are also responsible for procuring all necessary construction equipment and most of the basic construction materials, such as steel and concrete. Completion of our projects is, therefore, subject to the performance of these independent contractors. There can be no assurance that the services rendered by the independent third party contractors will be timely provided or be satisfactory to us or match the targeted quality level we require. If these services are not timely provided or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed cost to which they committed contractually and we may have to bear such additional amounts. In addition, contractors may experience financial or other difficulties (including labour disputes with its employees) that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of our property developments or resulting in additional costs for us. Any of these factors could adversely affect our business, financial condition, results of operations and reputation.

Our operations may be adversely affected if any member of key management leaves or is alleged or found to have breached laws in the PRC or comes under regulatory investigation.

We depend on the services provided by our management and other qualified and experienced staff. Competition for such talented employees is intense in the property development sector in the PRC. In case any core management team member leaves and we fail to find a suitable substitute, our business will be adversely impacted. Moreover, as our business continues to grow and we expand into other regional markets in the PRC, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain suitable human resources, our business and prospects will be negatively affected. In addition, any failure by us, our executive officers, key shareholders and other agents to fully adhere to the PRC or other applicable anti-corruption laws, or is alleged or placed under investigation for breach of any such laws could also materially and adversely affect our reputation and our business, financial condition and results of operations.

Our results of operations include fair value gain on investment properties, which are unrealised and our results may fluctuate due to revaluations resulting in further fair value gains or losses on investment properties.

We reassess the fair value of our investment properties at every reported balance sheet date. Our valuations are based on the market value for which the property could be exchanged between knowledgeable and willing parties in an arm's length transaction. Unrealised capital gains on our investment properties at the relevant balance sheet dates do not reflect profit generated from the sale or rental of our investment properties. Such fair value gains do not generate any actual cash inflow to us unless and until such investment properties are disposed of at similarly valued amounts. The amount of our fair value gains has been, and may continue to be, significantly affected by the prevailing property markets and may be subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanisation rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control. There can be no assurance that we will continue to record similar levels of fair value gains or that the fair value of our investment properties will not decrease in the future. In the event that there is a material downward adjustment in our investment properties in the future, our results of operations and profits may be adversely affected.

Our substantial shareholders may exert substantial influence over us and may take actions that are not in the best interest of the Holders.

China Life is our largest shareholder with approximately 29.59 per cent. equity interests in our Company as of 31 December 2021. Dajia Life Insurance is our second largest shareholder and held approximately 29.58 per cent. of our shares as of the same date. See "*Principal Shareholders*". Accordingly, subject to our Articles of Association and the Hong Kong Companies Ordinance, China Life and Dajia Life Insurance by virtue of their significant ownership of our share capital as well as their ability to nominate representatives on our Board of Directors, are able to exercise significant control and exert significant influence over our business and other matters of significance to us. There can be no assurance that such substantial shareholders will not take actions that are not in the best interest of the Holders.

Potential liability for environmental problems could result in substantial costs.

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

We have conducted environmental impact assessments for most of our construction projects. Further, an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit additional environmental impact documents, issue orders to suspend the construction and/or impose penalties for any projects that have not, prior to the commencement of construction, received approval following the submission of the environmental impact assessment documents. We cannot assure that these investigations will reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. Pursuant to the "Administrative Regulations on the Environmental Protection of Construction Projects (Revised in 2017)" (《建設項目環境保護管理條例(2017年修訂》(中華人民共和國國務院令第682號)), enacted by the State Council on 16 July 2017, which will come into effect on 1 October 2017, (i) for a construction project for which an environmental impact report or environmental impact statement shall be prepared, the construction unit shall submit, before starting construction, the environmental impact report or environmental impact statement to the competent administrative department of environmental protection with the authority of examination and approval for approval; if the environmental impact evaluation document of the construction project fails to be examined by the examination and approval department in accordance with the law or is not approved after examination, the construction unit may not start construction; (ii) after the construction of a construction project for which an environmental impact report or environmental impact statement is prepared is completed, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council; (iii) the competent administrative department of environmental protection shall supervise and inspect the design, construction, acceptance, going-into-production or delivery for use of the environmental protection facilities of a construction project, and the implementation of other environmental protection measures determined in the relevant environmental impact evaluation documents. In the event that we are subjected to any regulatory action as a result of our failure to carry out such environmental impact assessments fully or at all, our reputation, business, financial condition and results of operations may be adversely affected.

Our ability to sell our properties is partly affected by our customers' ability to procure bank mortgages.

A significant number of our property purchasers rely on mortgages to fund their purchases. Without mortgage financing, some of our prospective customers would not be able to purchase our properties. There are a number of factors, which we cannot control, affecting the market for and availability of mortgages in China, and which could make it more difficult for us to pre-sell or sell our properties. These factors include the following:

- Increases in interest rates will increase the cost to our customers of funding property purchases through mortgages. The PBOC from time to time adjusts the benchmark lending rates, and starting from August 2019, the PBOC has introduced the one-year loan prime rate (the "**LPR**") and commercial banks has since then adopted the LPR as the pricing benchmark in floating rate loan contracts. As of 31 December 2021, the LPR is 3.8 per cent. Any further increases in interest rates, including by the PBOC, will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties. Our cost of borrowing would also increase as a result of interest rate increases, which would, in turn, adversely affect our results of operations;

- The PRC government may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Since October 2008, the PRC government has set the minimum mortgage loan interest rate for first-time home purchases at 70 per cent. of the relevant benchmark lending interest rate. Since September 2010, the PRC government has increased the minimum amount of down payment to 30 per cent. of the purchase price for all first-time home buyers. Since January 2011, for second-time home buyers that use mortgage financing, the PRC government has increased the minimum down payment to 60 per cent. of the purchase price, and set the minimum mortgage loan interest rate for such purchases at 110 per cent. of the relevant benchmark lending interest rate. Since February 2016, in the cities without restrictive measures for house purchase, the minimum down payment for the purchase shall, in principle, be 25 per cent. of the house price with regard to the commercial individual housing loans to resident households for the first-time purchase of common residential houses, and the said percentage may be lowered by five percentage points in different regions; with respect to resident households that own a residential house with unsettled house purchase loans and apply for commercial individual housing loans again to purchase common residential houses for improving living conditions, the minimum down payment for the purchase shall be at least 30 per cent. of the corresponding house price. In the cities with restrictive measures for house purchase, the individual housing loan policies shall be subject to the original provisions. For commercial property buyers, banks are no longer allowed to finance the purchase of pre-sold properties. The minimum down payment for commercial property buyers has increased to 50 per cent. of the purchase price, and the minimum mortgage loan interest rates for such purchases has been set at 110 per cent. of the relevant benchmark lending interest rate and maximum maturities of no more than 10 years. In addition, mortgage banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50 per cent. of the individual borrower's monthly income or if the total monthly debt service of the individual borrower would exceed 55 per cent. of such individual's monthly income. For more information, see "*Regulation — Property Financing*"; and

- Any disruption to, or change in, the banking sector in China that affects our customers' ability to obtain mortgages could have an adverse effect on our liquidity 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 are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days of delivery of the property or within a timeframe set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes which typically takes one to two years. 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 registration authority of real estate 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 and 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 become liable to purchasers for late delivery of the individual property ownership certificates due to our fault or for any other reason beyond our control.

Disputes with project and joint venture partners may adversely affect our business and reputation.

We carry out some of our business through joint ventures with our PRC or foreign partners. Such joint venture arrangements involve a number of risks, including:

- disputes with joint venture partners in connection with the performance of their or our obligations under the relevant projects or joint venture agreements;
- disputes as to the scope of each party's responsibilities under these arrangements;
- financial difficulties encountered by a joint venture partner affecting its ability to perform its obligations under the joint venture agreements or other contracts with us; or
- conflicts between the policies or objectives adopted by the joint venture partners and those adopted by us.

In addition, we work with a wide range of parties involved in the acquisition, development and sale of our properties, including contractors, suppliers, construction workers, original residents, co-development or other partners, banks and purchasers. As most of our projects are composed of multiple phases, purchasers of our properties in earlier phases may commence 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. Any of these and other factors may adversely affect our business, financial condition and results of operations and would divest resources and management's attention.

We may have compliance issues with regulatory bodies and may be involved in legal and other disputes arising out of our operations and may face significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in the development and the sale of our properties. These disputes may lead to protests and may result in damage to our reputation, substantial costs and diversion of resources and management's attention. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees that result in liabilities and cause delays to our property developments. We may be involved in other proceedings or disputes in the future that may have an adverse effect on our business, financial condition, results of operations or cash flows.

We face risks from our relationships with our substantial shareholders.

As of 31 December 2021, China Life, our largest shareholder, owned approximately 29.59 per cent. of our shares. Dajia Life Insurance is our second largest shareholder and held approximately 29.58 per cent. of our shares as of the same date. We face risks relating to the shareholdings, including that the substantial shareholders may not provide financial and operational support to us and that they may sell their shareholdings. For example, COSCO Group, which held 16.85 per cent. of our shares as of 30 June 2010, disposed of its entire shareholding by 21 December 2010 and Nan Fung Group, which originally held 21.3 per cent. of our shares disposed a large portion of its shares on 4 December 2015 resulting in Nan Fung Group holding less than 5 per cent. of our total issued shares after such disposal. There can be no assurance that similar disposals of our shares will not occur. If any of our substantial shareholders fail to provide the financial and operational support to us that they have indicated or if they sell down their shareholdings, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be required to bear resettlement costs associated with our property developments.

The land parcels we acquire in the future for development may have existing buildings or other structures or be occupied by third parties. On 21 January 2011, the State Council promulgated the "Regulation for the Expropriation and Compensation for Housing on State-owned Land" (《國有土地上房屋徵收與補償條例》(國務院令第590號)) (the "**Expropriation and Compensation Regulation**") (Order of the State Council No. 590). The Expropriation and Compensation Regulation provides that, among other things: (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations; (ii) compensation should be paid before the resettlement; (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties should be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and (iv) neither violence nor coercion may be used to force homeowners to leave sites, nor can certain measures, such as illegally cutting water and power supplies, be used in relocation operations. If the local government fails to reach an agreement regarding compensation with the owners or residents of the buildings subject to demolition, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay the timetable of our projects. Such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects, which may in turn materially and adversely affect our business, results of operations and financial condition.

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

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

We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial condition could be adversely affected.

We enter into arrangements with banks to facilitate the provision of mortgage facilities to purchasers of our properties. In accordance with industry practice, we are required to provide guarantees to these banks in respect of mortgages offered to our customers until the earlier of (i) completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks and (ii) the settlement of mortgage loans between the bank and purchasers of our properties. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, we are required to repay all debt owed by the purchaser to the mortgage bank under the loan, the mortgage bank will assign to us its rights under the loan and the mortgage and we will have full recourse to the property. We have in the past experienced some defaults by our purchasers of their mortgage loans, but we have been able to recover almost all of the default payments from the relevant property owners shortly after the event of default and have not experienced any material cases of such defaults.

We do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. As at 31 December 2019, 2020 and 2021, our outstanding guarantees over the mortgage loans of our customers amounted to approximately RMB9,595 million, RMB9,800 million and RMB15,826 million, respectively.

If a significant number of purchasers default on their mortgages and our guarantees are called upon, our results of operations and financial condition could be adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the purchaser or that we cannot sell such properties due to unfavourable market conditions or other reasons.

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

As investment properties are in general relatively illiquid, our ability to promptly sell them in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that 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 close a sale in respect of an investment property.

Should we decide to sell a property subject to a management agreement or tenancy agreement, we may have to obtain consent from, or pay termination fees to, our management partners or our anchor retail tenants.

In addition, investment properties are not readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses would generally require substantial capital expenditure. In particular, we may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property can be sold. We cannot assure you that we will have funds available for these purposes. These factors and any other factors that would impede our ability to respond to adverse changes in the performance of our investment properties could affect our ability to retain tenants and to compete with other market participants, as well as affecting our results of operations.

We may not be able to effectively diversify our business.

We have been seeking to diversify our business. We acquired disclosable equity interests in certain companies listed on the SEHK, such as Beijing Capital Juda Ltd., China Logistics Property Holdings Co., Ltd., Gemini Investments (Holdings) Limited and China Huarong Asset Management Co., Ltd. which engage in various business sectors other than our main business activities. We cannot assure you that we will be able to leverage our past experience in the property development industry in expanding into these industries. We may be exposed to considerable reputational and financial risks if these operations are mismanaged or do not meet the expectations of our stakeholders. If we fail in our efforts to diversify our business, there may have a material adverse effect on our reputation generally, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our business may be adversely impacted by negative developments in the PRC and commercial real estate market.

We are active in the PRC commercial real estate market, with focus on office and retail properties in business regions. The success of our business is therefore significantly correlated with the development of the commercial real estate market in the PRC. In the last few years, the real estate market in the PRC, in particular in secondary locations, has experienced a strong increase of rent levels. There is a risk that the real estate market will soon reach its peak in this regard, and consequently, the increase in rent levels will weaken or that rent levels will even decrease in the future. Such developments may also result in decreasing valuations of properties. The PRC real estate market, including the development of rent levels and real estate prices, is also affected by overall economic conditions in the PRC. For example, economic contraction, economic uncertainty and the perception by tenants of weak or weakening economic conditions could cause a decline in the demand for commercial real estate and thereby influence market prices, rent levels and vacancy rates in the commercial real estate market. In addition, the levels of investment in commercial real estate and investment activities of companies, as tenants, may also be influenced by macroeconomic factors such as unemployment rates, inflation, interest rates, increases in taxes or perceived or actual declines in corporate investments and capital expenditure. Among other things, a rise in interest rates could lead to higher discount rates, which could have an adverse effect on the valuation of our portfolio. Higher interest rates could also result in reduced demand for real estate, making it harder to sell properties. As a result of the geographic focus of our commercial real estate portfolio on the PRC, a negative development, contraction or lack of growth in the PRC economy and overall macroeconomic conditions could have a material adverse effect on our business, financial condition and results of operations.

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

The property industry in the PRC is heavily regulated by the PRC government. Property developers including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, at various stages of the property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities including a land use rights certificate, a construction land planning permit, a construction works planning permit, a construction works commencement permit and a pre-sale permit or confirmation of completion and acceptance. Each approval may depend on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes with respect to regulatory approvals.

In addition, the Group may acquire land or projects from other developers and in such cases rely on the regulatory approvals which were obtained by such other developers prior to the acquisition. Although the Group conducts due diligence to check that the required regulatory approvals have been obtained, there is no assurance that no defect with such regulatory approvals would later be discovered (this may arise for example if there was an issue with the application process undertaken by the other developer before the acquisition). If any regulatory approvals obtained by other developers before the Group acquires the relevant land or project are later found to be invalid or flawed for any reason, this is likely to have a material adverse impact on the development of such land or project which may have an adverse impact on the Group's financial position. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the completion of our developments and sale of our properties could be substantially disrupted or delayed and any such disruption or delay would materially and adversely affect our business, results of operations and financial condition. Furthermore, the relevant regulatory bodies may not approve the development plans for our projects and we may need to amend such development plans to obtain the necessary permits. Amendment to our development plans may have a material and adverse effect on our business and results of operations.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have; any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt or security we may incur, including the Notes. The ability of our direct and indirect subsidiaries to pay dividends to their shareholders (including the Company and its subsidiary holding companies) is subject to applicable laws and restrictions contained in the debt instruments and obligations of such subsidiaries. Furthermore, under applicable PRC laws, rules and regulations, payment of dividends by our PRC subsidiaries is permitted only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Under PRC laws, rules and regulations, all of our PRC subsidiaries are required to set aside at least 10 per cent. of their after-tax profit based on PRC accounting standards each year to their respective statutory capital reserve funds until the accumulated amount of such reserves reaches 50 per cent. of their respective registered capital. As a result, all of our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. Our restricted reserves are not distributable as cash dividends. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, pay dividends or otherwise fund and conduct our business.

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

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

We are subject to property market conditions in the PRC generally and, in particular, in Beijing Region, and the other regions in which we operate. Currently, reliable and up-to-date information on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed and the availability of land and buildings suitable for development and investment is not generally available in the PRC. Consequently, our investment and business decisions may not always have been, and may not in the future be, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, reports about a developer running into difficulties on repayment and operations could prompt the PRC government to further tighten restrictions on PRC property developers, which could have a material adverse impact on our business and operations. For instance, following the defaults by various property developers in the PRC on debt repayment obligations at the end of 2021, the NDRC and SAFE have reportedly urged certain property developers in the PRC, to either be proactive in meeting debt repayment obligations or inform regulators of any anticipated inability to do so. Any events of default could prompt the PRC government to impose greater regulations on the PRC property developers which may have a material adverse impact on our business and operations.

In recent years, the PRC government exerted considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic measures, such as:

- requiring real estate developers to finance, with their internal resources, at least 20 per cent. of the total investment (excluding affordable housing projects);

- limiting the monthly mortgage payment to 50 per cent. of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55 per cent. 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 per cent. 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 per cent. of the total development and construction area of residential projects approved or constructed on or after 1 June 2006 in any administrative jurisdiction must consist of units with a unit floor area of no more than 90 square meters 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 cities specifically designated in the state plan (計劃單列市) may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- requiring first-time home buyer to pay a minimum amount of down-payment of 25 per cent. of the purchase price of the underlying property in principle;

- requiring any second-time home buyer to pay an increased minimum amount of down-payment of 60 per cent. of the purchase price of the underlying property and an increased minimum mortgage loan interest rate of no less than 110 per cent. of the relevant PBOC benchmark 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 per cent. of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110 per cent. of the relevant PBOC benchmark 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 per cent. 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 investors 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 the ratio of registered capital to total investment amount and other requirements for establishing foreign invested real estate enterprises (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 the 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;

- reducing the benchmark one-year lending rate published by the PBOC for the year ended 31 December 2014 to 5.60 per cent. and to 4.35 per cent. on 24 October 2015;

- decreasing the PBOC Renminbi deposit reserve requirement ratio for all PRC depositary financial institutions by 0.5 per cent. on 1 March 2016;

- non-residents who own one or more residential properties and are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more are prohibited from purchasing any residential properties located in the administrative area; and

- strictly enforcing a 20 per cent. tax on home sale profits.

More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. In August 2020, the PBOC and the Ministry of Housing and Urban-Rural Development jointly held a meeting in which the government authorities emphasized the importance of market-oriented, regular and transparent financing rules applicable to real estate developers in cultivating sustainable, stable and healthy development of the real estate market. Despite the changes, the requirement of obtaining approval at the relevant level of the Ministry of Commerce remains. The PRC government's restrictive regulations and measures could increase our operating costs in adapting to these regulations and measures, limit our access to capital resources or even restrict our business operations. We cannot be certain that the PRC government will not issue additional and more stringent regulations or measures or require the real estate developers to deleverage, which could further adversely affect our business and prospects.

In addition, effective from 1 January 2021, PRC financial institutions (excluding their overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans they lend to the proportions determined by the PBOC and CBIRC 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 2.0 per cent. of the legal proportion based on the statistical data relating to such bank as of 31 December 2020. Under the notice, the 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 change or modify these temporary measures in the future. For more information on the various restrictive measures taken by the PRC government, you should refer to the section entitled "Regulation — Measures on adjusting the structure of housing supply and stabilising housing price". These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

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. In August 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report," in which it recommended discontinuing the practice of pre-selling uncompleted properties because it created significant market risks and transactional irregularities. In July 2007, an economic research group under the NDRC recommended the abolishment of the pre-sale system. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. In April 2010, Ministry of Housing and Urban-Rural Development of the PRC issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (《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》).

The Notice urged local government authorities to enact relevant regulations on minimum requirements for obtaining a pre-sale permit and update mechanisms to supervise cash flows from pre-sales. Moreover, on 21 September 2018, Guangdong Real Estate Association issued an "Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses" (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. We cannot assure you that the PRC government will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. In the event that the PRC government prohibits pre-sale of properties or impose additional or more stringent requirements, property developers like us may not have sufficient cash flow for property development projects and have liquidity problems. If we do not have sufficient cash flow from pre-sale to fund our future liquidity, pay our trade and bills payables and repay our outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected. We cannot assure you that the PRC governmental authority will not ban the practice of pre-selling residential properties prior to completion or implement further restrictions on the pre-sale of such 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 require that we seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, results of operations and financial condition.

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

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

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

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

The non-compliant GFA of some of our completed property developments may be subject to governmental approval and additional payments.

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

RISKS RELATING TO THE PRC

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

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

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

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

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

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. However, since early 2004, the PRC government has implemented certain measures in order to prevent the PRC economy, including the property market, from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties, and may have an adverse impact on economic growth in the PRC. If China's economic growth decreases or if the PRC economy experiences a recession, the growth in demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected.

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

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

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

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

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

In October 2005, SAFE issued the "State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles" (Hui Fa [2005] No. 75) ("**Circular No. 75**") (《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》(匯發[2005]75)). On 4 July 2014, SAFE issued the "State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Investment Overseas and Inbound Investment via Special Purpose Vehicles" (Hui Fa [2014] No. 37) ("**Circular No. 37**") (《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》(匯發[2014]37)), which repealed Circular No. 75. Pursuant to Circular No. 37, (i) the term "Special Purpose Vehicle" (the "**SPV**") stipulated in Circular No. 37 is defined as an offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institutions and domestic resident individuals) for the purpose of financing or investment using the assets or equity interests in domestic enterprises they legally hold or the assets or equity interests they legally hold overseas; (ii) the term "Round-trip Investment" stipulated in Circular No. 37 is defined as direct investment activities carried out in the PRC by domestic residents via SPVs directly or indirectly, i.e. establish a foreign-invested enterprise or project (hereafter referred to as "foreign-invested enterprise") by such means as new establishment, acquisition etc., and obtain the interest such as ownership, right of control, right of management and operation of the foreign-invested enterprise, etc.; (iii) prior to making capital contributions to an SPV with assets or equity interests legally held in the PRC or abroad, a domestic resident shall go through the procedures for registration of offshore investment with SAFE or a local branch of SAFE (the "**Foreign Exchange Bureau**"), and the domestic resident cannot conduct follow-up matters until the offshore investment registration has been completed; (iv) after a registered offshore SPV becomes the subject of basic information changes (such as changes to domestic resident individual shareholders, name, term of operation) or material changes (such as capital increase, capital reduction, equity transfer, equity swap involving domestic resident individuals, or merger, division), a domestic resident shall timely go through the procedures for amendment registration of the offshore investment with the Foreign Exchange Bureau, and the domestic resident cannot conduct follow-up matters (including the repatriation of profits and dividends) until the amendment registration of offshore investment has been completed; (v) when an unlisted SPV carries out equity interests incentive plans with its shares or share options etc. for directors, supervisors, senior management and other employees who were employed by or have a labour relationship with a domestic enterprise directly or indirectly controlled by the SPV, related domestic resident individuals can go through the procedures for registration of the SPV with the

Foreign Exchange Bureau before exercising their option or other rights; (vi) domestic enterprises directly or indirectly controlled by domestic residents can make loans to registered SPVs in accordance with current laws and regulations if there is a real and reasonable demand; (vii) domestic residents can convert Renminbi into foreign currency and remit the same out of China for the purpose of the establishment, stock buyback and delisting of SPVs etc. if there is a real and reasonable demand. Under Circular No. 37, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the special purpose vehicle. We cannot assure you that such process will be completed in a timely manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries' ability to distribute dividends or to repay shareholder loans to us.

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

Under PRC tax laws effective prior to 1 January 2008, dividends, interest and other amounts paid to foreign investors by foreign-invested enterprises, such as amounts paid to us by our operating subsidiaries in China, were exempt from PRC withholding tax. Under the Enterprise Income Tax Law (《企業所得稅法》) (the "**EIT Law**") promulgated on 6 December 2007, effective from 1 January 2008, which was subsequently amended on 24 February 2017, and 29 December 2018 and the Implementation Rules on the Enterprise Income Tax (《企業所得稅法實施條例》) which was subsequently amended and took effect on 23 April 2019, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

Furthermore, pursuant to the PRC Enterprise Income Tax Law and the Implementation Rules on the Enterprise Income Tax (《企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, and amended on 23 April 2019, a withholding tax rate of 10 per cent. will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after 1 April 2007 and in Mainland China to any year commencing on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5 per cent. on dividends it receives from its PRC subsidiaries if it holds a 25 per cent. or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10 per cent. if it holds less than a 25 per cent. equity interest in that subsidiary. According to the Notice of the State Administration of Taxation, or SAT on issues regarding the Administration of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated on 20 February 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty. One such requirement is that the taxpayer must be the "beneficiary owner" of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. On 14 October 2019, SAT issued the Announcement of the State Taxation Administration on Issuing the "Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers" (〈國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告〉), became effective on 1 January 2020, which applies to non-resident taxpayers with tax payment obligations within the territory of China who need entitlement to treaty benefits.

According to the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers, where non-resident taxpayers judge by themselves that they meet the conditions for entitlement to treaty benefits, they may obtain such entitlement themselves at the time of making tax declarations, or at the time of making withholding declarations via withholding agents. At the same time, they shall collect, gather and retain relevant materials for future reference in accordance with the provisions of these Measures, and shall accept the follow-up administration of tax authorities. Also, tax authorities at all levels shall carry out follow-up administration of non-resident taxpayers' entitlement to treaty benefits, accurately implement treaties, and prevent the abuse of treaties and the risk of tax avoidance and evasion.

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

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT Law purposes, we would be subject to the PRC enterprise income tax at the rate of 25 per cent. on our worldwide income. Furthermore, we would then be obligated to withhold PRC income tax of up to 7 per cent. on payments of distributions and certain other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or 10 per cent. on payments on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the payments would be regarded as being derived from sources within the PRC. In addition, if we were to fail to do so, we would be subject to fines and other penalties. Further, any gain realised by a non-resident enterprise investor from the transfer of the Notes would be regarded as being derived from sources within the PRC and, accordingly, would then be subject to a 10 per cent. PRC withholding tax.

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

The Notes will be denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on 21 July 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. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. On 19 June 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 28.8 per cent. from 21 July 2005 to 31 December 2011, according to rates published by Bloomberg.

On 11 August 2015, to improve the central parity quotations of the Renminbi against the U.S. dollar, the PBOC authorised market-makers to provide central parity quotations to the China Foreign Exchange Trading Center daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, the Renminbi depreciated significantly against the U.S. dollar. Throughout 2016, the Renminbi experienced further fluctuations in value 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. 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.

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 only entered into certain forward contracts to reduce our partial 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. If we were unable to provide such collateral, it could constitute a default under such agreements.

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

As all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Notes. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Payments of principal and interest in respect of the Notes will have the benefit of the Irrevocable Standby Letter of Credit. According to the Provisions on Foreign Exchange Administration for Cross-border Guarantees (跨境擔保外匯管理規定) promulgated by the State Administration of Foreign Exchange of the PRC ("**SAFE**") on 12 May 2014 and which came into effect on 1 June 2014 ("**Circular 29**"), PRC institutions that provide or accept an Overseas Loans Under Domestic Guarantee, which the Irrevocable Standby Letter of Credit shall be classified as, may by themselves enter into the cross-border guarantee contracts, subject to the domestic and overseas laws and regulations and Circular 29. Domestic institutions that engage in the business of overseas loans under domestic guarantee shall go through the registration for overseas loans under domestic guarantee in accordance with the provisions of Circular 29; for the business of overseas loans under domestic guarantee that is registered with foreign exchange authorities, where there is contract performance for it, guarantors may handle contract performance on their own; after contract performance for guarantee, guarantors shall handle registration of overseas creditors' rights in accordance with the requirements hereof. Where guarantors are banks, they shall submit the data relevant to the business of overseas loans under domestic guarantee to foreign exchange authorities by means of data interchange procedures or otherwise. Foreign exchange authorities shall procedurally verify the registration application of non-banking institution guarantors in accordance with the principles of truthfulness and compliance and handle registration procedures. Thus, the LC Bank is required to file the information regarding the Irrevocable Standby Letter of Credit to SAFE through the online capital account transaction system maintained by SAFE. While the reporting is not a prerequisite for the Irrevocable Standby Letter of Credit to have legal effect under PRC law, the LC Bank may be subject to certain administrative inspection and penalties if it does not duly complete the reporting procedure as required under the Circular 29 and the payment to be made under the Irrevocable Standby Letter of Credit may be delayed until the completion of such inspections and penalties. However, Circular 29 was recently promulgated and there is only a limited volume of published decisions on its interpretation and/or enforcement. There is no assurance that Circular 29 will not be amended in the future to provide for the requirement that the Irrevocable Standby Letter of Credit will require any other approval from, or registration with, the relevant PRC governmental authorities. There is no assurance that such approval or registration will be obtained or completed. Furthermore, any amendment to Circular 29 may be made with retroactive effect. Therefore, any amendment to Circular 29 which requires the Irrevocable Standby Letter of Credit to be approved by or registered with the relevant PRC governmental authorities may adversely affect the validity or enforceability of the Irrevocable Standby Letter of Credit in the PRC.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu, H7N9 flu, the human swine flu, also known as Influenza A (H1N1), or most recently, the novel coronavirus named COVID-19 by the World Health Organization.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the ongoing COVID-19 pandemic, especially in the cities where we have operations, may result in material disruptions to our property development and sales and the operation of commercial properties. For instance, after the outbreak of COVID-19 pandemic, several cities in China where we have land bank and operations were under a lockdown and have imposed travel restrictions in an effort to curb the spread of the highly infectious coronavirus. As a result, sales offices and construction of our development projects were temporarily shut down. Completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Customers who have previously entered into contracts to purchase properties may also default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 pandemic poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the pandemic continues or further deteriorates. Given the uncertainties as to the development of the pandemic at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected.

Besides, the outbreak of communicable diseases, such as the coronavirus pandemic on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. Such pandemic has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

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

RISKS RELATING TO THE NOTES, THE GUARANTEE AND THE IRREVOCABLE STANDBY LETTER OF CREDIT

The Terms and Conditions of the Notes do not contain a cross-default provision in relation to the Guarantor and its Subsidiaries.

The Issuer and the Guarantor have existing outstanding indebtedness (including other outstanding notes) that contain cross default provisions but the Terms and Conditions of the Notes do not contain such cross default provisions.

In respect of any outstanding notes which contain a cross default provision, the trustee of such notes may declare such notes due and payable if any other indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries (as defined in the Terms and Conditions of the Notes) becomes due and payable prior to its stated maturity by reason of a default, or such other indebtedness is not paid when due or within any originally applicable grace period, or the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee for, or indemnity in respect of moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities equals or exceeds the applicable threshold set out in the terms of the conditions of the relevant notes.

The Terms and Conditions of the Notes do not contain any cross-default provisions in relation to the Issuer, the Guarantor and its Subsidiaries. If there are defaults in respect of the Issuer's, the Guarantor's and/or their respective Subsidiaries' other indebtedness or other guarantees of indebtedness, the trustee of the Notes will not be able to declare the Notes due and payable under any cross-default provision. Investors in the Notes should be aware that such defaults in respect of other indebtedness or other guarantees of indebtedness of the Group may result in the triggering of cross-default provisions in the Group's other indebtedness which contain cross default provisions, and the holders of such other indebtedness may be able to give notice that such indebtedness is due and payable.

If there is a default in respect of the Group's other indebtedness, the rights of investors in the Notes may be different compared to the rights of investors in other notes or indebtedness issued by or guaranteed by the Group which contain cross default provisions. The Trustee of the Notes will only be able to declare the Notes and payable upon the occurrence of the events of default set out in Condition 10 of the Terms and Conditions of the Notes. See "*Terms and Conditions of the Notes — Events of Default — With respect to the Issuer and the Guarantor*". The Group may issue other notes or indebtedness in the future which may contain cross default provisions. Potential investors in the Notes should exercise caution prior to making an investment decision in the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Guarantor's obligations under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries.

The Issuer is a wholly-owned subsidiary of the Guarantor formed for the principal purpose of issuing securities, including the 2022 Notes, the 2025 Notes, the 2026 Notes, the 2029 Notes, the 2030 Notes and the Notes. The Issuer will on-lend the entire proceeds from the issue of the Notes to the Guarantor and/or its subsidiaries. The Issuer does not and will not have any assets other than such loans and its ability to make payments under the Notes will depend on its receipt of timely payments under such loans. In the event that the Guarantor and its subsidiaries do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

The Guarantor is a holding company and, accordingly, payments under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries (other than the Issuer). Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including Holders seeking to enforce the Guarantee. The Guarantor's obligations under the Guarantee will not be guaranteed by any of its subsidiaries. The Notes do not contain any restrictions on the ability of the Guarantor's subsidiaries (other than the Issuer) to incur additional unsecured indebtedness.

The Guarantor's ability to make payments on the Guarantee depends upon receipt of distributions from its subsidiaries and joint ventures.

The Guarantor is primarily a holding company and its ability to make payments under the Guarantee and to make payments to the Issuer under the loan arrangement to fund payments on the Notes depends upon the receipt of dividends, distributions, interest or advances from its wholly-owned or partly-owned subsidiaries and joint ventures. The ability of the subsidiaries and joint ventures of the Guarantor to pay dividends may be subject to applicable laws and regulations. The outstanding indebtedness of the subsidiaries of the Guarantor may contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Guarantor's subsidiaries in the PRC may be unable to obtain and remit foreign exchange.

The ability of the Guarantor's PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends may affect the Guarantor's ability to satisfy its obligations under the Guarantee. The Guarantor's subsidiaries in the PRC must present certain documents to SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC, including, in the case of dividends equivalent to more than U.S.$50,000 (exclusive), the profit distribution resolution of the board of directors relating to such profit remittance, the original of tax record form, and audited financial statements and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan the Group makes to its PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 7 per cent. withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay the Guarantor dividends or interest and principal on shareholder loans, which may affect the Guarantor's ability to satisfy its obligations under the Guarantee.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Notes may have adverse consequences for us and/or the investors of the Notes.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with a maturity of more than one year issued outside the PRC with the NDRC prior to the issue of such securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of such securities. There is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. The post-issue notification is generally regarded as a procedural process which involves the reporting of certain post-issuance information in respect of the Notes by us to the NDRC, rather than a substantive approval or consent process. The NDRC Circular does not set forth the legal consequences of non-compliance with the post-issue notification requirement. Additional guidance has been issued by the NDRC in December 2015, which states that companies, investment banks, law firms and other intermediaries involved in debt securities issuance which do not comply with the registration requirement under the NDRC Circular will be subject to blacklist and sanctions. The NDRC Circular does not set forth how such blacklist will be implemented or the exact sanctions that may be imposed.

There is no assurance that we will not be subject to any penalties if we fail to complete the post-issue notification within the required timeframe (including for reasons outside our control). Potential investors of the Notes are advised to exercise due caution when making their investment decisions. We undertake to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the NDRC Circular and any implementation rules or guidelines as issued by the NDRC from time to time.

If any member of the Group is unable to comply with the restrictions and covenants in its debt agreements (if any), there could be a default under the terms of these agreements, which could cause repayment of the relevant debt to be accelerated.

If any member of the Group is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the creditors of the debt could terminate their commitments to lend to the relevant member of the Group, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements entered into by members of the Group contain (or may in the future contain) cross-acceleration or cross-default provisions. The default by the relevant member of the Group under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements. If any of these events occur, there can be no assurance that the Group will be able to obtain the lenders' waiver in a timely manner, or to repay in full all of the respective debts as they become due, or that it would be able to find alternative financing. Even if the alternative financing could be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Group.

Certain initial investors or a single initial investor may purchase a significant portion of the Notes and may potentially be able to exercise certain rights and powers on their own.

Certain initial investors or a single initial investor may purchase a significant portion of the aggregate principal amount of the Notes in this offering. Any Holder of a significant percentage of the aggregate principal amount of the Notes will be able to exercise certain rights and powers and will have significant influence on matters voted on by Holders. For example, Holders of at least 50 per cent. (or at adjourned meetings no minimum per cent.) of the aggregate principal amount of the Notes would form a quorum for the purposes of passing an Extraordinary

Resolution, while Holders of at least 66 per cent. (or at adjourned meetings at least 33 per cent.) of the aggregate principal amount of the Notes would form a quorum for the purposes of voting on reserved matters, including modification of the dates for redemption of the Notes or reduction or cancellation of the principal amount or interest.

In addition, as the passing of Extraordinary Resolutions at meetings of Holders requires a majority of not less than 75 per cent. of votes cast, any holder of a significant percentage of the Notes, even if less than a majority, will on its own be able to take certain actions that would be binding on all Holders. For example, holders of 25.1 per cent. of the principal amount of Notes represented at a meeting of Holders is able to block the passing of Extraordinary Resolutions, while holders of at least 25 per cent. of the aggregate principal amount of the Notes outstanding may, subject to the provisions of the Trust Deed, direct the Trustee to institute proceedings for the winding-up of the Issuer and/or the Guarantor where payment in respect of the Notes has become due but has not been paid prior to expiration of the applicable grace period.

Additionally, the existence of any such significant Holder may reduce the liquidity of the Notes in the secondary trading market.

There may not be an active and liquid trading market for the Notes.

The Notes will be a new issue of securities for which there is currently no trading market. Although an application will be made to the SEHK for the listing of, and permission to deal in, the Notes, no assurance can be given that such application will be approved. No assurance can be given as to the ability of investors to sell their Notes or the price at which investors will be able to sell their Notes, as to the liquidity of, or trading market for, the Notes. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their 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.

There can be no assurance as to the liquidity of the Notes or that an active trading market will develop and be sustained. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Stabilisation Managers are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time.

There may be less publicly available information about the Guarantor than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong, such as the Guarantor, than is regularly made available by public companies in certain other countries. In addition, the Guarantor's historical financial information in this Offering Circular has been extracted from its financial statements prepared in accordance with HKFRS, which differ in certain respects from IFRS and generally accepted accounting principles in other jurisdictions ("**GAAPs**") which might be material to the financial information contained in this Offering Circular. In making an investment decision, investors must rely upon their own examination of the Guarantor, the terms of the offering and the Guarantor's financial information, and should consult their own professional advisers for an understanding of the differences between HKFRS and IFRS or between HKFRS and other GAAPs and how those differences might affect the financial information contained in this Offering Circular.

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

The Notes are expected to be assigned a rating of "Baa3" by Moody's. The rating represents the opinion of the rating agencies and their assessment of the ability of the Issuer, the Guarantor and the LC Bank to perform their respective obligations under the Notes, the Guarantee and the Irrevocable Standby Letter of Credit and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, the Guarantor has been assigned a corporate rating of "Baa3" with a negative outlook by Moody's, a corporate rating of "BBB-" with a negative outlook by Fitch and a corporate rating of "BBB_g+" with a stable outlook by CCXAP, respectively. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. The Group cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Issuer nor the Guarantor has any obligation to inform Holders of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

The Guarantor may not be able to raise the funds necessary to finance the purchase of Notes upon occurrence of a Put Event at the option of the Holders.

Following the occurrence of a change of control, Holders may require the Issuer to redeem their Notes. See "*Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption for Put Event*". The source of funds for any such redemption would be the Group's available cash or third-party financing. However, there is no assurance that the Issuer or the Guarantor would have sufficient funds at that time to make the required redemption of the Notes. In addition, agreements to which the Guarantor is a party at that time may restrict or prohibit such a payment.

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

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility, most recently in response to investor concerns over credit availability, liquidity and default risk for several European countries. If such developments are not adequately addressed and investor confidence worsens, volatility in the international financial markets may increase in the future, and the market price of the Notes could be adversely affected.

A number of other related events have also caused fundamental and wide-reaching disruptions to the global financial markets. Such events include the collapse of a number of financial institutions and other entities, rising government deficits and debt levels, ratings downgrades for the United States and certain EU sovereign debt, the ensuing bailouts and government deficit and other debt reduction measures, notably in the United States, uncertainty as to the global impact of the current United States administration, strained relations between the United States and North Korea and Russia, the United Kingdom's exit from the European Union, instability within the Euro-zone, tensions in the South China Sea, tensions in Iran and the Middle East, trade disputes between the United States and the PRC, widespread increases in global tariffs, volatility in oil price and interest rates and Russia's invasion of Ukraine.

Continued concerns about the systemic impact of potential long-term recessions, geopolitical issues, unstable credit markets and financial conditions have led to periods of significant economic instability, diminished liquidity and credit availability, declines in consumer confidence and discretionary spending, diminished expectations for the global economy and expectations of slower global economic growth going forward. Recent international trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, and the uncertainties created by such disputes may cause disruptions in the international flow of goods and services and may adversely affect the economies in jurisdictions in which we operate as well as global markets and economic conditions.

In addition, on 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019 ("**Brexit**"). In December 2020, the United Kingdom, the European Union and the European Atomic Energy Community concluded the EU-UK Trade and Cooperation Agreement, which was rectified in April 2021 by the European Parliament and the Council of the EU. Given the lack of precedent, it is unclear how Brexit and the implementation of the EU-UK Trade and Cooperation Agreement would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally.

These events have had and continue to have a significant adverse impact on the global credit and financial markets, and they may significantly impair the economic growth of, or even lead to economic downturn in Hong Kong, the PRC or other jurisdictions. In such circumstances, there can be no assurance that the Guarantor's business, financial condition and results of operations will not be adversely affected.

The Trustee may request the Holders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 10 of the Terms and Conditions of the Notes and the taking of steps and/or actions and/or the instituting of proceedings pursuant to Condition 19 of the Terms and Conditions of the Notes), the Trustee may at its discretion request Holders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of the Holders. The Trustee will not be obliged to take any such steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take any such steps and/or actions and/or to institute any such proceedings, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed and/or the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law and regulations, it will be for the Holders of the Notes to take such steps and/or actions and/or to institute such proceedings directly.

The insolvency laws of the British Virgin Islands and Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the Holders are familiar.

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and Hong Kong, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Holders are familiar.

The Guarantor conducts substantially all of its business operations in China. The Guarantor, as an equity holder of its PRC subsidiaries, and certain of its PRC subsidiaries are necessarily subject to the bankruptcy and insolvency laws of China in bankruptcy or insolvency proceedings involving such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the Holders are familiar. Potential investors should analyse the risks and uncertainties carefully before investing in the Notes.

Modifications and waivers may be made in respect of the Terms and Conditions of the Notes, the Trust Deed, the Agency Agreement and/or the Irrevocable Standby Letter of Credit by the Trustee or less than all of the Holders.

The Trust Deed will contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including those Holders who did not attend and vote at the relevant meeting and those Holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Holders may be adverse to the interests of individual Holders.

The Terms and Conditions of the Notes will also provide that the Trustee may (but shall not be obliged to), without the consent of Holders, agree (i) to any modification of the Trust Deed, the Notes, the Agency Agreement or the Irrevocable Standby Letter of Credit (other than any proposed modification relating to the subject of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of the Holders, (ii) to any modification of the Trust Deed, the Notes, the Agency Agreement or the Irrevocable Standby Letter of Credit which in the opinion of the Trustee is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of applicable law and (iii) any amendment or supplement to, or a replacement of, the Irrevocable Standby Letter of Credit in connection with a future issue of notes to reflect the new aggregate principal amount of the Notes following such issue.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, the Agency Agreement or the Irrevocable Standby Letter of Credit (other than a proposed breach, or a breach relating to the subject of, certain reserved matters) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

The Notes will be mandatorily redeemed upon a pre-funding failure.

The Terms and Conditions of the Notes provide for a demand to be made under the Irrevocable Standby Letter of Credit in the event the Issuer or the Guarantor fails to pre-fund principal and/or interest payment due on the Notes or upon the occurrence of an Event of Default under the Notes. Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Notes (together with all fees, costs, expenses, indemnity payments and other amounts which may be incurred by or payable to the Trustee under or in connection with the Notes, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Notes), and thereafter the Notes will be mandatorily redeemed in accordance with Condition 8(D) of the Terms and Conditions of the Notes. Noteholders will not be able to hold their Notes to maturity should such mandatory redemption occur.

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 the Guarantor's and the Group's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates, fluctuations in prices for comparable companies, any adverse change in the credit rating, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank 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. There is no assurance that these developments will not occur in the future.

The Notes are subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The LC Bank's ability to perform its obligations under the Irrevocable Standby Letter of Credit is subject to its financial condition.

The ability of the LC Bank to make payments under the Irrevocable Standby Letter of Credit will depend on the financial condition, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

- **Impaired loans and advances:** the LC Bank's financial condition will be affected by its impaired loans. If the LC Bank is unable to effectively control and reduce the level of impaired loans and advances in its current loan portfolio and in new loans it extends in the future, or its allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, its financial condition could be materially and adversely affected.

- **Collateral and guarantees:** A certain portion of the LC Bank's loans is secured by collateral and backed by guarantee. If it is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, its financial condition could be materially and adversely affected.

- **Loans to property sector and government financing platforms:** the LC Bank's loans and advances to the property sector primarily comprise loans issued to property companies and individual housing loans. The property market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the property market from over-heating. Such factors may adversely affect the growth and quality of its loans to the property industry and, consequently, the LC Bank's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of the LC Bank. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the property market may also adversely affect the quality of such loans.

The SBLC is subject to a maximum limit and may not be sufficient to satisfy all payments due under the SBLC.

Payments of principal and interest in respect of the Notes and the fees and expenses and other amounts in connection with the Notes and the Trust Deed will have the benefit of the SBLC up to a maximum limit of U.S.$204,800,000, being an amount representing the aggregate principal amount of the Notes plus one (instead of all) instalment of interest and premium (if any) payable under the Notes, plus an additional amount intended to cover fees, costs, expenses, indemnity payments and other amounts which may be incurred by or payable to the Trustee under or in connection with the Notes, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Notes. There can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

The SBLC expires one month after the Maturity Date.

The SBLC will remain valid and in full force until 6:00 pm. (Hong Kong time) on 26 May 2025. In the event that the Trustee does not make a drawing under the SBLC by this expiration time, the Noteholders and the Trustee will not be able to benefit from the credit protection provided by the LC Bank. Furthermore, in the event that any payment from the Issuer to the Trustee is avoided by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and a written notice claiming such avoided payment under the SBLC was not given to the LC Bank on or before the expiry time of the LC, the Noteholders and the Trustee will not be able to recover such avoided payment from the LC Bank under the SBLC.

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

We engaged Sustainalytics to review the Green Finance Framework and to provide a second party opinion (SPO) on the Green Finance Framework's environmental credentials and its alignment with the ICMA Green Bond Principles 2019.

The SPO are not incorporated into, and do not form part of, this Offering Circular. None of the Issuer, the Company, or the Managers makes any representation as to the suitability of the SPO. The SPO are not a recommendation to buy, sell or hold securities and are only current as of the date that the SPO were initially issued and are subject to certain disclaimers set out therein. Furthermore, the SPO are for information purposes only and Sustainalytics does not accept any form of liability for the substance of the SPO and/or any liability for loss arising from the use of the SPO and/or the information provided in them. A withdrawal of the SPO may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

The SPO and the Green Finance Framework have been made available to investors on the Company's website (https://www.sinooceangroup.com/en-us/index.html). The contents of the Company's website do not form part of this Offering Circular and are not incorporated by reference in it.

While the Issuer and the Company have agreed to certain obligations relating to use of proceeds and reporting as described under the sections headed "Use of Proceeds" and "Green Finance Framework" of this Offering Circular, it would not be an Event of Default under the Terms and Conditions of the Notes if the Issuer or the Company were to fail to comply with such obligations or were to fail to use an amount equal to the net proceeds of the issue of the Notes in accordance with the Green Finance Framework. While the Issuer or the Company intends to allocate the net proceeds from the offering to Eligible Green Projects, as described under "Green Finance Framework", any failure to use the net proceeds in connection with such Eligible Green 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 Issuer or 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.

The Joint Lead Managers make no assurances as to (i) whether the Notes will meet investor criteria and expectations with regard to environmental impact and sustainability performance for any investors, (ii) whether the use of the net proceeds will be used for Eligible Green Projects or (iii) the characteristics of the Eligible Green Projects, including their environmental and sustainability criteria.

An affiliate of the Guarantor which has a substantial shareholding in the Guarantor may purchase a majority of the Notes and may therefore be able to exercise certain rights and powers on its own which will be binding on all holders of such series. Additionally, this may reduce the liquidity of the Notes in the secondary trading market.

An affiliate of the Guarantor which has a substantial shareholding in the Guarantor may purchase a substantial portion of the aggregate principal amount of the Notes in this offering (on the same terms as the other investors) and may, whether through such purchase or purchases in the secondary market obtain a majority of the aggregate principal amount of the Notes. Any holder of a majority of the aggregate principal amount of the Notes will be able to exercise certain rights and powers on its own under the Terms and Conditions of the Notes and the Trust Deed, which will be binding on holders of the Notes. For example, holders of at least 66 per cent. (and at adjourned meetings 33 per cent.) of the aggregate principal amount of the Notes will be able to vote on reserved matters, including the reduction or cancellation of the Notes and the reduction or variation of interest rate of the Notes, which decision will be binding on all holders of the Notes. In addition, any Event of Default or non-compliance with any provision of the Conditions and the Trust Deed may be waived with the consent of the holders of a majority of the aggregate principal amount of the Notes, subject in each case to certain exceptions in connection with the reserved matters set forth in the Trust Deed. Accordingly, any holder of a significant portion of or majority of the aggregate principal amount of the Notes may be able to exercise such rights and powers on its own, which will be binding on all holders of the Notes and control the outcome of votes on such matters. Further, any holder of a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Noteholders. For example, holders of more than 25 per cent. of the aggregate principal amount of the Notes may, subject to the provisions of the Trust Deed, be able to block an Extraordinary Resolution. The interests of such affiliate of the Guarantor may be different from the interests of the other holders of the Notes. Additionally, the existence of any such significant Noteholder may reduce the liquidity of the Notes in the secondary trading market.

USE OF PROCEEDS

We estimate that we will receive gross proceeds from this offering of U.S.$200,000,000.

We intend to use an amount equal to the net proceeds (after deducting any discount, fees, commissions and expenses payable in connection with this offering from the gross proceeds) to repay existing medium and long-term external indebtedness of the Guarantor and/or its subsidiaries due within one year and in accordance with our Green Finance Framework.

The Joint Lead Managers make no assurances as to (i) whether the Notes will meet investor criteria and expectations with regard to environmental impact and sustainability performance for any investors, (ii) whether the use of the net proceeds will be used for Eligible Green Projects or (iii) the characteristics of the Eligible Green Projects, including their environmental and sustainability criteria.

GREEN FINANCE FRAMEWORK

Our Green Finance Framework ("**Green Finance Framework**") articulates how we intend to enter into green financing transactions ("**Green Financing Transactions**") to fund projects that will deliver environmental benefits that support and are aligned with our business strategy and vision.

Green Financing Transactions will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Green Projects, as defined below. Bonds issued under the Green Finance Framework will be in alignment with the ICMA Green Bond Principles 2018 (or as they may be subsequently updated). Loans issued under the Green Finance Framework will be in alignment with the APLMA Green Loan Principles 2018 (or as they may be subsequently updated).

Other forms of Green Financing Transaction may conform to other sustainable or green finance principles as may have been established at the time of such financing transaction being undertaken.

In alignment with the ICMA Green Bond Principles 2018 and the APLMA Green Loan Principles 2018, we assert that each Green Financing Transaction will adopt the following core components: (1) use of proceeds; (2) process for project evaluation and selection; (3) management of proceeds; and (4) reporting.

USE OF PROCEEDS

The net proceeds of each Green Financing Transaction will be used to fund or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the below categories of eligibility as recognized in the ICMA Green Bond Principles 2018 ("**Eligible Green Projects**"):

1. Green Buildings

- New construction and/or renovation of existing buildings that have or will receive, or Refurbishment and/or tenant engagement initiatives that will reduce building environmental impact in accordance with, any one of the following certification systems:

  (a) U.S. Leadership in Energy and Environmental Design (LEED) — minimum certification of Gold; or

  (b) BEAM Plus — minimum certification level of Gold; or

  (c) BREEAM — minimum certification level of Excellent; or

  (d) Chinese Green Building Evaluation Label (GBL) — minimum certification level of 2 stars; or

  (e) any other green building label, that is an equivalent standard of the above.

- These green buildings may additionally achieve a certification (any level) of any version of the WELL Building Standard to improve the environmental health of the buildings and the overall well-being of their occupants.

2. Sustainable Water Management

- Projects that will improve water efficiency through sustainable design (e.g. rainwater harvesting, wastewater recycling and treatment, drip irrigation, drainage management) and system installations.

- Investments including but not limited to initiatives that improve water efficiency management (e.g. water audits and installation of sub-meters for detection of water leakage) and subsequent equipment or technology upgrades.

3. Pollution Prevention and Control

- Equipment, system that are used to mitigate environmental pollution (e.g. air, noise, water) during the construction and/or operation of buildings.

- Enforcement of dust control, noise reduction, construction waste and gas pollution minimization.

4. Energy Efficiency

- Projects involving the upgrades of facilities/equipment (e.g. cooling system, lift system, lighting system, fresh air supply system of existing development that shall result in, based on third-party assessment, 10 per cent. improvement against the development's original energy consumption.

- Projects with adoption of smart technologies and/or systems for tracking, monitoring and managing energy usage in new and existing buildings to ensure achieving certain energy saving targets. Such projects shall result in, based on third-party assessment, 10 per cent. improvement in energy efficiency when compared to relevant baseline.

5. Climate Change Adaptation

- Projects that support climate change adaptation through building/landscape design and asset-level enhancements (e.g. "Sponge City" water management design concept, hardware installation and upgrades of enhanced flood protection systems, and additional insulation).

PROCESS FOR PROJECT EVALUATION AND SELECTION

Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. We have set up a Sustainable Development Management Committee ("**SDMC**") to oversee the Group's ESG and Sustainability reporting. SDMC will also resume the responsibility of Green Financing Transactions. SDMC is composed of representatives from the below departments with the required level of expertise and seniority:

- Investment and Finance Center

- Financial & Capital Center

- Corporate Executive Center

- Operation Development Center

- Human Resources Center

- Property Construction Centre

- Risk Control Center

SDMC will review and select Eligible Green Projects every 12 months. SDMC will ensure the selected Eligible Green Projects to comply with the Use of Proceeds as stated in this section and the environmental guidance under the ICMA Green Bond Principles 2018 and the APLMA Green Loan Principles 2018 that are applicable to us.

MANAGEMENT OF PROCEEDS

Our finance team will track the net proceeds of each Green Financing Transaction using an internal register to record the following information:

- **Type of funding transaction:** key information including details such as issuer/ borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in case of bond transactions.

- **Allocation of use of proceeds:** key information including amount of proceeds allocated to each Eligible Green Project and the balance of unallocated proceeds.

We commit to allocating all proceeds from the Green Financing Transactions to Eligible Green Projects on a best effort basis within one year of issuance in accordance with the evaluation and selection process set out above. Pending allocation, the net proceeds from the Green Financing Transactions issued may be invested in cash or cash equivalents, or used to repay existing borrowings under our general credit facilities.

REPORTING

We will provide information on the allocation of proceeds on our website, and/or as part of our sustainability report. Information will include aggregate amount allocated to various Eligible Green Project, the remaining balance of funds to be allocated, share of financing and refinancing transactions and the type of investment they are being temporarily held in, and examples of the Eligible Green Projects.

Where possible, we will report on the environmental impacts associated with the Eligible Green Projects funded with the net proceeds of the Green Financing Transactions. Subject to the nature of Eligible Green Projects and availability of information, we aim to include, but not limited to, the following Impact Indicators:

- **Green Buildings:** Level of certification by property; Energy efficiency gains in MWh or per cent. vs. baseline; Estimated avoided GHG emissions (tCO_2eq); Annual energy savings (MWh pa); Annual reduction in water consumption.

- **Energy Efficiency:** Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings); Annual GHG emissions reduced/avoided in tonnes of CO_2 equivalent.

- **Pollution Prevention and Control:** Waste that is prevented, minimised, reused or recycled before and after the project in per cent. of total waste and/or in absolute amount in tonnes p.a.; Amount of waste reused or recycled (tons or in per cent. of total waste).

- **Sustainable Water Management:** Amount of water recycled (litres); Amount of water reused (litres).

- **Climate Change Adaptation:** GHG emissions avoided/reduced (tCO_2e); Number of technologies applied; Number of flood prevention facilities built.

SECOND PARTY OPINION

We have engaged Sustainalytics, an independent firm that specializes in rating environmental and corporate governance performance, to review the Green Finance Framework and to provide a second party opinion ("**SPO**") on the Green Finance Framework's environmental credentials and its alignment with the ICMA Green Bond Principles 2018 and APLMA Green Loan Principles 2018. The Green Finance Framework and the SPO are publicly available on our website at https://www.sinooceangroup.com/en-us/index.html.

EXCHANGE RATE INFORMATION

CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 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 21 July 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 per cent. against the U.S. dollar. Since then and up to 31 December 2009, the Renminbi has appreciated approximately 21.3 per cent. 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. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. On 18 May 2007, the PBOC enlarged, effective on 21 May 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 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 11 August 2015, the PBOC announced plans to improve the central parity rate of the Renminbi against the U.S. dollar by authorising market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the Renminbi against the U.S. dollar depreciated by nearly 2.0 per cent. as compared to 10 August 2015, and further depreciated by nearly 1.6 per cent. on 12 August 2015 as compared to 11 August 2015. The International Monetary Fund announced on 30 September 2016 that the Renminbi had joined its Special Drawing Rights currency basket. Since October 2016, the Renminbi experienced significant fluctuations in value against the U.S. dollar but in 2017 and 2018 rebounded and appreciated significantly against the U.S. dollar. On 5 August 2019, the PBOC set the Renminbi's daily reference rate below RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. There remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in further and more significant depreciation of the Renminbi against the U.S. dollar. The PRC Government may from time to time make further adjustments to the exchange rate system in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City as set forth in the H.10 weekly statistical release of the Federal Reserve Board for period ends indicated through 8 April 2022.

	Noon Buying Rate			
Period	**Period End**	**Average(1)**	**High**	**Low**
	(RMB Per U.S.$1.00)			
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1702	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6388	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021	6.3726	6.4508	6.5716	6.3435
2022				
January	6.3610	6.3556	6.3822	6.3206
February	6.3084	6.3436	6.3660	6.3084
March	6.3393	6.3446	6.3720	6.3116
April (through 8 April)	6.3643	6.3616	6.3643	6.3590

Note:

(1) Annual averages are calculated from month-end rates.

HONG KONG

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

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

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in HK dollars as certified for customs purposes by Federal Reserve Bank of New York for period ends indicated through 8 April 2022.

	Noon Buying Rate			
Period	**Period End**	**Average[1]**	**High**	**Low**
	(HK$ Per U.S.$1.00)			
2011	7.7663	7.7841	7.8087	7.7634
2012	7.7507	7.7569	7.7699	7.7439
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7554	7.7669	7.7495
2015	7.7507	7.7523	7.7686	7.7495
2016	7.7534	7.7621	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7559	7.7951	7.7498
2021	7.7996	7.7725	7.8034	7.7725
2022				
January	7.7971	7.7917	7.8001	7.7850
February	7.8137	7.9915	7.8137	7.7894
March	7.8325	7.8228	7.8325	7.8129
April (through 8 April)	7.8392	7.8363	7.8392	7.8340

Note:

(1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

CAPITALISATION AND INDEBTEDNESS

The following table below sets forth the consolidated capitalisation and indebtedness of the Company as at 31 December 2021 (and as adjusted to give effect to the issuance of the Notes as if they were in issue on 31 December 2021 before considering any issue discount (if any) and before deducting the commission and other estimated expenses of this Offering). The following table should be read in conjunction with the summary financial information, the audited consolidated financial information and related notes included elsewhere in this Offering Circular.

	As of 31 December 2021			
	Actual		As adjusted	
	RMB (audited)	U.S.$(1) (in millions)	RMB (unaudited)	U.S.$(1) (in millions)
Current debt				
Short-term bank and other borrowings and current portion of long-term bank and other borrowings	18,667	2,929	18,667	2,929
Total current debt	18,667	2,929	18,667	2,929
Non-current debt				
Bank borrowings and other borrowings	73,557	11,543	73,557	11,543
The Notes	—	—	1,275	200
Total non-current debt(2)	73,557	11,543	74,832	11,743
Total borrowings(3)(4)	92,224	14,472	93,499	14,672
Equity				
Share capital and premium	27,329	4,289	27,329	4,289
Shares held for Restricted Share Award Scheme	(52)	(8)	(52)	(8)
Reserves	(88)	(14)	(88)	(14)
Retained earnings	27,885	4,376	27,885	4,376
Non-controlling interests	21,374	3,354	21,374	3,354
Total equity	76,447	11,996	76,447	11,996
Total capitalisation(5)	168,671	26,468	169,946	26,668

Notes:

(1) All translations from RMB into U.S. dollars, and vice versa, were made at the rate of RMB6.3726 to U.S.$1.00, which was the noon buying rate as certified for custom purposes by the H.10 weekly statistical release of the Federal Reserve Board for cable transfers for Renminbi on 30 December 2021 (because 31 December 2021, the last day of the year 2021, is a public holiday in the United States).

(2) Total non-current debt includes the Notes and non-current portion of bank borrowings and other borrowings.

(3) Total borrowings equals the sum of total current debt and total non-current debt.

(4) Total borrowings have increased since 31 December 2021 due to the issuance of the 2025 New Notes and incurrence of additional bank borrowings and other borrowings to finance our projects and for general corporate purposes.

(5) Total capitalisation equals the sum of total borrowings and total equity.

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change to our capitalisation since 31 December 2021.

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

The following discussion should be read in conjunction with our consolidated financial statements together with their accompanying notes included or incorporated by reference in this Offering Circular. Our consolidated financial statements were prepared in accordance with HKFRS, which differs in certain material respects from GAAP in other jurisdictions.

This section includes forward-looking statements that involve risks and uncertainties. Other than statements of historical facts, all statements included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience, together with our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances.

Unless the context otherwise requires, references to "2019", "2020" and "2021" in this Offering Circular are to our financial years ended 31 December 2019, 2020 and 2021, respectively. References to "associate" or "associates" in this section are to associates as defined in HKFRS.

OVERVIEW

We are a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region and the Western Region. Our core businesses include development of residential property, investment property development and operation, property services and whole-industrial chain construction services, along with synergic businesses in real estate financing, senior living service, logistics real estate and internet data center, etc. We aim to build upon our proven track records in real estate development and grow into a leading group that excels in sector investments. Attributable to our focus on quality products and professional services, we have built "Sino-Ocean" ("遠洋") into a strong national brand.

We owned more than 330 projects in different stages of development as of 31 December 2021 in rapidly growing Chinese cities and metropolitan regions, such as Beijing, Langfang, Qinhuangdao and Shijiazhuang in the Beijing Region; Tianjin, Dalian, Jinan and Qingdao in the Bohai Rim Region; Shanghai, Wezhou and Suzhou in the Eastern Region; Shenzhen, Zhongshan, Guangzhou and Zhanjiang in the Southern Region; Wuhan, Changsha and Zhengzhou in the Central Region; Chengdu, Xi'an and Guiyang in the Western Region. In addition, the Company's business territory has expanded abroad to Indonesia and Singapore. As of 31 December 2021, we had a land reserve of over 53 million sq.m. We have developed a balanced property portfolio, with residential, office and retail properties typically situated in either prime or central city locations with convenient transportation access. Most of our residential properties target the emerging or affluent urban middle class in the PRC, especially first-time home buyers and upgraders. We sell most of the properties we developed while selectively retaining portions as investment properties. This allows us to achieve strong sales while generating growing recurring income with capital appreciation potential. As at 31 December 2021, we held more than 23 operating investment properties. Our investment properties are mainly A-grade office premises, shopping malls, commercial complexes and logistics projects at good location. The total leasable area of our investment properties amounted to approximately 3,923,000 sq.m. as of 31 December 2021, with office developments about 24 per cent., logistics projects about 48 per cent. and others including commercial complexes, car parks and others 28 per cent. In 2021, revenue from property investment decreased by 17 per cent. to RMB410 million as compared to RMB494 million in 2020, which was mainly due to the implementation of mid to light asset mode for the Group's investment properties.

China Life is our single largest shareholder and held approximately 29.59 per cent. of our shares as of 31 December 2021. Dajia Life Insurance is our second largest shareholder and held approximately 29.58 per cent. of our shares as of the same date. Both China Life and Dajia Life Insurance have nominated directors on our Board of Directors. As at the date of this

Offering Circular, China Life nominates three non-executive directors, while Dajia Life Insurance nominates two non-executive directors. We have received strong support from China Life. From an operational perspective, we have cooperated with China Life in numerous projects. From a financial perspective, China Life, together with China Guangfa Bank, in which China Life has a controlling stake, actively supported the Company's bond issuances. They have subscribed over RMB7 billion in our past issuances, including a domestic corporate bond, USD notes, "panda" medium-term notes and private placement notes. Please refer to the section headed "Relationship with Principal Shareholders" for more details.

For the years ended 31 December 2019, 2020 and 2021, our contracted sales amounted to RMB130,030 million, RMB131,040 million and RMB136,260 million, respectively. For those same periods, our revenue was RMB50,926 million, RMB56,511 million and RMB64,247 million, respectively, and revenue from property development accounted for approximately 85 per cent., 88 per cent. and 86 per cent. of our revenue, respectively. Profit for the years ended 31 December 2019, 2020 and 2021 was RMB4,166 million, RMB4,683 million and RMB5,091 million, respectively.

BASIS OF PREPARATION

Our audited consolidated financial statements for the years ended 31 December 2019, 2020 and 2021 included elsewhere in this Offering Circular have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss which are carried at fair value.

Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material aspects from GAAP in other jurisdictions.

RECENT DEVELOPMENTS

COVID-19 Pandemic

The COVID-19 pandemic, which began at the end of 2019, has affected millions of individuals and adversely affected and impaired national economies worldwide, including China. The governmental policies designed to suppress the adverse impacts and reverse the trend of the ever-growing COVID-19 cases also had the repercussions of limiting economic growth potential. A multitude of cities around the globe, including several cities in China where we have land bank and operations, imposed and maintained travel restrictions and mandatory tests in a collective effort to contain and curb the spread of the highly infectious COVID-19. Majority if not all related policies contributed to improving and safeguarding public health, but the COVID-19 pandemic still affected our business operation and financial condition as much as it affected those of many other businesses, especially businesses which are by nature labour-intensive. In 2020, the COVID-19 pandemic significantly interfered with the global economy, pushing it to the verge of an irreversible global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including real estates, stocks, bonds and other commodities. This volatility may foreseeably persist for some time. Several countries are showing signs of resurgence, such signs being stimulated further by numerous COVID-19 variants, the strength of which are yet to be studied enough. Further waves of infections are recorded every week if not every day. Notably, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. While China has managed to contain the COVID-19 pandemic effectively, in 2021, the control and vaccination against COVID-19 remain the major factors against economic recovery across the world. Despite dreadful and tragic numbers of positive cases and deaths, worldwide vaccination rates remained stagnant. We will continue to closely monitor the evolving situation of COVID-19, evaluate and proactively assess and respond to its impact on our financial position and operating results. Given the uncertainties as to the development of the pandemic at the moment, it is difficult to predict how long these conditions will persist and to what extent we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. For details, please see "*Risk Factors — The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God, occurrence of epidemics, acts of war and other disasters, which in turn affect our prospects*".

Subscription of shares in a non-wholly owned subsidiary

On 29 December 2021, Big Profit Creation Limited (巨利創建有限公司) ("**Big Profit**"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with Sino-Ocean Yuntai Data Technology Co., Limited (遠洋雲泰數據科技有限公司) ("**Sino-Ocean Yuntai Data**"), an indirect non-wholly owned subsidiary of the Company, pursuant to which Big Profit agreed to subscribe for, and Sino-Ocean Yuntai Data agreed to issue and sell, certain subscription shares at the aggregate subscription price of the US dollars equivalent of RMB1,023,829,000. The subscription shares represent approximately 24.83 per cent. of the enlarged issued share capital of Sino-Ocean Yuntai Data upon closing. Sino-Ocean Yuntai Data and its subsidiaries are primarily engaged in internet data centers operation and internet data centerintegrated solutions provision in the PRC. As at 29 December 2021 and prior to closing, the Group is interested in approximately 34.72 per cent. shareholding of Sino-Ocean Yuntai Data. Upon closing, the Group's shareholding in Sino-Ocean Yuntai Data will be increased from approximately 34.72 per cent. to approximately 50.92 per cent. and Sino-Ocean Yuntai Data will continue to be a non-wholly owned subsidiary of the Company. To support continual growth of our internet data center business, we will from time to time explore various opportunities including but not limited to certain fund raising activities. As of the date of this Offering Circular, we have not entered into any new definitive agreement in this regard.

Change of company secretary and authorised representative of the Company

Mr. CHUNG Kai Cheong has tendered his resignation as the company secretary and will cease to be an authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 13 April 2022. Mr. CHUNG confirmed that he has no disagreement with the Board and there is no other matter in respect of his resignation that needs to be brought to the attention of the shareholders of the Company and/or the SEHK. Mr. CHAN King Tak has been appointed as the company and authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 13 April 2022. Mr. CHAN graduated from The Hong Kong Polytechnic University with a bachelor's degree majoring in Accountancy in 2002, and graduated from The Chinese University of Hong Kong with an executive master's degree in Business Administration in 2021. Prior to joining the Company, Mr. CHAN worked in several listed companies and an international accounting firm. He has extensive experience in capital markets, financial management, corporate finance, compliance of Listing Rules and corporate governance. He is currently a fellow member of Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

FINANCING OF OUR PROJECTS

We finance our projects primarily through bank loans, internally generated cash flows, including proceeds from the pre-sale and sale of our projects and through capital raising transactions. The following summarises our main sources of funds for financing our projects:

- Bank borrowings. As at 31 December 2021, we had RMB92,224 million in total bank and other borrowings outstanding. Most of our bank loans are project-specific and are borrowed onshore to fund construction prior to the relevant projects reaching the pre-sale stage. Once we start to pre-sell the projects, we typically gradually repay such bank borrowings using the pre-sale proceeds received. We are often required to secure our onshore bank borrowings with properties under development, investment properties or other assets.

- Proceeds from the pre-sale and sale of properties. We conduct the sale of our properties primarily by way of pre-sale. Pre-sale proceeds are the sales proceeds we receive when we sell properties prior to their completion. Pre-sale proceeds of one phase of a project or one project can be used to fund further construction of the same phase or project. Upon obtaining a pre-sale permit from the relevant government authorities, we enter into pre-sale contracts with our customers. For purchasers who finance their purchases with mortgage financing, we generally require a minimum down payment of 40 per cent. to 50 per cent. of the purchase price for commercial property and 20 per cent. to 50 per cent. of the purchase price for residential property at the execution of the pre-sale contract. If the purchaser has entered into a mortgage agreement, we receive the remaining purchase price from the relevant bank when the relevant property is topped out or completed, which may be up to one to two years after the execution of the pre- sale contract. We are normally required to deposit a portion of the down payment, which typically represents less than 2 per cent. of the amount of the mortgage, with a bank providing mortgage, as security for our guarantee of our purchaser's mortgage. The deposit is typically released when the purchaser obtains the property certificate and pledges it to the bank, which generally occurs one to two years after completion of construction of the project. For purchasers who do not require mortgage financing, we generally require between 30 per cent. and 50 per cent. of the purchase price to be paid upon execution of the pre-sale contract, and we receive the remaining purchase price in accordance with the agreed timeframe stipulated in the pre-sale contract, which is typically within 20 days from the signing of the contract. In addition to proceeds from the pre-sale of properties, we also generate proceeds from the sale of completed properties.

- Capital raising transactions. On 25 January 2018, the Company issued a second tranche of medium-term notes with an aggregate amount of RMB3,000 million in two series with coupon rate of 5.87 per cent. per annum for a term of three years. On 9 February 2018, the Company issued a third tranche of medium-term notes with an aggregate amount of RMB3,000 million in two series with coupon rate of 5.95 per cent. per annum for a term of three years. On 27 July 2018, we issued RMB2 billion 4.70 per cent. corporate bonds of a five-year term, under which after the end of the third year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer. On 31 July 2018, we issued U.S.$700,000,000 floating rate guaranteed notes due 2021 bearing interest at a rate equal to three-month U.S. dollar London Interbank Offered Rate plus 2.30 per cent. payable quarterly in arrear. In December 2018, we issued asset-backed securities in the amount of RMB3,203,000,000 with a term of not more than five years in the PRC. On 30 January 2019, we issued U.S.$500,000,000 5.25 per cent. guaranteed notes due 2022. On 15 March 2019, we issued an aggregate principal amount of not more than RMB2.9 billion corporate bonds which are divided into two classes: Class I, with an aggregate principal amount of RMB1.7 billion, shall be of a term of five years with a coupon rate of 4.06 per cent., under which after the end of the third year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer; Class II, with an aggregate principal amount of RMB1.2 billion, shall be of a term of seven years with a coupon rate of 4.59 per cent., under which after the end of the fifth year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer. On 5 August 2019, we issued U.S.$600,000,000 4.75 per cent. guaranteed notes due 2029. On 14 January 2020, we issued U.S.$400,000,000 4.75 per cent. guaranteed notes due 2030. On 24 April 2020, we further issued a private placement note with a total principal amount of RMB2 billion with coupon rate of 3.35 per cent. per year of a term of three years. On 21 January 2021, we issued a private placement note with a total principal amount of RMB3.0 billion with coupon rate of 4.60 per cent. per year of a term of three years. On 26 February 2021, we issued a private placement note with a total principal amount of RMB3.0 billion with coupon rate of 4.30 per cent. per year of a term of two years. On 5 May 2021, we issued U.S.$400,000,000 3.25 per cent. guaranteed green notes due 2026. On 12 May 2021, we issued RMB2.6 billion 4.20 per cent. corporate bonds of a five-year term, under which after the end of the third year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer. On 8 July 2021, we issued RMB3.201 billion commercial mortgage-backed notes with coupon rate of 4.19 per cent. per year due 2039. On 13 July 2021, we issued U.S.$320,000,000 2.70 per cent. (a record low cost of U.S.$ notes we have ever issued) guaranteed green notes due 2025. On 27 September 2021, we issued RMB1.95 billion 4.06 per cent. corporate bonds of a five-year term, under which after the end of the third year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer. On 8 February 2022, we issued the New Notes, having been consolidated and formed a single series with the 2025 Original Notes.

In the future, we expect to use funds from a combination of sources to fund new projects, including bank loans, internally generated cash flow and proceeds raised from the capital markets from time to time. Our access to funds may be affected by various factors, including the factors discussed under "Risk Factors" and "Management's Discussion and Analysis — Factors Affecting Our Results of Operations".

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Costs and procedures for acquiring suitable land

As a property developer, we depend to a large extent on our ability to secure suitable land for development at affordable prices. A key component of our cost of sales is land acquisition costs, which comprise primarily land premiums, the cost of demolition of existing buildings and the relocation of existing residents. Land premium is the payment to the land bureau for the right to occupy, use and develop a particular parcel of land, the amount of which is determined by the government, taking into consideration factors including floor area, the location of and competition for the relevant land. The cost of demolition and relocation generally represents the compensation we pay to the original residents and the expenses to clean up the site. The PRC government has provided some basic principles for determining the appropriate level of demolition cost and resettlement compensation. However, the actual demolition cost and resettlement compensation varies from site to site and is subject to negotiations between the developers and the original residents. In many instances, pursuant to the land grant contract, the government takes responsibility for completing the demolition of original structures and the resettlement of the original residents on the land but requires us to pay an agreed amount to cover demolition and resettlement costs. In respect of the primary land development, we are responsible for the demolition and relocation.

In recent years, the acquisition costs of land have risen as a result of high demand for properties due to the growth of the PRC economy. In addition, in order to increase the transparency of the system for granting state-owned land, since 2004 the PRC government has operated under regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes, including public tenders, public auctions or listing at land exchanges administered by local governments. These competitive processes have significantly intensified competition among developers for available land and have thereby increased land acquisition costs. Typically, in order to participate in one of these competitive processes, we are required to pay deposits upfront, the amounts of which typically represent a substantial portion of the actual cost of the relevant land. This has accelerated the timing of our payment of land acquisition costs, which, in turn, has had a significant impact on our cash flow. Often the government has already completed various procedures in connection with primary land development for the relevant land before commencing the tendering, auction or listing process. As a result, once we acquire the land, it is often already in a state ready for secondary land development. In such cases, we are typically able to commence construction and pre-sale within a shorter timeframe.

Construction costs

Another key component of our cost of sales is construction costs, which encompass all costs for the design and construction of a project, including payments to independent contractors and costs of the raw materials that we procure directly. Construction costs of our projects vary according to the floor area and height of the buildings as well as the geology of the construction site. Historically, construction material costs have been the principal driver of construction costs of our property developments, in part because the cost of independent contractors has been relatively stable. Construction costs may fluctuate as a result of changes in prices of construction materials such as steel and cement. For a substantial portion of our procurement of construction materials, we use a centralized procurement process to increase our negotiating power and lower our unit costs of construction materials. We also outsource some procurement of construction materials to our construction contractors and include the cost of such procurement at a capped amount in construction contracts. Through so doing, we can partially pass the risk of price fluctuations on to contractors. Despite these measures, we remain subject to long-term movements in the prices of construction materials. Our profitability may suffer if we cannot pass on any increased costs to our customers. Further, we typically pre-sell our properties prior to their completion, and, if our costs increase subsequent to the pre-sale, we may not be able to pass them on to our customers.

Fluctuation of results of operations

Our results of operations tend to fluctuate from period to period. According to our accounting policy for revenue recognition, we recognise revenue from the sale and pre-sale of our properties upon delivery, which normally takes place one to two years after the commencement of pre-sales. See "*Management's Discussion and Analysis — Critical Accounting Policies — Revenue recognition*". Because the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large aggregate GFA, however, may not generate a correspondingly high level of revenue if, for example, the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs, as well as limited supply of land.

In addition, seasonal variations have caused fluctuations in our revenues and profits, including our semiannual results. A substantial portion of our operations are in northern China, where the climate in winter is often not suitable for construction work. When possible, we typically seek to complete construction and deliver most of our properties before November and the onset of winter. As a result, we have typically recognised substantially more revenue in the second half of the year than in the first half, and our interim results typically are not representative of our annual results.

Performance of the PRC real estate market

Our revenue was mainly generated from operations in China during the years ended 31 December 2019, 2020 and 2021. In particular, our business has been concentrated in Beijing, while we have also expanded into other major cities in China including Tianjin, Shijiazhuang, Zhangjiakou, Langfang, Dalian, Shenyang, Changchun, Shanghai, Hangzhou, Nanjing, Qingdao, Wuhan, Suzhou, Hefei, Changsha, Shenzhen, Guangzhou, Zhongshan, Hong Kong, Haikou, Sanya, Chongqing and Chengdu. Macroeconomic factors in China and the performance of the property market in China, and, in particular, in the cities in which we have development projects, therefore directly impact our results of operations. The performance of the real estate market in China is affected by a number of macroeconomic factors, including the growth of the PRC economy, particularly the growth in the size and purchasing power of the upper and the middle class, the level of interest rates, the exchange rate of the Renminbi and the political, economic and regulatory environment in the PRC. Should the property markets in Beijing, Tianjin, Dalian, Shanghai, Shenzhen, Zhongshan and other cities in which we operate experience any significant downturn, our results of operations would be adversely affected. See "*Risk Factors — Risks Relating our Business — We are dependent on the performance of the PRC property sector*".

PRC government control and policies

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, in particular in Beijing-Tianjin-Hebei Region, including policies relating to:

- inflation;
- land acquisition;
- pre-sales;
- the availability of mortgage financing;
- the availability of capital through loans or other sources;
- sales or other transfers of land use rights and completed properties;
- taxes;
- planning and zoning;
- building design and construction;
- the general austerity measures for residential property market in China.

For example, the regulations that require government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes have had a material impact on our operations. See "*Management's Discussion and Analysis — Factors Affecting Our Results of Operations — Costs and procedures for acquiring suitable land*". In recent years the PRC government and various local government have instituted a variety of measures designed to stabilise the real estate market, with particular focus on the residential sector. These policies may lead to changes in market conditions, including price stability and the balance of supply and demand in respect of residential properties. These measures have had an impact on the property market in China, including particularly the residential property sector. See "*Regulation*". We would be directly impacted by any regulations or measures adopted by the PBOC that restrict bank lending to enterprises, particularly to real estate developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that restrict the ability of purchasers to obtain mortgages or that increase the costs of mortgage financing may decrease demand for our properties and adversely affect our revenue. See "*Risk Factors — Risk Relating to Our Business — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property markets in China*".

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in property in China, irrespective of whether investors are corporate entities or individuals. We estimate and make provisions for the full amount of the applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by local tax authorities. Our provisions for LAT expenses for the years ended 31 December 2019, 2020 and 2021 were RMB3,715 million, RMB2,817 million and RMB2,022 million, respectively. We are required to prepay a portion of LAT equal to a specified percentage of our pre-sales proceeds set by local tax authorities that is generally assessed at a rate of no more than 5 per cent. See "*Risk Factors — Risk Relating to Our Business — The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations*".

Changes in product mix

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Historically, our low-density units, higher-end apartment units and retails shops have commanded higher average selling prices per square meter and gross margins than our mid-range apartment units. In addition, average selling prices and gross profit margins have typically been lower for developments outside of Beijing. Projects outside of Beijing and, in particular, in Tier 2 and Tier 3 cities, generally must sell more total GFA to achieve the same level of revenue as those in Beijing. Gross profit margins are typically lower in early phases and higher in later phases of our projects. Our product mix varies from period to period for a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time and time our project launches according to our development plans.

Critical Accounting Policies

We have identified certain accounting policies that are significant in the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Notes 3 and 4 to the audited consolidated financial statements for the year ended 31 December 2019, Note 3 to our audited consolidated financial statements for the year ended 31 December 2020 and Note 3 to our audited consolidated financial statements for the year ended 31 December 2021 included elsewhere in this Offering Circular. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and liability provisioning. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements. In addition, we discuss our revenue recognition policy below because of its significance even though it does not involve significant estimates or judgments.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

(a) Sales of properties and construction services

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(b) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

(c) Revenue from construction contracts

Revenue from construction contract is recognised, over the period of the contracts, when the outcome of the contracts can be estimated reliably and it is probable that these contracts will be profitable.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognised in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs.

(d) Property management and agency fee income

Property management and agency fee income is recognised in the accounting period in which the services are rendered.

(e) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

Valuation of our investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property that is being redeveloped for continuing use as investment properties, or for which the market has become less active, continues to be measured at fair value.

After initial recognition, investment properties are carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "Fair value gains on investment properties".

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

We had fair value gains on investment properties (before tax and non-controlling interest) of RMB373 million in the year ended 31 December 2019 and a fair value losses on investment properties (before tax and non-controlling interest) of RMB156 million and RMB64 million in the years ended 31 December 2020 and 2021, respectively.

Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries or territories where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

We were subject to PRC Enterprise Income Tax at a rate of 25 per cent. of taxable income during the years ended 31 December 2019, 2020 and 2021.

LAT

LAT provisions as part of income tax represent provisions for the estimated LAT payable in relation to our properties delivered during a period. See "*Management's Discussion and Analysis — Factors Affecting Our Results of Operations — LAT*" for a description on the PRC regulations in relation to LAT and our provisions for LAT in the years ended 31 December 2019, 2020 and 2021.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30 per cent. to 60 per cent. on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

DESCRIPTION OF CERTAIN FINANCIAL STATEMENT ITEMS

The following summarises components of certain line items appearing in the consolidated financial statements included in this Offering Circular, which we believe to be helpful to an understanding of the period-to-period discussion that follows below.

Income statement items

Revenue

Our revenue consists primarily of proceeds from our property development business, including the sale of properties and the rental of our properties held for sale. We also generate a small portion of revenue from the lease of our investment properties, the provision of property management and related services and other real estate related businesses, which together accounted for approximately 15.4 per cent., 12.2 per cent. and 14.2 per cent. of our revenue in the years ended 31 December 2019, 2020 and 2021, respectively. Our revenue is presented before business tax.

The table below sets forth our revenue by business segment for the years ended 31 December 2019, 2020 and 2021:

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021
		(RMB millions)	
Property development	43,100	49,617	55,130
Property investment	678	494	410
Property management and related services	1,579	1,763	2,530
Other real estate related business	5,569	4,637	6,177
Total revenue	50,926	56,511	64,247

The table below compares contributions to our revenue from property development (excluding car parks) by geographic location for the year ended 31 December 2019:

	Year ended 31 December 2019
	(RMB millions)
Beijing-Tianjin-Hebei Region	11,714
Yangtze River Delta Region	8,228
Yangtze Mid-stream Region	3,746
Pearl River Delta Region	10,618
Chengdu-Chongqing Region	1,987
Other Region	4,536
Other Projects	1,124
Revenue from property development (excluding car parks)	31,953

The table below provides contributions to our revenue from property development (excluding car parks) by geographic location for the years ended 31 December 2020 and 2021:

	Year ended 31 December 2020	Year ended 31 December 2021
	(RMB millions)	
Beijing Region	5,330	10,332
Bohai Rim Region	6,280	7,766
Eastern Region	15,153	10,777
Southern Region	8,764	11,378
Central Region.	7,978	9,217
Western Region	3,608	3,194
Other Projects	1,080	907
Revenue from property development (excluding car parks)	48,193	53,571

Cost of sales

Our cost of sales includes primarily the cost of properties development, as well as direct costs relating to our property investment, property management, property sales agency and related services, including staff costs, business tax and levies, advertising and marketing expenses, depreciation and amortisation, office expenses, and others. The cost of property development mainly comprises land costs and construction costs.

Interest and Other income

Our interest and other income primarily consist of interest income and dividend income from available-for-sale financial assets.

Other gains/(losses) — net

Our other gains/(losses) consist of gains on disposals or deemed disposals of subsidiaries, joint ventures and associates, losses on disposal of property, plant and equipment, and exchange gains/(losses).

Fair value gain on investment properties

See "*Management's Discussion and Analysis — Critical Accounting Policies — Valuation of our investment properties*".

Selling and marketing expenses

Our selling and marketing expenses include primarily advertising and promotion costs and employee benefit expenses for marketing staff.

Administrative expenses

Our administrative expenses include primarily employee benefit expenses for administrative staff, office expenditures, depreciation and amortisation, professional and consultancy fees.

Finance costs

Our finance costs include interest expenses on borrowings less capitalised interest expenses.

Income tax expense

Our taxation includes provisions for PRC Enterprise Income Tax for each of our subsidiaries in the PRC, based on the statutory rate as determined in accordance with the relevant income tax rules and regulations of the PRC. Effective from 1 January 2008, the statutory tax rate applicable to us has been 25 per cent. of taxable income.

The current Hong Kong profits tax rate that would be applicable to us had we generated any income in Hong Kong is 16.5 per cent.

Income tax expense also includes LAT. Under the PRC laws and regulations, our PRC subsidiaries engaging in property development business are subject to LAT, determined by the local tax authorities in the cities in which each project is located. All income from the sales or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30 per cent. to 60 per cent. of the appreciation of land value, as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20 per cent. of the total deductible items, as defined in the relevant tax laws.

Balance sheet items

Trade and other receivables

Trade and other receivables mainly include trade receivables, tax prepayments, other receivables, prepayments and loans to and amounts due from various parties including third parties, joint ventures, associates and non-controlling interests, cooperation deposits, other prepayments and other receivables including receivables from government, partial disposal of interests in subsidiaries, associates and others. Trade receivables as at 31 December 2021 primarily consisted of property development fees receivable in connection with the property development service that we provided.

Included in tax prepayment as at 31 December 2019, 2020 and 2021 were primarily business tax levied and prepaid at 5 per cent. of pre-sale proceeds, and a portion of income tax prepaid on a certain percentage of pre-sale proceeds, both in compliance with relevant tax laws and regulations.

We also prepay LAT that is generally assessed at no more than 5 per cent. of pre-sale proceeds in compliance with relevant laws and regulations.

Advanced receipts from customers

Advanced receipts from customers mainly represents amounts received from customer for sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at period-end.

Goodwill

As at 31 December 2019, 2020 and 2021, goodwill mainly included the goodwill arising from the acquisition of project companies. Management is required to test goodwill annually or more frequently for impairment. Goodwill is allocated to cash generating units. The recoverable amount of a cash-generating unit is determined based on fair value less cost to sell calculation. These calculations use observable market prices for the units.

Restricted bank deposits

Restricted bank deposits mainly represent guaranteed deposits for the mortgage loan facilities granted by the banks to the purchaser of our properties as well as for projects co-developed with third parties. The balance also include guaranteed deposits placed in banks as guaranteed funds of construction projects to meet certain local authorities' requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL INFORMATION FOR YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021

2021 compared to 2020

Revenue. Revenue in the year ended 31 December 2021 was RMB64,247 million, an increase of RMB7,736 million, or 14 per cent., from RMB56,511 million in the year ended 31 December 2020. This increase was primarily due to an increase in our revenue from property development of RMB5,513 million, or 11 per cent., from RMB49,617 million in the year ended 31 December 2020 to RMB55,130 million in the year ended 31 December 2021. Additionally, our revenue from property management and related services increased by RMB767 million, or 44 per cent., from RMB1,763 million in the year ended 31 December 2020 to RMB2,530 million in the year ended 31 December 2021; our revenue from other real estate related business increased by RMB1,540 million, or 33 per cent., from RMB4,637 million in the year ended 31 December 2020 to RMB6,177 in the year ended 31 December 2021; and our revenue from property investment decreased by RMB84 million, or 17 per cent., from RMB494 million in the year ended 31 December 2020 to RMB410 million in the year ended 31 December 2021.

We set forth in the table below the revenue from each city for which we recognised property development revenue in the years ended 31 December 2020 and 2021.

Region	Cities	Year ended 31 December 2020	Year ended 31 December 2021
		(RMB millions)	(RMB millions)
Beijing Region	Beijing	2,768	8,058
	Qinhuangdao	1,425	1,046
	Shijiazhuang	1,054	399
	Taiyuan	83	829
		5,330	10,332
Bohai Rim Region	Tianjin	2,975	1,605
	Dalian	721	463
	Jinan	597	1,883
	Qingdao	123	3,778
	Shenyang	1,547	—
	Yantai	317	37
		6,280	7,766

Region	Cities	Year ended 31 December 2020	Year ended 31 December 2021
		(RMB millions)	(RMB millions)
Eastern Region	Shanghai	121	2,887
	Suzhou	972	302
	Wuxi	177	1,155
	Nanjing	2,337	420
	Hangzhou	5,654	3,691
	Jiaxing	1,993	34
	Wenzhou	1,589	2,288
	Changzhou	156	—
	Shaoxing	1,068	—
	Taizhou	1,086	—
		15,153	10,777
Southern Region	Shenzhen	4,439	7,784
	Zhongshan	525	397
	Zhanjiang	981	512
	Guangzhou	307	432
	Zhangzhou	443	12
	Foshan	2,023	358
	Sanya	46	—
	Maoming	—	222
	Fuzhou	—	1,661
		8,764	11,378
Central Region	Wuhan	6,648	6,783
	Changsha	73	—
	Hefei	1,257	1,433
	Ganzhou	—	609
	Nanchang	—	392
		7,978	9,217
Western Region	Chengdu	1,021	690
	Chongqing	1,761	295
	Kunming	477	—
	Guiyang	349	241
	Xining	—	1,384
	Liuzhou	—	584
		3,608	3,194
	Other Projects	1,080	907
Subtotal		48,193	53,571
Car parks		1,424	1,559
Total		49,617	55,130

Cost of sales. Cost of sales for the year ended 31 December 2021 was RMB52,989 million, representing an increase of RMB6,936 million, or 15.1 per cent., from RMB46,053 million in the year ended 31 December 2020. This increase was primarily due to the increase in revenue of property development. Excluding car parks, average land cost per sq.m. of the property development segment during the year ended 31 December 2021 increased to approximately RMB8,300 as compared to approximately RMB6,200 in the year ended 31 December 2020. This was mainly due to more projects located in tier-one and core tier-two cities, which have higher land costs, were delivered in 2021. Average construction cost per sq.m. (excluding car parks) for property development segment increased by approximately RMB500, or 9 per cent., to approximately RMB5,900 during the year ended 31 December 2021 as compared to approximately RMB5,400 for the year ended 31 December 2020. The increase in average construction cost was mainly because more villa and tier-one projects with higher construction cost were delivered during 2021.

Gross profit. Gross profit for the year ended 31 December 2021 was RMB11,258 million, representing an increase of RMB801 million, or 8 per cent., from RMB10,457 million in the year ended 31 December 2020. Our gross profit margin for the year ended 31 December 2021 was approximately 18 per cent., a slight decrease from 19 per cent. in the year ended 31 December 2020.

Fair value gain/(loss) on investment properties. We had a fair value loss of RMB64 million on investment properties in the year ended 31 December 2021, as compared to a fair value loss of RMB156 million in the year ended 31 December 2020.

Interest and other income. Our interest and other income in the year ended 31 December 2021 was RMB2,250 million, a decrease of RMB144 million, or 6 per cent., from RMB2,394 million in the year ended 31 December 2020, mainly attributable to the decrease in entrusted loan interest income due to the decline in the weighted average entrusted loan balance and interest rate during the year of 2021.

Other gains/(losses) — net. In the year ended 31 December 2021, we had net other gains in the amount of RMB76 million. By comparison, we had net other gains in the year ended 31 December 2020 in the amount of RMB1,355 million. Other gains (net) were mainly comprised of net effect of net exchange gains, fair value losses of financial assets and financial liabilities at fair value through profit or loss and gains on disposal of subsidiaries during the year. The decrease in other gains (net) in 2021 was primarily due to the decrease in net exchange gains as Renminbi appreciated against USD to a lesser extent compared with that of 2020.

Selling and marketing expenses. Selling and marketing expenses for the year ended 31 December 2021 were RMB1,664 million, an increase of RMB371 million, or 29 per cent., from RMB1,293 million in the year ended 31 December 2020. These costs accounted for approximately 1.2 per cent. of the total contracted sales amount for 2020 as compared to 1.0 per cent. of 2020. The increase was mainly driven by i) the increase of marketing activities so as to cope with the sluggish market; ii) the increase in the number of pre-sale projects; and iii) the relaxation of restriction of marketing activities due to the novel coronavirus pandemic in 2021.

Administrative expenses. Administrative expenses for the year ended 31 December 2021 were RMB1,955 million, an increase of RMB139 million, or 7.7 per cent., from RMB1,816 million in the year ended 31 December 2020, representing 3.0 per cent. of the total revenue for 2021 as compared to 3.2 per cent. of 2020. We will continue to adopt strict cost control measures to maintain these costs at a relatively stable and lower level.

Finance costs. In the year ended 31 December 2021, our finance costs were RMB2,239 million, an increase of RMB128 million, or 6.1 per cent., from RMB2,111 million in the year ended 31 December 2020. Our weighted average interest rate decreased from 5.10 per cent. for the year of 2020 to 4.96 per cent. for the year of 2021, while total interest expenses paid or accrued decreased to RMB4,639 million in 2021 (2020: RMB4,832 million).

Share of profits of joint ventures. In the year ended 31 December 2021, we had a share of profits of joint ventures in the amount of RMB1,573 million, an increase of RMB590 million, from share of profits of joint ventures of RMB983 million in the year ended 31 December 2020.

Profit before income tax. As a result of the above, our profit before income tax in the year ended 31 December 2021 was RMB9,797 million, a decrease of RMB253 million, or 2.5 per cent., from RMB10,050 million in the year ended 31 December 2020.

Income tax expenses. The aggregate of enterprise income tax and deferred tax slightly increased by 5.3 per cent. to RMB2,684 million for 2021 as compared to 2020 of RMB2,550 million, with an effective tax rate of 35 per cent. as maintained at the same level as 2020. In addition, land appreciation tax for 2021 decreased to RMB2,022 million as compared to 2020 of RMB2,817 million. The decrease was mainly due to lower applicable tax rate was applied during 2021.

Profit attributable to owners of the Company. Mainly due to the net input of the changes discussed above, profit attributable to owners of the Company 2021 was RMB2,729 million, a decrease of RMB137 million, or 5 per cent., from RMB2,866 million in 2020.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB2,362 million in 2021, an increase of RMB545 million, or 30.0 per cent., from RMB1,817 million in 2020.

2020 compared to 2019

Revenue. Revenue in the year ended 31 December 2020 was RMB56,511 million, an increase of RMB5,585 million, or 11 per cent., from RMB50,926 million in the year ended 31 December 2019. This increase was primarily due to an increase in our revenue from property development of RMB6,517 million, or 15 per cent., from RMB43,100 million in the year ended 31 December 2019 to RMB49,617 million in the year ended 31 December 2020. Additionally, our revenue from property management and related services increased by RMB184 million, or 12 per cent., from RMB1,579 million in the year ended 31 December 2019 to RMB1,763 million in the year ended 31 December 2020; our revenue from other real estate related business decreased by RMB932 million, or 17 per cent., from RMB5,569 million in the year ended 31 December 2019 to RMB4,637 million in the year ended 31 December 2020; and our revenue from property investment decreased by RMB184 million, or 27 per cent., from RMB678 million in the year ended 31 December 2019 to RMB494 million in the year ended 31 December 2020.

We set forth in the table below the revenue from each project for which we recognised property development revenue in the year ended 31 December 2019.

Region	Cities	Year ended 31 December 2019
		(RMB millions)
Beijing-Tianjin-Hebei Region.	Beijing	3,798
	Tianjin	6,191
	Shijiazhuang	843
	Qinhuangdao	882
		11,714
Yangtze River Delta Region	Shanghai	1,267
	Hangzhou	1,915
	Nanjing	895
	Suzhou	1,017
	Wuxi	1,870
	Jiaxing	240
	Changzhou	774
	Taizhou	106
	Wenzhou	144
		8,228
Yangtze Mid-stream Region	Wuhan	2,541
	Changsha	1,205
		3,746

Region	Cities	Year ended 31 December 2019
		(RMB millions)
Pearl River Delta Region	Zhongshan	2,181
	Shenzhen	6,423
	Guangzhou	1,754
	Foshan	260
		10,618
Chengdu-Chongqing Region	Chongqing	1,972
	Chengdu	15
		1,987

Region	Cities	Year ended 31 December 2019
		(RMB millions)
Other Region	Dalian	1,830
	Shenyang	1,452
	Qingdao	1,233
	Yantai	22
		4,536
	Other projects	1,124
		5,661
Subtotal		41,953
Car parks		1,147
Total		43,100

We set forth in the table below the revenue from each project for which we recognised property development revenue in the year ended 31 December 2020.

Region	Cities	Year ended 31 December 2020
		(RMB millions)
Beijing Region	Beijing	2,768
	Qinhuangdao	1,425
	Shijiazhuang	1,054
	Taiyuan	83
		5,330
Bohai Rim Region	Tianjin	2,975
	Dalian	721
	Jinan	597
	Qingdao	123
	Shenyang	1,547
	Yantai	317
		6,280
Eastern Region	Shanghai	121
	Suzhou	972
	Wuxi	177
	Nanjing	2,337
	Hangzhou	5,654
	Jiaxing	1,993
	Wenzhou	1,589
	Changzhou	156
	Shaoxing	1,068
	Taizhou	1,086
		15,153
Southern Region	Shenzhen	4,439
	Zhongshan	525
	Zhanjiang	981
	Guangzhou	307
	Zhangzhou	443
	Foshan	2,023
	Sanya	46
		8,764

Region	Cities	Year ended 31 December 2020
		(RMB millions)
Central Region	Wuhan	6,648
	Changsha	73
	Hefei	1,257
		7,978
Western Region	Chengdu	1,021
	Chongqing	1,761
	Kunming	477
	Guiyang	349
		3,608
Other Projects		1,080
Subtotal		48,193
Car parks		1,424
Total		49,617

Cost of sales. Cost of sales for the year ended 31 December 2020 was RMB46,053 million, representing an increase of RMB5,349 million, or 13.1 per cent., from RMB40,704 million in the year ended 31 December 2019. This increase was primarily in line with the increase in the recognized sales of property development. Excluding car parks, average land cost per sq.m. of the property development segment during the year ended 31 December 2020 increased to approximately RMB6,200 as compared to approximately RMB5,400 in the year ended 31 December 2019. This was mainly due to more projects in tier-one cities being delivered, such as Ocean Palace and Ocean Seafront Towers in Shenzhen, which were at relatively higher land cost. Average construction cost per sq.m. (excluding car parks) for property development segment decreased by approximately RMB300, or 5 per cent., to approximately RMB5,400 during the year ended 31 December 2020 as compared to approximately RMB5,700 for the year ended 31 December 2019. The decrease in average construction cost was mainly because the Group further strengthened its cost competitiveness by optimizing the project cost control and management system.

Gross profit. Gross profit for the year ended 31 December 2020 was RMB10,457 million, an increase of RMB235 million, or 2 per cent., from RMB10,222 million in the year ended 31 December 2019. Our gross profit margin for the year ended 31 December 2020 was approximately 19 per cent., a slight decrease from 20 per cent. in the year ended 31 December 2019.

Fair value gain/(loss) on investment properties. We had a fair value loss of RMB156 million on investment properties in the year ended 31 December 2020, as compared to a fair value gain of RMB373 million in the year ended 31 December 2019. The loss is primarily attributable to the adverse impact caused by the novel coronavirus epidemic.

Interest and other income. Our interest and other income in the year ended 31 December 2020 was RMB2,394 million, a decrease of RMB377 million, or 14 per cent., from RMB2,771 million in the year ended 31 December 2019, mainly due to the overall decline in the entrusted loan balance during the year.

Other gains/(losses) — net. In the year ended 31 December 2020, we had net other gains in the amount of RMB1,335 million. By comparison, we had net other gains in the year ended 31 December 2019 in the amount of RMB699 million. Other gains in the year ended 31 December 2020 mainly comprised of exchange gains, gains on revaluation of financial assets and financial liabilities at fair value through profit or loss and losses on disposal of subsidiaries during the year.

Selling and marketing expenses. Selling and marketing expenses for the year ended 31 December 2020 were RMB1,293 million, a slight increase of RMB23 million, or 2 per cent., from RMB1,270 million in the year ended 31 December 2019. These costs accounted for approximately 1.0 per cent. of the total contracted sales amount for 2020 as compared to 1.0 per cent. of 2019. It mainly reflected that the Group put more resources in its sales and marketing activities during 2020.

Administrative expenses. Administrative expenses for the year ended 31 December 2020 were RMB1,816 million, a decrease of RMB103 million, or 5.4 per cent., from RMB1,919 million in the year ended 31 December 2019, representing 3.2 per cent. of the total revenue for 2020 as compared to 3.8 per cent. of 2019. We will continue to adopt strict cost control measures to maintain these costs at a relatively stable and lower level.

Finance costs. In the year ended 31 December 2020, our finance costs were RMB2,111 million, a decrease of RMB283 million, or 11.8 per cent., from RMB2,394 million in the year ended 31 December 2019, primarily due to a lower cost of financing during the year. Our weighted average interest rate decreased to 5.10 per cent. for 2020 from 5.50 per cent. for 2019, while total interest expenses paid or accrued decreased to RMB4,832 million (2019: RMB5,236 million).

Share of profits of joint ventures. In the year ended 31 December 2020, we had a share of profits of joint ventures in the amount of RMB983 million, a decrease of RMB536 million, from share of profits of joint ventures of RMB1,519 million in the year ended 31 December 2019.

Profit before income tax. As a result of the above, our profit before income tax in the year ended 31 December 2020 was RMB10,050 million, a decrease of RMB366 million, or 3.5 per cent., from RMB10,416 million in the year ended 31 December 2019.

Income tax expenses. The aggregate of enterprise income tax and deferred tax slightly increased by 0.6 per cent. to RMB2,550 million for 2020 as compared to 2019 of RMB2,536 million, with an effective tax rate of 35 per cent. as compared to 2019 of 38 per cent. The decrease in the effective tax rate is mainly due to the decrease of non-deductible expenses recognized in 2020, which affected the calculation basis. In addition, land appreciation tax for 2020 decreased to RMB2,817 million as compared to 2019 of RMB3,715 million.

Profit attributable to owners of the Company. Benefiting from the increase in revenue cost control measures, profit attributable to owners of the Company 2020 was RMB2,866 million, an increase of RMB210 million, or 8 per cent., from RMB2,656 million in 2019.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB1,817 million in 2020, an increase of RMB307 million, or 20.3 per cent., from RMB1,510 million in 2019.

Liquidity and Capital Resources

Our primary uses of cash are to pay for land acquisition costs, construction costs and finance costs and to fund working capital and normal recurring expenses. To date we have funded our growth principally from internally generated cash flows, including proceeds from the sales and pre-sales of our properties, bank loans and proceeds from our IPO, bond issuances, a share placement and, prior to our IPO, shareholder contributions. Going forward, we believe our liquidity requirements will be satisfied by using a combination of bank loans, cash provided by operating activities, including proceeds from the sales and pre-sales of our properties and funds raised from the capital markets from time to time.

Net current assets

As at 31 December 2021, we had net current assets of approximately RMB84,067 million. Our current assets were mainly comprised of properties under development of RMB81,334 million, completed properties held for sale of RMB23,498 million, trade and other receivables and prepayments of RMB77,970 million and cash and cash equivalents of RMB21,655 million. Our current liabilities were mainly comprised of trade and other payables of RMB55,236 million, borrowings of RMB18,667 million and contract liabilities of RMB42,348 million.

The following table presents selected cash flow data from our consolidated cash flow statements for the three years ended 31 December 2019, 2020 and 2021.

	As at 31 December		
	2019	2020	2021
		(RMB millions)	
Net cash generated from/(used in) operating activities	(3,303)	11,417	(7,944)
Net cash generated from/(used in) investing activities	(4,564)	2,274	(12,683)
Net cash generated from/(used in) financing activities	(696)	(5,366)	3,223
Net increase/(decrease) in cash and cash equivalents	(8,563)	8,324	(17,404)
Cash and cash equivalents at end of the year	31,054	39,129	21,655

Cash flow from operating activities

We derive our cash inflow from operations principally from the pre-sale and sale of properties, rental of investment properties and cash from our other activities. Our cash outflow from operations is principally for investments in property under development.

In 2021, we had net cash used in operating activities in the amount of approximately RMB7,944 million which consisted primarily of (i) income tax payment of RMB5,270 million and (ii) interest payment of RMB4,622 million, partially offset by cash generated from operations of RMB1,949 million.

In 2020, we had net cash generated from operating activities in the amount of approximately RMB11,417 million which consisted primarily of cash generated from operations of RMB20,297 million, partially offset by (i) income tax payment of RMB4,264 million and (ii) interest payment of RMB4,616 million.

In 2019, we had net cash used in operating activities in the amount of approximately RMB3,303 million which consisted primarily of (i) operating profits before changes in working capital of RMB7,661 million, (ii) properties under development of RMB110,316 million and (iii) restricted bank deposits of RMB851 million as offset primarily by (i) trade and other receivables and prepayments of RMB7,879 million and (ii) contract liabilities of RMB4,245 million.

Cash flow from investing activities

Our investing activities mainly consist of investments in property, plant and equipment, investment property, and acquisitions of interests in subsidiaries.

In 2021, we had net cash used in investing activities in the amount of approximately RMB12,683 million, primarily due to (i) entrusted loans to third parties and related parties of RMB25,326 million and (ii) amounts advanced to related parties to RMB85,694 million, as partially offset primarily by (i) repayment of entrusted loans to third parties and related parties of RMB20,395 million and (ii) amounts repaid from related parties of RMB75,759 million.

In 2020, we had net cash generated from investing activities in the amount of approximately RMB2,274 million which consisted primarily of (i) repayment of entrusted loans of RMB12,918 million and (ii) interest received in the amount of RMB1,949 million, as partially offset primarily by (i) capital injection to joint ventures of RMB6,598 million and (ii) entrusted loan advanced of RMB4,794 million.

In 2019, we had net cash used in investing activities in the amount of approximately RMB4,564 million, primarily due to entrusted loans advanced in the amount of RMB25,404 million.

Cash flow from financing activities

Our financing activities consist primarily of borrowings, capital raising, shareholders' contributions and dividend distributions.

In 2021, we had net cash generated from financing activities in the amount of approximately RMB3,223 million which consisted primarily of proceeds from borrowings of RMB53,771 million, as offset primarily by repayments of borrowings of RMB51,358 million.

In 2020, we had net cash used in financing activities in the amount of approximately RMB5,366 million which consisted primarily of (i) repayment of borrowings of RMB45,041 million and (ii) capital reduction from non-controlling interests of RMB3,460 million, as offset primarily by (x) proceeds from borrowings of RMB39,554 million and (y) issue of capital instruments of RMB3,378 million.

In 2019, we had net cash used in financing activities in the amount of approximately RMB696 million. This was primarily proceeds from borrowings of RMB40,045 million and capital injection from non-controlling interests of RMB4,491 million, partially offset by repayments of borrowings of RMB42,465 million, repurchase of capital instrument of RMB3,500 million and dividends paid to shareholders of the Company of RMB1,245 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank and other borrowings

Our bank and other borrowings as at 31 December 2019, 2020 and 2021 are set forth below:

	As at 31 December		
	2019	2020	2021
		(RMB millions)	
Non-current			
Bank borrowings	20,305	20,627	27,691
Other borrowings	54,307	35,642	45,866
Total non-current borrowings	74,612	56,270	73,557
Current			
Current portion of long-term bank borrowings	1,165	3,317	3,427
Current portion of long-term other borrowings	7,379	21,649	13,841
Short-term bank borrowings	752	647	1,298
Short-term other borrowings	—	500	101
Total current borrowings	9,295	25,934	18,667
Total borrowings	83,907	82,204	92,224

The maturities of our total borrowings at the respective balance sheet dates are set out as follows:

	As at 31 December		
Total borrowings	**2019**	**2020**	**2021**
		(RMB millions)	
Within 1 year	9,295	25,934	18,667
1 to 2 years	29,766	17,459	17,354
2 to 5 years	29,580	27,005	46,077
Over 5 years	15,266	11,806	10,126
	83,907	82,204	92,224

The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December		
	2019	2020	2021
Bank borrowings	4.83%	3.96%	4.51%
Other borrowings	5.78%	5.53%	5.17%

Our unutilized credit facilities as at 31 December 2019, 2020 and 2021 was approximately RMB220,746 million, RMB242,150 million and RMB232,230 million respectively.

Our net gearing ratio, calculated as total borrowings less cash and cash equivalents and restricted bank deposits divided by total equity, as at 31 December 2019, 2020 and 2021 was approximately 77 per cent., 55 per cent. and 85 per cent. respectively.

Financial guarantees

In the normal course of our business, we enter into agreements with commercial banks with respect to mortgage facilities granted by commercial banks to our property purchasers, under which we guarantee the full value of the mortgages. Pursuant to the terms of the guarantees, upon a default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principal together with accrued interest and any penalty, and we are entitled to take over the legal title and possession of the related properties. For most mortgages, guarantees will be released when the property title deeds are passed to the banks as security for the respective mortgage loans, which generally takes place within one to two years after the property units are delivered to the buyers.

The following table sets forth our financial guarantees as at 31 December 2019, 2020 and 2021.

	As at 31 December		
	2019	2020	2021
		(RMB millions)	
Guarantees in respect of mortgage facilities for certain purchasers	9,595	9,800	15,826

For the year ended 31 December 2019, 2020 and 2021, the joint-liability guarantees provided in respect of borrowings granted by certain financial institutions to our joint ventures and associates amounted to RMB1,059 million, RMB3,308 million and RMB2,013 million, respectively. Properties under development owned by these joint ventures and associates are the primary collateral of such borrowings.

See also "*Risk Factors — Risks Relating to Our Business — We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial conditions could be adversely affected*".

Commitments and contingent liabilities

Commitments. Commitments for land acquisition and construction costs contracted for at balance sheet dates but not yet incurred were as follows:

	As at 31 December		
	2019	2020	2021
		(RMB millions)	
Properties under development	7,842	11,452	12,702
Commitment of Investment	592	1,612	2,930
Contracted but not provided for	8,434	13,063	15,632

Warranty against defects in properties

We provide purchasers of our properties with terms varying from one to two years against certain defects as stipulated in PRC laws and regulations. We also get corresponding warranties from the contractors who have constructed the relevant properties.

Legal contingencies

In the normal course of business, we are involved in lawsuits and other proceedings. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, we believe that no liabilities resulting from these proceedings will have a material adverse effect on our financial position, liquidity, or results of operations.

Off-balance sheet arrangements

As at 31 December 2021, and the date of this Offering Circular, we did not have any off-balance sheet arrangements with unconsolidated entities. In 2021, 58 per cent. of the Group's total borrowings were denominated in U.S. dollar and Hong Kong dollar. As a result, the Group had a net currency exposure to fluctuation in foreign exchange rates. As Renminbi has been facing the potential trend of depreciation, the Group is adjusting its proportion of borrowings in foreign currencies and has entered into certain forward contracts so as to hedge against the exchange loss in future years. The Group has never engaged in the dealing of any financial derivative instruments for speculative purpose. In view of the potential Renminbi exchange rate fluctuations, the Group will further consider arranging for monetary and exchange rate hedge at appropriate times to avoid the corresponding risks.

No other outstanding indebtedness

Except as disclosed in this Offering Circular, we did not have bank overdrafts, liabilities under acceptances, hire purchase commitments and other outstanding indebtedness as at 31 December 2019, 2020 and 2021.

Quantitative and Qualitative Disclosures about Market Risks

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

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt. Our cash flow interest rate risk arises from long-term borrowings with floating interest rates. Such risk is partially offset by cash held at prevailing market interest rates. During 2019, 2020 and 2021, our borrowings at floating interest rates were denominated in Renminbi, HK dollars and U.S. dollars. Our fair value interest rate risk relates primarily to our fixed rate borrowings and other payables. We do not currently use any derivative instruments to manage our interest rate risks.

Foreign exchange risk

We conduct our business primarily in Renminbi. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. An appreciation of the Renminbi, however, would adversely affect the value of proceeds we receive from the offering of the Notes and any subsequent overseas equity or debt offering if they are not converted into Renminbi in a timely manner. Please see "*Risk*

Factors — Risks Relating to Business Operations in the PRC — We are subject to risks presented by fluctuations in foreign currencies", "*Risk Factors — Risks Relating to the PRC — Fluctuations in the value of the Renminbi may have a material adverse effect on our business*".

Inflation risk

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, increased by approximately 2.9 per cent. in the year ended 31 December 2019, 2.5 per cent. in the year ended 31 December 2020 and 0.9 per cent. in the year ended 31 December 2021. We have not been materially adversely affected by any inflation or deflation in the past. We cannot assure you that the inflation rate in the PRC will decrease or increase in the future and we cannot make any assurance that we will not be adversely affected by such inflation or deflation.

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or the Joint Lead Managers, the Trustee or the Agents or any of our or their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them. The information may not be consistent with other information compiled within or outside the PRC.

THE ECONOMY OF THE PRC

Over the last 40 years, the PRC government has introduced reforms that have transformed the PRC economy from a centrally planned system into a more liberalized market economy. The significant economic development that has resulted from such reforms has been accelerated by China's accession to the World Trade Organisation in 2001. China has experienced average annual nominal GDP growth rate of approximately 9.4 per cent. from 2010 to 2020.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010–2020 CAGR
Nominal GDP growth (%)	18.2	18.4	10.4	10.1	8.5	7.0	8.4	11.5	10.5	7.3	3.0	N/A
Nominal GDP per capita (RMB)	30,808	36,277	39,771	43,497	46,912	49,922	53,783	59,592	65,534	70,328	72,000	8.9%
CPI growth (%)	3.3	5.4	2.6	2.6	2.0	1.4	2.0	1.6	2.1	2.9	2.5	N/A
Urban population (million)	669.8	699.3	721.8	745.0	767.4	793.0	819.2	843.4	864.3	884.3	902.0	3.0%
Urbanisation(1) (%)	49.9	51.8	53.1	54.5	55.8	57.3	58.8	60.2	61.5	62.7	63.9	N/A
Per capita disposable income(2) (RMB)	—	—	—	18,311	20,167	21,966	23,821	25,974	28,228	30,733	32,189	8.4%(3)
Real estate investment (RMB billion)	4,826	6,180	7,180	8,601	9,504	9,598	10,258	10,980	12,016	13,219	14,144	11.4%

Source: National Bureau of Statistics of China, 2010 — 2020

Notes:

(1) Urbanisation denotes the proportion of the total population residing in urban areas.

(2) Research methodology for per capita disposable income has been changed since 2013 and, therefore, data before 2013 are not comparable to the ones after the year.

(3) 2013–2020 CAGR is calculated.

Housing reforms, together with the economic growth of China, emergence of the mortgage lending market and increasing urbanisation rate, are key factors affecting the real estate market in China and its growth. These and other government housing reform measures will continue to encourage private housing ownership in China. According to the National Bureau of Statistics of China, China's urbanisation rate rose from approximately 29 per cent. in 1995 to approximately 64 per cent. in 2020. Increases in the urban population of China will likely result in increases in demand for residential properties.

PRC PROPERTY MARKETS

Reform of the PRC property market did not commence until the 1990s. Prior to such reform, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated the housing reform and, as a result, the real estate and housing sector of China began its transition to a market-based system.

In 1988, the PRC government amended the national constitution to permit the transfer of state-owned land use rights and, in 1992, sales of formerly public housing commenced in major cities. Two years later, in 1994, the PRC government implemented further reforms and established an employer/employee-funded housing fund and issued a regulation regarding pre-sale of commodity housing in cities. In 1995, the PRC government issued regulations regarding the transfer of real estate, established a regulatory framework for real estate sales and subsequently abolished the state-allocated housing policy in 1998. In 1999, the PRC government extended the maximum mortgage term to 30 years and formalized procedures for the sale of real estate in the secondary market.

The PRC government issued regulations to standardise the quality of construction projects in 2000, establishing a framework for administering construction quality. In 2002, the PRC government promulgated rules to require that state-owned land use rights be granted by way of tender, auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China. In 2003, the PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing.

From 2004 to the first half of 2008, in order to prevent the overheating of the PRC economy and to achieve balanced and sustainable economic growth, the PRC government took measures to control money supply, credit availability and fixed assets investment. The PRC government also took measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government introduced policies and measures to restrict such increases.

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development. However, beginning in December 2009, the PRC government began to adjust its policies and introduced new measures in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly.

The PRC government now applies various economic, legal and administrative measures to regulate the real estate market, in order to encourage end-user demand while restricting speculation activities, and to better coordinate development between the real estate industry and national economy. See "*Regulation*".

Commodity Property Sales

Demand for real estate in China has steadily increased over the years. According to the National Bureau of Statistics of China, the total revenue from the sale of commodity properties in China increased from approximately RMB393.5 billion in 2000 to approximately RMB17,361.3 billion in 2020. During the same period, the total GFA sold in China increased from approximately 186.4 million sq.m. in 2000 to approximately 1,760.9 million sq.m. in 2020. Of the 1,760.9 million sq.m. of aggregate GFA sold in 2020, approximately 1,548.8 million sq.m. were residential properties, representing an increase of approximately 3.2 per cent. from 2019.

The average price of commodity properties sold in China increased from RMB2,112 per sq.m. in 2000 to RMB9,860 per sq.m. in 2020, while the average price of residential properties sold increased from RMB1,948 per sq.m. to RMB9,980 per sq.m. during the same period.

The average price of commodity properties sold in China in 2019 was calculated by dividing total sales proceeds by the total GFA sold.

The table below sets out selected statistics relating to the PRC property market for the years indicated.

	2019	2020
Real estate investment (RMB billion)	13,219	14,144
Total GFA sold (million sq.m.)	1,716	1,761
GFA of residential properties sold (million sq.m.)	1,501	1,549
Average price of commodity properties (RMB/sq.m.)	9,310	9,860
Average price of residential properties (RMB/sq.m.)	9,287	9,980
Total sales revenue for commodity properties (RMB billion)	15,973	17,361
Total sales revenue for residential properties (RMB billion)	13,944	15,457

Source: National Bureau of Statistics of China, 2010 — 2020

CORPORATE STRUCTURE

The following illustrates a summary of our corporate structure, including a number of our significant projects, as of 31 December 2021:

	Name of Company(ies) Involved	Name of Project	Holding %
1.	遠洋控股集團(中國)有限公司 (Sino-Ocean Holding Group (China) Limited)	遠洋沁山水(北京) (Ocean Landscape Eastern Area (Beijing))	100%
2.	遠洋控股集團(中國)有限公司 (Sino-Ocean Holding Group (China) Limited)	遠洋國際中心(北京) (Ocean International Center (Beijing))	100%
3.	北京東隆房地產開發有限公司 (Beijing Dong Long Real Estate Development Co., Ltd.)	遠洋LA VIE (北京) (Ocean LA VIE (Beijing))	85.72%
4.	北京遠盛置業有限公司	遠洋天著(北京) (The CBD's Private Palace (Beijing))	28.57%
5.	北京天江通脊置業有限公司	CBD Z6地塊(北京) (CBD Plot Z6 (Beijing))	100%
6.	北京遠山置業有限公司	遠洋新仕界(北京) (Our New World (Beijing))	100%
7.	北京遠洋大廈有限公司 (Beijing Yuanyang Building Co., Ltd.)	遠洋大廈(北京) (Ocean Plaza (Beijing))	72%
8.	北京信馳置業有限公司	信馳大廈(北京) (Xinchi Tower (Beijing))	70%
9.	天津遠頤房地產開發有限公司	遠洋紅熙郡(天津) (Royal River (Tianjin))	100%
10.	天津普利達房地產建設開發有限公司	遠洋城(天津) (Ocean City (Tianjin))	70%
11.	天津市遠馳房地產開發有限公司	遠洋國際中心(天津) (Ocean International Center (Tianjin))	69%
12.	上海遠匯置業有限公司	遠洋萬和四季(上海) (Ocean Seasons (Shanghai))	100%
13.	湖北福星惠譽常青置業有限公司	遠洋心漢口(武漢) (Heart of Hankow (Wuhan))	55.9%

	Name of Company(ies) Involved	Name of Project	Holding %
14.	大連正乾置業有限公司、大連明遠置業有限公司 (Dalian Sky-Upright Property Limited, Dalian Sunny-Ocean Property Limited)	紅星海世界觀(大連) (Ocean Worldview (Dalian))	100%
15.	大連新悅置業有限公司、大連廣宇置業有限公司、大連世甲置業有限公司、大連永圖置業有限公司、大連至遠置業有限公司、大連源豐置業有限公司	遠洋鑽石灣(大連) (Ocean Diamond Bay (Dalian))	100%
16.	遠洋地產(中山)開發有限公司	遠洋城(中山) (Ocean City (Zhongshan))	100%
17.	中山市遠恒房地產開發有限公司	遠洋翡麗郡(中山) (Ocean Emerald (Zhongshan))	100%
18.	中山市瑞景物業發展有限公司	遠洋瓏郡(中山) (Ocean Longshire (Zhongshan))	100%
19.	天基房地產開發(深圳)有限公司	遠洋新幹線(深圳) (Ocean Express (Shenzhen))	84.7%
20.	廣州市遠翔房地產開發有限公司	遠洋天驕(廣州) (Elite Palace (Guangzhou))	100%
21.	廣州華年喜年房地產開發有限公司	芙蓉墅(廣州)(Hibiscus Villa (Guangzhou))	51%
22.	南京遠鑫置業有限公司	遠洋棠悦山水(南京) (Sino-Ocean Tangyue Landscape (Nanjing))	100%
23.	合肥遠合置業有限公司	遠洋萬和雲錦(合肥) (Ocean Glory (Hefei))	100%
24.	重慶遠峰置業有限公司	遠洋山水賦(重慶) (Poetry of Landscape (Chongqing))	100%
25.	貴州築宸府置業有限公司	遠洋風景(貴陽) (Sino-Ocean Prospect (Guiyang))	89.8%
26.	南京遠乾置業有限公司	遠洋萬和四季(南京) (Ocean Seasons (Nanjing))	100%
27.	蘇州遠匯偉聖房地產開發有限公司	萬和悦花園(蘇州) (Mansion Yue (Suzhou))	70%
28.	漳州詔安遠洋地產有限公司	漳州遠洋風景(漳州) (Sino-Ocean Scenery (Zhangzhou))	70%
29.	中山市哈特貿易有限公司	中山遠洋繁花里項目(中山) (Blossoms Valley (Zongshan))	75%
30.	深圳市金楓房地產開發有限公司	深圳濱海大廈(深圳) (Ocean Seafront Towers (Shenzhen))	60%
31.	佛山市華尚致遠房地產開發有限公司	遠洋天驕(佛山) (Elite Palace (Foshan))	65.93%

TERMS AND CONDITIONS OF THE NOTES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Notes, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Notes:

The issue of the U.S.$200,000,000 3.80 per cent. credit enhanced green notes due 2025 (the "**Notes**", which term shall include, unless the context requires otherwise, any further notes issued in accordance with Condition 15 and consolidated and forming a single series therewith) of Sino-Ocean Land Treasure IV Limited (the "**Issuer**") was authorised by the board of directors of the Issuer on 6 April 2022. The guarantee of the Notes by Sino-Ocean Group Holding Limited (the "**Guarantor**") was authorised by its board of directors on 6 April 2022.

The Notes are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated on or about 26 April 2022 (the "**Issue Date**") made between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as trustee for the Holders of the Notes (the "**Trustee**", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) and are subject to the agency agreement dated on or about 26 April 2022 (as amended and/or supplemented from time to time, the "**Agency Agreement**") with the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Agent**"), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**") and the other paying agents and transfer agents appointed under it (each a "**Paying Agent**" or a "**Transfer Agent**", as applicable, and together with the Registrar, the Transfer Agent and the Principal Agent, the "**Agents**") in relation to the Notes, The Bank of New York Mellon, London Branch as the account bank (the "**Pre-funding Account Bank**") where the Pre-funding Account (as defined below) is held and The Bank of New York Mellon, London Branch as the account bank (the "**LC Proceeds Account Bank**") where the LC Proceeds Account (as defined below) is held. References to "**Paying Agents**" includes the Principal Agent and references to the "**Principal Agent**", the "**Registrar**", the "**Transfer Agent**" and the "**Agents**" below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Notes.

The Notes will have the benefit of an irrevocable standby letter of credit dated on or about 26 April 2022 (the "**Irrevocable Standby Letter of Credit**") issued by China Zheshang Bank Co., Ltd. Beijing Branch (the "**LC Bank**").

Copies of the Trust Deed, the Agency Agreement and the Irrevocable Standby Letter of Credit are available for inspection by Noteholders at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m.) at the principal office for the time being of the Trustee (being at the Issue Date at One Canada Square, London E14 5AL, United Kingdom) and at the specified office for the time being of the Principal Agent, in each case, following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Agent.

These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed (which includes the form of the Notes), the Agency Agreement and the Irrevocable Standby Letter of Credit. The Holders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Trust Deed, and are deemed to have notice of those provisions of the Agency Agreement and the Irrevocable Standby Letter of Credit applicable to them.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed.

1 FORM, DENOMINATION AND TITLE

(A) Form and Denomination

The Notes are issued in registered form in the denomination of U.S.$200,000 and higher integral multiples of U.S.$1,000 in excess thereof. A certificate (each a "**Certificate**") will be issued to each Holder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register.

Upon issue, the Notes will be represented by the Global Certificate registered in the name of, and deposited with, a common nominee of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate while any of the Notes are represented by the Global Certificate. See "*The Global Certificate*" in the Offering Circular.

(B) Title

Title to the Notes passes only by transfer and registration in the Register as described in Condition 3. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Note will be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

2 GUARANTEE AND STATUS

(A) Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. The obligations of the Guarantor in that respect (the "**Guarantee**") are contained in the Trust Deed. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(B) Status

The Notes constitute direct, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3 TRANSFERS OF NOTES; ISSUE OF CERTIFICATES

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the Holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes. Each Holder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

(B) Transfer

Subject to Conditions 3(E) and 3(F) and the terms of the Agency Agreement, a Note may be transferred by delivery of the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed by the Holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents. No transfer of a Note will be valid unless and until entered on the Register.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Notes will, within seven Business Days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder entitled to the Notes (but free of charge to the Holder and at the Issuer's expense) to the address specified in the form of transfer, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

Except in the limited circumstances described in the Global Certificate (see "*The Global Certificate*" in the Offering Circular), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Notes (being that of one or more Notes) in respect of which a Certificate is issued is to be transferred, a new Certificate in respect of the Notes not so transferred will, within seven Business Days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder of the Notes not so transferred (but free of charge to the Holder and at the Issuer's expense) to the address of such Holder appearing on the Register, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

(D) Formalities Free of Charge

Registration of a transfer of Notes and issuance of new Certificates will be effected without charge to Holders by or on behalf of the Issuer or any of the Agents, but (i) upon payment by the relevant Holder (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any of the Agents may require) in respect of any taxes, duties or other governmental charges which may be imposed in relation to such transfer, (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) subject to Condition 3(F).

(E) Closed Periods

No Holder may require the transfer of a Note to be registered (i) during the period of seven Business Days ending on (and including) the due date for redemption of that Note, (ii) during the period of seven Business Days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8, or (iii) during the period of seven Business Days ending on (and including) any Record Date (as defined in Condition 7(A)). Each such period is a "**Closed Period**".

(F) Regulations

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Holder following prior written request and proof of holding and identity to the satisfaction of the Registrar.

4 IRREVOCABLE STANDBY LETTER OF CREDIT AND PRE-FUNDING

(A) Irrevocable Standby Letter of Credit

The Notes will have the benefit of the Irrevocable Standby Letter of Credit issued by the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Notes. The Irrevocable Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Irrevocable Standby Letter of Credit on behalf of itself and the holders of the Notes upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Irrevocable Standby Letter of Credit) sent to the LC Bank by or on behalf of the Trustee in accordance with the terms of the Irrevocable Standby Letter of Credit (the "**Demand**") stating that (i) there has been a failure to comply with Condition 4(B) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or a failure to provide the Required Confirmations (as defined below) in accordance with Condition 4(B) or (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has given notice in writing to the Issuer that the Notes are immediately due and payable in accordance with Condition 10.

Only one drawing under the Irrevocable Standby Letter of Credit is permitted. Such drawing on the Irrevocable Standby Letter of Credit will be payable in U.S. dollars in immediately available funds to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. All amounts received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The payment made under the Irrevocable Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Notes, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Notes shall, to the extent of the drawing, be paid to or to the order of the Trustee to satisfy the obligations of the Issuer and the Guarantor in respect of such amount payable under these Conditions or in connection with the Notes, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Notes.

The LC Bank's aggregate liability under the Irrevocable Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.$204,800,000 (the "**Maximum Limit**"). The Irrevocable Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 6:00 p.m. (Hong Kong time) on 26 May 2025 and shall expire at the place of the LC Bank unless extended in accordance with its terms.

The form of the Irrevocable Standby Letter of Credit is scheduled to the offering circular. See "Appendix A — Form of Irrevocable Standby Letter of Credit".

(B) Pre-funding

In order to provide for the payment of any amount in respect of the Notes and under the Trust Deed (other than the amounts payable under Condition 8(D)) (the "**Relevant Amount**") as the same shall become due, the Issuer or the Guarantor shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (London time) on the Business Day falling 10 Business Days (the "**Pre-funding Date**") prior to the due date for such payment under these Conditions:

(i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorised Signatory of each of the Issuer and the Guarantor, and (y) a copy of the irrevocable payment instruction from the Issuer or the Guarantor, as the case may be, to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the relevant Pre-funding Date in full to the Principal Agent by no later than 10:00 a.m. (London time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee as soon as reasonably practicable if there has been a failure to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions.

So long as any Note is outstanding, save with the approval of the Trustee or any Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, each of the Issuer and the Guarantor shall not make (or cause to be made on its behalf) any withdrawal from the Pre-funding Account under any circumstances (other than in accordance with the Required Confirmations or in accordance with these Conditions), and the Pre-funding Account Bank shall be entitled to disregard any instruction to effect any such withdrawal from the Issuer or the Guarantor (or any person acting on their respective behalf) or to effect any other withdrawal.

If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (London time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall:

(a) on the second Business Day immediately following the Pre-funding Date give notice substantially in the form set out in the Trust Deed (the "**Pre-funding Failure Notice**") to the Noteholders of (x) the Pre-funding Failure and (y) the redemption of the Notes in accordance with Condition 8(D) to occur as a result of the Pre-funding Failure (and the Trustee shall also provide a copy of such Pre-funding Failure Notice to the Rating Agency(ies) then rating the Notes). Notwithstanding anything to the contrary in the Trust Deed, these Conditions, the Irrevocable Standby Letter of Credit or any other transaction document: (I) the Trustee shall not be obliged to provide any other details to such Rating Agency(ies) at any time; (II) any failure by the Trustee to provide a copy of such Pre-funding Failure Notice as aforesaid or to notify such Rating Agency(ies) shall not in any way invalidate the relevant Pre-funding Failure Notice; and (III) the Trustee shall not be liable to the Issuer, the Guarantor, the Noteholders, the LC Bank, the Rating Agency(ies) or any other person for not doing so; and

(b) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date issue a Demand to the LC Bank (which shall be presented by the Trustee or on behalf of the Trustee by The Bank of New York Mellon, Hong Kong Branch acting as the Trustee's delegate in relation to the Irrevocable Standby Letter of Credit (the "**Delegate**")) for the Mandatory Redemption Amount (as defined in Condition 8(D)) in respect of all of the Notes which will be due and payable on the Mandatory Redemption Date (as defined in Condition 8(D)), together with interest accrued to but excluding the Mandatory Redemption Date and any fees, costs, expenses, indemnity payments and all other amounts payable to the Trustee under or in connection with the Notes, the Guarantee, the Trust Deed and the Agency Agreement and/or any other transaction document relating to the Notes then outstanding, being an amount not exceeding the Maximum Limit, *provided* that, in accordance with the terms of the Irrevocable Standby Letter of Credit, the Trustee or the Delegate need not physically present the Demand under the Irrevocable Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT to the LC Bank or, in the event that the SWIFT system is not available for any reason, the Trustee or the Delegate may instead present a Demand via facsimile transmission to the LC Bank as permitted under the Irrevocable Standby Letter of Credit.

If the LC Bank receives such Demand on or before 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall on or before 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following the Business Day on which such Demand was received (or, if such Demand is received by the LC Bank after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day immediately following the Business Day on which such Demand was received) pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand in immediately available funds to the LC Proceeds Account.

For the purposes of this Condition 4:

"**Business Day**" means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in Hong Kong, Beijing, London and New York City;

"**LC Proceeds Account**" means a non-interest-bearing U.S. dollar account established in the name of the Trustee with the LC Proceeds Account Bank;

"**Payment and Solvency Certificate**" means a certificate, in substantially the form set forth in the Agency Agreement, stating the Relevant Amount and its due date under the Notes and confirming that (a) a payment for the Relevant Amount has been made by the Issuer or the Guarantor, as the case may be, to the Pre-funding Account in accordance with Condition 4(B) and (b) each of the Issuer and the Guarantor is solvent; and

"**Pre-funding Account**" means a non-interest-bearing U.S. dollar account established in the name of the Issuer with the Pre-funding Account Bank.

5 COVENANTS

The Guarantor undertakes to file or cause to be filed with the National Development and Reform Commission of the People's Republic of China (the "**PRC**") (the "**NDRC**") the requisite information and documents in respect of the issuance of the Notes within 10 PRC Business Days after the Issue Date and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately (the "**Post-Issuance Filing**"). The Guarantor shall use all reasonable endeavours to complete the Post-Issuance Filing and shall comply with all applicable PRC laws and regulations in relation to the issue of the Notes and the Guarantee.

The Guarantor shall, within 10 PRC Business Days after completion of the Post-Issuance Filing, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the Post-Issuance Filing; and (ii) a copy of the Post-Issuance Filing setting out the particulars of filing, certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor (the documents in (i) and (ii) above of this Condition 5 collectively, the "**Filing Documents**"). In addition, the Guarantor shall procure that, within 10 PRC Business Days after the Filing Documents are delivered to the Trustee, the Issuer gives notice to the Holders (in accordance with Condition 16) confirming the completion of the Post-Issuance Filing.

The Trustee shall have no obligation or duty to monitor or ensure the submission of the Post-Issuance Filing with the NDRC, to assist the Guarantor with the making or the completion of the Post-Issuance Filing with the NDRC, to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Post-Issuance Filing and/or the Filing Documents, to translate or procure the translation of any such documents into English or to give notice to the Holders confirming the completion of the Post-Issuance Filing, and the Trustee shall not be liable to Holders or any other person for not doing any of the foregoing.

6 INTEREST

(A) Interest Payment Dates

The Notes bear interest from and including 26 April 2022 at a rate of 3.80 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$19.0 per Calculation Amount (as defined in Condition 6(D) below) on 26 April and 26 October in each year (each an "**Interest Payment Date**").

(B) Interest Payments

Each Note will cease to bear interest from (and including) its due date for redemption unless, upon due presentation of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder, and (ii) the day seven days after the Trustee or the Principal Agent has notified Holders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Conditions).

(C) Interest Periods

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, the period beginning on and including 26 April 2022 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "Interest Period".

(D) Calculation of Interest

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in this Condition 6 in relation to equal instalments, be equal to the product of 3.80 per cent., the Calculation Amount and the day count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7 PAYMENTS

(A) Method of Payment

Payment of principal, premium and interest will be made in U.S. dollars by transfer to the registered account of the Holder. Payment of principal and premium will only be made after surrender of the relevant Certificate at the specified office of any of the Paying Agents.

Interest due on an Interest Payment Date will be paid on the due date for the payment of such interest to the Holder shown on the Register at the close of business on the seventh day before the due date for the payment of interest (the "**Record Date**").

(B) Registered Accounts

For the purposes of this Condition 7, a Holder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the fifth Business Day before the due date for payment, and a Holder's registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No expenses shall be charged to the Holders in respect of such payments.

(D) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal or premium, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

(E) Delay in Payment

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day or if the Holder is late in surrendering its Certificate (if required to do so).

(F) Partial Payment

If an amount which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8 REDEMPTION, PURCHASE AND CANCELLATION

(A) Final Redemption

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 26 April 2025 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 8.

(B) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and to the Principal Agent in writing and to the Holders in accordance with Condition 16 (which notice shall be irrevocable) at their principal amount together with interest, if any, accrued to (but excluding) the date fixed for redemption (the'**Tax Redemption Date**") and unpaid, if the Issuer or the Guarantor satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 April 2022, and (ii) such obligation cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it (a "**Gross-Up Event**"), provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or, as the case may be, the Guarantor) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or, as the case may be, the Guarantee) then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B), the Issuer (or, as the case may be, the Guarantor) shall deliver to the Trustee (a) a certificate in English signed by an Authorised Signatory of the Issuer (or, as the case may be, by an Authorised Signatory of the Guarantor) stating that the obligation referred to in (i) above of this Condition 8(B) cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Holders. Upon the expiry of the Tax Redemption Notice, the Issuer will be bound to redeem the Notes at their principal amount together with any interest accrued to (but excluding) the Tax Redemption Date and unpaid.

(C) Redemption for Put Event

At any time following the occurrence of a Put Event, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all, and not some only, of that Holder's Notes on the Put Event Redemption Date at 100 per cent. of their principal amount, together with interest, if any, accrued to (but excluding) such Put Event Redemption Date and unpaid. To exercise such right, the Holder of the relevant Note must deposit at the specified office of the Principal Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Notes to be redeemed, by not later than 30 days following a Put Event, or, if later, 30 days following the date upon which notice thereof is given to Holders by the Issuer in accordance with Condition 16.

The "**Put Event Redemption Date**" shall, subject to Condition 8(D), be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid on the Put Event Redemption Date.

The Issuer shall give written notice to Holders in accordance with Condition 16 and to the Trustee and the Principal Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Put Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 8(C).

For the purpose of this Condition 8(C):

"**Change of Control**" occurs when:

(i) China Life Insurance Company Limited and its wholly-owned subsidiaries together cease to be the single largest shareholder of the Guarantor; or

(ii) China Life Insurance Company Limited and its wholly-owned subsidiaries together cease to have a nominee director on the board of directors of the Guarantor;

"**Fitch**" means Fitch Ratings Ltd. and its successors;

"**Investment Grade Rating**" 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 "BBB-"or better by Fitch, 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 S&P, or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for Moody's, Fitch or S&P or any combination thereof, as the case may be (and any such designation shall be notified in writing by the Issuer to the Trustee);

"**Moody's**" means Moody's Investors Services, Inc. and its successors;

"**Non-Investment Grade Rating**" means a rating below an Investment Grade Rating assigned by a Rating Agency;

a "**Put Event**" will be deemed to occur if:

(i) there is a Change of Control; and

(ii) within a period ending six months after the date notice of the Change of Control first becomes public, a Ratings Downgrade occurs,

provided that if at the time of occurrence of the Change of Control, the Notes carry a Non-Investment Grade Rating or no credit rating from any of the Rating Agencies, a Put Event will be deemed to occur upon the occurrence of a Change of Control alone;

"**Rating Agencies**" means all or two or more of Moody's, Fitch and S&P or any of their respective successors or assigns, and each a "**Rating Agency**";

"**Ratings Downgrade**" means if:

(i) the Guarantor carries an Investment Grade Rating from three Rating Agencies, each of at least two Rating Agencies either (a) downgrades the Investment Grade Rating given by it to the Guarantor to a Non-Investment Grade Rating, or (b) withdraws the Investment Grade Rating given by it to the Guarantor;

(ii) the Guarantor carries an Investment Grade Rating from two Rating Agencies, each of both Rating Agencies either (a) downgrades the Investment Grade Rating given by it to the Guarantor to a Non-Investment Grade Rating, or (b) withdraws the Investment Grade Rating given by it to the Guarantor; or

(iii) the Guarantor carries an Investment Grade Rating from one Rating Agency, such Rating Agency either (a) downgrades the Investment Grade Rating given by it to the Guarantor to a Non-Investment Grade Rating, or (b) withdraws the Investment Grade Rating given by it to the Guarantor; and

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors.

The Trustee and the Agents shall not be required to take any steps to ascertain or monitor whether a Put Event or any event which could lead to a Put Event has occurred or may occur and none of them shall be responsible for or liable to Holders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so. Each of the Trustee and the Agents shall be entitled to assume that no Put Event has occurred until the Trustee or the relevant Agent, as applicable, has received notice thereof in writing.

(D) Mandatory Redemption upon Pre-funding Failure

The Notes shall be redeemed in whole, but not in part, at their principal amount (the "**Mandatory Redemption Amount**") on the Interest Payment Date falling immediately after the date the Pre-funding Failure Notice is given to the Noteholders in accordance with Condition 4(B) (the "**Mandatory Redemption Date**"), together with interest accrued to, but excluding, the Mandatory Redemption Date, *provided* that if the holder of any Note shall have exercised its right to require the Issuer to redeem its Note pursuant to Condition 8(C) and a Pre-funding Failure Notice is given to the Noteholders in accordance with Condition 4(B) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, all the Notes then outstanding shall be redeemed in whole, but not in part, at the Mandatory Redemption Amount in accordance with this Condition 8(D) on the Put Event Redemption Date, together with interest accrued to but excluding such Put Event Redemption Date.

(E) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (the "**Relevant Redemption Notice**") to the Trustee and the Principal Agent in writing and to the Holders in accordance with Condition 16 (which notice shall be irrevocable), the Issuer may at any time from or after 26 March 2025, redeem the Notes, in whole but not in part, at 100 per cent. of their principal amount, together with interest, if any, accrued to (but excluding), the relevant redemption date specified in the Relevant Redemption Notice and unpaid. None of the Trustee or the Agents shall be responsible for calculating or verifying the amount payable pursuant to this Condition 8(E) and will not be responsible or liable to Holders, the Issuer, the Guarantor or any other person for any loss arising from not doing so.

(F) Notices of Redemption

All Notes in respect of which any notice of redemption is given under this Condition 8 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 8. If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Conditions 8(B) and 8(E) and any Put Exercise Notice given by a Holder pursuant to Condition 8(C)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(G) Purchase

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time and from time to time purchase Notes at any price in the open market or otherwise. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall be deemed not to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders and for the purposes of Conditions 10, 12 and 19.

(H) Cancellation

All Certificates representing Notes which are redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall forthwith be cancelled. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

9 TAXATION

All payments made by the Issuer or the Guarantor under or in respect of the Notes, the Trust Deed, the Guarantee or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands or Hong Kong or, in either case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (the "**Additional Tax Amounts**") as will result in the receipt by the Holders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Note:

(i) *Other connection:* to a Holder (or to a third party on behalf of a Holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the British Virgin Islands or in the case of payments made by the Guarantor, Hong Kong, otherwise than merely by holding the Note or by the receipt of amounts in respect of the Note; or

(ii) *Presentation more than 30 days after the relevant date:* (in the case of a payment of principal) if the Certificate in respect of such Note is surrendered more than 30 days after the relevant date except to the extent that the Holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, "**relevant date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, seven days after the date on which, the full amount having been so received, notice to that effect shall have been given to the Holders and payment made.

References in these Conditions to principal, interest and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for (A) determining whether the Issuer, the Guarantor or any Noteholder is liable to pay any taxes, duty, charges, withholding or other payment referred to in this Condition 9; or (B) determining the sufficiency or insufficiency of any amounts so paid. None of the Trustee or the Agents shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder, or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

10 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested by Holders of at least 25 per cent. in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest (and the Trustee shall also provide a copy of such acceleration notice to the Rating Agency(ies) then rating the Notes). Notwithstanding anything to the contrary in the Trust Deed, these Conditions, the Irrevocable Standby Letter of Credit or any other transaction document: (I) the Trustee shall not be obliged to provide any other details to such Rating Agency(ies) at any time; (II) any failure by the Trustee to provide a copy of such acceleration notice as aforesaid or to notify such Rating Agency(ies) shall not in any way invalidate such acceleration notice; and (III) the Trustee shall not be liable to the Issuer, the Guarantor, the Noteholders, the LC Bank, the Rating Agency(ies) or any other person for not doing so:

(A) With respect to the Issuer and the Guarantor:

(i) *Non-Payment:* there has been a failure to pay the principal or premium of or any interest on any of the Notes when due and such failure continues for a period of seven days in the case of principal or premium and 14 days in the case of interest; or

(ii) *Breach of Other Obligations:* the Issuer or the Guarantor fails to perform or comply with any one or more of their other respective obligations in the Notes or the Trust Deed or under the Guarantee which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee, *provided* that any non-compliance with Condition 4(B) does not constitute an Event of Default under this Condition 10(A)(ii) unless and until an Event of Default has occurred under Condition 10(A)(i); or

(iii) *Enforcement Proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or

(iv) *Security Enforced:* any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(v) *Insolvency:* the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium (which expression shall not include any deferral of principal originally contemplated and made in accordance with the terms of any loan or other debt-related agreement) is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

(vi) *Winding-up:* an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any of the Principal Subsidiaries, or the Issuer, the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, except for (a) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Holders, or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of its Subsidiaries, or (b) any voluntary solvent winding-up, liquidation or dissolution of a Principal Subsidiary (other than the Issuer) where the undertaking and assets of such Principal Subsidiary (if any) is vested in the Guarantor or another Subsidiary; or

(vii) *Nationalisation:* any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

(viii) *Authorisation and Consents:* any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Notes and the Trust Deed admissible in evidence in the Hong Kong courts is not taken, fulfilled or done; or

(ix) *Illegality:* it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed or the Guarantee; or

(x) *Issuer ceases to be Subsidiary:* the Issuer ceases to be a Subsidiary wholly-owned and controlled, directly or indirectly, by the Guarantor; or

(xi) *Guarantee:* the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(xii) *Irrevocable Standby Letter of Credit:* the Irrevocable Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or

(xiii) *Analogous Events:* any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(A)(i) to 10(A)(xii) (both inclusive).

In this Condition 10(A), "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(i) whose gross revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross revenue attributable to the Guarantor is at least 5 per cent. of the consolidated gross revenue of the Guarantor and its consolidated Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries whose accounts are not consolidated with the accounts of the Guarantor and of associated entities and after adjustment for minority interests; or

(ii) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets attributable to the Guarantor, is at least 5 per cent. of the consolidated gross assets of the Guarantor and its Subsidiaries, including the investment of the Guarantor and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the accounts of the Guarantor and of associated entities and after adjustment for minority interests; or

(iii) whose gross profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profits attributable to the Guarantor is at least 5 per cent. of the consolidated gross profits of the Guarantor, including the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries whose accounts are not consolidated with the accounts of the Guarantor and of associated entities and after adjustment for minority interests; or

(iv) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer was a Principal Subsidiary, whereupon (I) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary and (II) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of the sub-paragraphs above of this definition;

in the case of each of (i), (ii) and (iii) above of this definition, as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Guarantor and the then latest audited consolidated financial statements of the Guarantor, provided that:

(a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the then latest audited consolidated financial statements of the Guarantor relate, the reference to the then latest consolidated audited consolidated financial statements of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited financial statements of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited financial statements of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(b) if at any relevant time in relation to any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, its gross revenue, gross profit or gross assets shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Guarantor;

(c) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross assets or gross profit (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(d) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (a) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; or

A certificate signed by any director of the Guarantor who is also an Authorised Signatory of the Guarantor stating that, in his opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

(B) With Respect to the LC Bank:

(i) *Cross-acceleration:* failure by the LC Bank or any LC Bank Subsidiary to make any payment when due of principal or interest in excess of U.S.$20.0 million (or the Dollar Equivalent thereof) (whether upon maturity, acceleration or otherwise) on or in connection with Public External Indebtedness (other than that represented by the Notes) or guarantees given by the LC Bank or any LC Bank Subsidiary in respect of Public External Indebtedness of others, and such failure by the LC Bank or any LC Bank Subsidiary to make payment or to validly reschedule the payment (with the consent of the persons to which such Public External Indebtedness is owed) of such Public External Indebtedness continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due; or

(ii) *Insolvency:* the LC Bank or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or any material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or any material part of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or a composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the LC Bank or any Material Subsidiary; or

(iii) *Winding-up:* an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the LC Bank, or the LC Bank or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations; or

(iv) *Illegality:* it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Irrevocable Standby Letter of Credit, and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 30 calendar days such that the LC Bank may lawfully perform such obligations; or

(v) *Analogous Events:* any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(B)(i) to 10(B)(iv) (both inclusive).

In this Condition 10(B):

"**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;

"**LC Bank Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the LC Bank;

"**Material Subsidiary**" means an LC Bank Subsidiary whose total assets or total revenue (consolidated in the case of an LC Bank Subsidiary which itself has subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which those audited financial statements relate, account for five per cent. or more of the consolidated assets or consolidated revenue of the LC Bank as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to an LC Bank Subsidiary, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer;

"**Public External Indebtedness**" means any indebtedness of the LC Bank or any LC Bank Subsidiary for moneys borrowed (including indebtedness represented by bonds, notes, debentures or other similar instruments) or any guarantee by the LC Bank or any LC Bank Subsidiary of indebtedness for moneys borrowed which, in either case, (i) has an original maturity in excess of one year, and (ii) is, or is capable of being, quoted, listed or traded on any stock exchange or over-the-counter or other similar securities market outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); *provided* that Public External Indebtedness shall not include any such indebtedness for borrowed moneys owed to any financial institution in the PRC.

Each of the Issuer and the Guarantor shall (I) at the same time as the Guarantor's annual audited financial statements are provided to the Trustee pursuant to Clause 7.4 of the Trust Deed or (II) within 14 days of any request of the Trustee, send to the Trustee a certificate signed by an Authorised Signatory of the Issuer or, as the case may be, by an Authorised Signatory of the Guarantor to the effect that as at a date (the "**Certification Date**") not more than five days prior to the date of the certificate (x) no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it and (y) each of the Issuer and the Guarantor has complied with all its covenants and obligations under the Trust Deed, the Agency Agreement and the Notes or, if any non-compliance had occurred, giving details of it.

11 PRESCRIPTION

Claims in respect of amounts due in respect of the Notes will become prescribed unless made within 10 years (in the case of principal or premium) and five years (in the case of interest) from the relevant date (as defined in Condition 9) in respect thereof.

12 MEETINGS OF HOLDERS

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of the Notes or the provisions of the Trust Deed, the Agency Agreement or the Irrevocable Standby Letter of Credit. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor and shall be convened by the Trustee following request in writing from Holders holding not less than 10 per cent. in aggregate principal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Notes for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Holders whatever the principal amount of the Notes so held or represented unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the due date for any payment in respect of the Notes, (ii) to reduce or cancel the amount of principal or interest or premium payable in respect of the Notes, (iii) to change the currency of payment of the Notes, (iv) to cancel or modify the Guarantee or (v) to modify the provisions concerning the quorum required at any meeting of the Holders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent., in principal amount of the Notes for the time being outstanding, (vi) to modify or release the Irrevocable Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Irrevocable Standby Letter of Credit in connection with a further issue of notes pursuant to Condition 15 or modification pursuant to Condition 13(A)). An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the Holders of not less than 90 per cent. of the aggregate principal amount of Notes for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

So long as the Notes are represented by the Global Certificate, "Extraordinary Resolution" includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of Notes for the time being outstanding.

13 MODIFICATION AND WAIVER

(A) Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Holders, to (i) any modification (except as mentioned in Condition 12 above) to, or the waiver or authorisation of any breach or proposed breach of, the Notes, the Agency Agreement, the Trust Deed or the Irrevocable Standby Letter of Credit which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders, (ii) any modification to the Notes, the Agency Agreement, the Trust Deed or the Irrevocable Standby Letter of Credit which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of applicable law, and (iii) any amendment or supplement to, or a replacement of, the Irrevocable Standby Letter of Credit in connection with a future issue of notes pursuant to Condition 15 to reflect the new aggregate principal amount of the Notes following such issue. Any such modification, waiver or authorisation will be binding on the Holders and, unless the Trustee agrees otherwise, any such modification, waiver and authorisation will be notified by the Issuer to the Holders as soon as practicable thereafter.

(B) Interests of Holders

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution), the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders and the Trustee shall not be entitled to require on behalf of any Holder, nor shall any Holder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(C) Certificates/Reports

Any certificate, opinion, advice or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate, opinion, advice or report and/or any engagement letter or other document entered into by the Trustee and/or the Issuer and/or the Guarantor in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 12, or a modification, waiver or authorisation in accordance with Condition 13(A), the Issuer will procure that the Holders be notified in accordance with Condition 16.

14 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity and/or security as the Issuer and/or the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for making or submission of the Post-Issuance Filing) and so that such further issue shall be consolidated and form a single series with the Notes. Such further notes shall be constituted by a deed supplemental to the Trust Deed. However, such further notes may only be issued if (A) the Rating Agency which has provided a credit rating in respect of the Notes has been informed by the Issuer of such issue (and the Trustee may rely conclusively and without verification on a certificate addressed to it from the Issuer certifying that it has so informed such Rating Agency, and the Trustee shall not be liable to the Issuer, the Guarantor, the LC Bank, the Holders or any other person for doing so); (B) a further or supplemental or replacement irrevocable standby letter of credit is issued by the LC Bank (or an amendment is made to the Irrevocable Standby Letter of Credit) on terms that are substantially similar to the Irrevocable Standby Letter of Credit (including that the stated amount of such further or supplemental or replacement irrevocable standby letter of credit is at least equal to the sum of the principal of and an amount equal to one interest payment due on such further notes up to the maturity date of such notes plus 30 days or, in the case of a replacement irrevocable standby letter of credit, that the stated amount thereof is at least equal to the sum of the principal of and an amount equal to one interest payment due on the aggregate of the outstanding Notes and such further notes up to the maturity date of such notes plus 30 days) and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue (subject to a cap (if any) as agreed between the Issuer and the Trustee) and (C) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Irrevocable Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended irrevocable standby letter of credit.

16 NOTICES

All notices to Holders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of the date(s) of such publication(s) (or, if published more than once, the first date on which publication is made) and the seventh day after being so mailed, as the case may be.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any Alternative Clearing System (as defined in the form of the Global Certificate), notices to Holders shall be given by delivery of the relevant notice to Euroclear, Clearstream or the Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 AGENTS

The names of the initial Agents and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer will at all times maintain (A) a Principal Agent, (B) a Transfer Agent and (C) a Registrar which will maintain the Register outside the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar, the Transfer Agent or the Principal Agent will be given promptly by the Issuer to the Holders and in any event not less than 30 days' notice will be given.

18 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with all or any of the Issuer, the Guarantor, the LC Bank and any entity related (directly or indirectly) to the Issuer, the Guarantor and/or the LC Bank without accounting for any profit.

The Trustee may rely without liability to Holders, the Issuer, the Guarantor, the LC Bank or any other person on any report, information, confirmation or certificate from or any opinion or advice of any accountants, auditors, legal advisers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise limited or excluded. The Trustee may accept and shall be entitled to rely on any such report, information, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be conclusive and binding on the Issuer, the Guarantor, the LC Bank and the Holders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Irrevocable Standby Letter of Credit or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to it exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Holders by way of an Extraordinary Resolution, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the LC Bank, the Holders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such directions from the Holders or in the event that no such direction is given to the Trustee by the Holders.

None of the Trustee or any Agent shall be liable to any Holder, the Issuer, the Guarantor, the LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Holders. The Trustee shall be entitled to rely on any direction, request or resolution of Holders given by Holders holding the requisite principal amount of Notes outstanding or passed at a meeting of Holders convened and held in accordance with the Trust Deed.

None of the Trustee, the Agents or the Account Banks shall be responsible for the performance by the Issuer and/or the Guarantor and/or the LC Bank and any other person appointed by the Issuer and/or the Guarantor and/or the LC Bank in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor or the LC Bank to the contrary, each of the Trustee, each Agent and each Account Bank shall be entitled to assume that the same are being duly performed.

None of the Trustee, the Agents or the Account Banks shall have any obligation to monitor whether an Event of Default, a Potential Event of Default, a Gross-Up Event or a Put Event has occurred, or any event which could lead to the occurrence of an Event of Default, a Potential Event of Default, a Gross-Up Event or a Put Event has occurred or may occur, and the Trustee shall not be liable to the Holders or any other person for not doing so.

Each Holder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor, the LC Bank, each Principal Subsidiary, each Material Subsidiary and each Subsidiary of the Issuer, the Guarantor and/or the LC Bank, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

19 ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may (but shall not be obliged to), at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor and/or the LC Bank as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement and the Notes and/or the Guarantee and, where appropriate, to draw down on and enforce the Irrevocable Standby Letter of Credit, but it need not take any such steps, actions and/or proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Holders holding at least 25 per cent. in aggregate principal amount of the Notes then outstanding, and (ii) other than in the case of the making of a drawing under the Irrevocable Standby Letter of Credit, it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Holder may proceed directly against the Issuer, the Guarantor or the LC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

20 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent (if any) that the Notes expressly provide for the Act to apply to any of their terms but this shall not affect any right or remedy which exists or is available apart from the Act and is without prejudice to the rights of the Holders as set out in Condition 19.

21 GOVERNING LAW AND SUBMISSION TO JURISDICTION

The Notes, the Trust Deed, the Agency Agreement and the Irrevocable Standby Letter of Credit and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Notes, the Trust Deed or the Irrevocable Standby Letter of Credit, each of the parties has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of the Hong Kong courts and in relation thereto the Issuer has appointed the Guarantor at its registered office at Suite 601, One Pacific Place, 88 Queensway, Hong Kong as its agent for service of process in Hong Kong. The LC Bank has, in the Irrevocable Standby Letter of Credit, irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to such proceedings in any such courts whether on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum.

22 DEFINITIONS

In these Conditions:

"**Authorised Signatory**" means, in relation to the Issuer or the Guarantor, any director or any other officer of the Issuer or the Guarantor, as the case may be, who has been authorised by the Issuer or, as the case may be, by the Guarantor, to sign the certificates and other documents required by or as contemplated in the Trust Deed, the Agency Agreement or any other transaction document on behalf of, and so as to bind, the Issuer or the Guarantor, as the case may be, and which the Issuer or the Guarantor, as the case may be, has notified in writing to the Trustee and the Agents as provided in Clause 17.29 of the Agency Agreement;

"**Business Day**" means:

(i) in respect of Condition 3, any day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar and the relevant Transfer Agent with whom a Certificate is deposited in connection with a transfer is located; and

(ii) in respect of Condition 7, any day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in New York, Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered;

"**Holder**" means (in relation to a Note) the person in whose name a Note is registered;

a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity);

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing;

"**Register**" means the register of Holders which the Issuer shall procure to be kept by the Registrar; and

"**Subsidiary**" means in relation to any person, is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws or regulations of Hong Kong, or Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time, should have its accounts consolidated with those of that person.

THE GLOBAL CERTIFICATE

The Global Certificate will contain the following provisions which will apply to the Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in the paragraphs below of this section.

PAYMENTS

The Issuer, for value received, will promise to pay to the holder of the Notes represented by the Global Certificate upon presentation and (when no further payment falls to be made in respect of such Notes) surrender of the Global Certificate on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions of the Notes may become repayable in accordance with the Terms and Conditions of the Notes) the amount payable upon redemption under the Terms and Conditions of the Notes in respect of the Notes represented by the Global Certificate and to pay interest in respect of such Notes in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions of the Notes, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Notes, in accordance with the Terms and Conditions of the Notes.

Payments of principal, premium (if any) and interest in respect of the Notes represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a weekday (Monday to Friday inclusive) except 25 December and 1 January on which the relevant clearing system is operating and open for business.

NOTICES

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or an alternative clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions of the Notes.

TRANSFERS

Transfers of interests in the Notes represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any alternative clearing system) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any alternative clearing system) and their respective direct and indirect participants.

MEETINGS

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount of Notes for which the Global Certificate is issued.

HOLDER'S REDEMPTION

The Holder's redemption option in Condition 8(C) of the Terms and Conditions of the Notes may be exercised by the registered holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in the Terms and Conditions of the Notes.

ISSUER'S REDEMPTION

The Issuer's redemption options in Conditions 8(B) and 8(E) of the Terms and Conditions of the Notes may be exercised by the Issuer giving notice to the Principal Agent and the registered holder of the Global Certificate within the time limits specified in the Terms and Conditions of the Notes.

EXCHANGE FOR DEFINITIVE CERTIFICATES

Owners of interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual definitive Certificates if Euroclear or Clearstream or any other clearing system through which the Notes are held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

THE ISSUER

The Issuer was incorporated under the laws of the British Virgin Islands with limited liability on 30 May 2018. The registered office of the Issuer is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Issuer is authorised to issue a maximum of 50,000 shares of a single class each with a par value of U.S.$1.00. One registered share has been issued and paid up.

The Issuer has no subsidiaries. The Issuer is indirectly and wholly owned by the Guarantor.

The Issuer was established for the purpose of issuing notes and on-lending the proceeds to the Guarantor or its subsidiaries. Since its incorporation, the Issuer has not engaged in any other material activities other than those relating to the proposed issue of the 2022 Notes, the 2025 Notes, the 2026 Notes, the 2029 Notes, the 2030 Notes and the proposed issue of the Notes, and the on-lending of the proceeds thereof to the Guarantor or any other subsidiary of the Guarantor, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

The directors of the Issuer at the date of this Offering Circular are Mr. LI Ming Mr. SUM Pui Ying and Ms. LIU Cheuk Kei, Chloe. The business address of the directors is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Issuer has no employees.

The directors of the Issuer do not have any interest or short position in the shares, underlying shares or debentures of the Issuer or of any of its subsidiaries. Under BVI law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as it is necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

THE GROUP

OVERVIEW

We are a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region and the Western Region. Our core businesses include development of residential property, investment property development and operation, property services and whole-industrial chain construction services, along with synergic business in real estate financing, senior living service, logistics real estate and internet data center, etc. We aim to build upon our proven track records in real estate development and grow into a leading group that excels in sector investments. Attributable to our focus on quality products and professional services, we have built "Sino-Ocean" ("遠洋") into a strong national brand.

We owned more than 330 projects in different stages of development as of 31 December 2021 in rapidly growing Chinese cities and metropolitan regions, such as Beijing, Langfang, Qinhuangdao and Shijiazhuang in the Beijing Region; Tianjin, Dalian, Jinan and Qingdao in the Bohai Rim Region; Shanghai, Wezhou and Suzhou in the Eastern Region; Shenzhen, Zhongshan, Guangzhou and Zhanjiang in the Southern Region; Wuhan, Changsha and Zhengzhou in the Central Region; Chengdu, Xi'an and Guiyang in the Western Region. In addition, the Company's business territory has expanded abroad to Indonesia and Singapore. As of 31 December 2021, we had a land reserve of over 53 million sq.m. We have developed a balanced property portfolio, with residential, office and retail properties typically situated in either prime or central city locations with convenient transportation access. Most of our residential properties target the emerging or affluent urban middle class in the PRC, especially first-time home buyers and upgraders. We sell most of the properties we developed while selectively retaining portions as investment properties. This allows us to achieve strong sales while generating growing recurring income with capital appreciation potential. As at 31 December 2021, we held more than 23 operating investment properties. Our investment properties are mainly A-grade office premises, shopping malls, commercial complexes and logistics projects at good location. The total leasable area of our investment properties amounted to approximately 3,923,000 sq.m. as of 31 December 2021, with office developments about 24 per cent., logistics projects about 48 per cent. and others including commercial complexes, car parks and others 28 per cent. In 2021, revenue from property investment decreased by 17 per cent. to RMB410 million as compared to RMB494 million in 2020, which was mainly due to the implementation of mid to light asset mode for the Group's investment properties.

China Life is our single largest shareholder and held approximately 29.59 per cent. of our shares as of 31 December 2021. Dajia Life Insurance is our second largest shareholder and held approximately 29.58 per cent. of our shares as of the same date. Both China Life and Dajia Life Insurance have nominated directors on our Board of Directors. As at the date of this Offering Circular, China Life nominates three non-executive directors, while Dajia Life Insurance nominates two non-executive directors. We have received strong support from China Life. From an operational perspective, we have cooperated with China Life in numerous projects. From a financial perspective, China Life, together with China Guangfa Bank, in which China Life has a controlling stake, actively supported the Company's bond issuances. They have subscribed over RMB7 billion in our past issuances, including a domestic corporate bond, USD notes, "panda" medium-term notes and private placement notes. Please refer to the section headed "Relationship with Principal Shareholders" for more details.

For the years ended 31 December 2019, 2020 and 2021, our contracted sales amounted to RMB130,030 million, RMB131,040 million and RMB136,260 million, respectively. For those same periods, our revenue was RMB50,926 million, RMB56,511 million and RMB64,247 million, respectively, and revenue from property development accounted for approximately 85 per cent., 88 per cent. and 86 per cent. of our revenue, respectively. Profit for the years ended 31 December 2019, 2020 and 2021 was RMB4,166 million, RMB4,683 million and RMB5,091 million, respectively.

OUR STRENGTHS

We believe that our success and future prospects are supported by the following strengths:

Leading national property developer with strong sales growth

We are one of the top listed real estate developers in the PRC. We have more than 20 years of experience in the PRC real estate industry. We were ranked 202nd on the 2021 Fortune China 500 List by the world-renowned financial magazine Fortune, and we have been on the list for 12 consecutive years.

In pursuit of the strategic vision of being the "Creator of Building Health and Social Value", we are committed to becoming a pragmatic comprehensive corporation focusing on investment and development while exploring related diversified new businesses. Our core businesses include residential property development, investment property development and operation, property services and whole-industrial chain construction services, along with synergic business in real estate financing, senior living service, logistics real estate and internet data center, etc. "Sino-Ocean" is a brand name with nationwide reputation as a provider of consistent quality products and professional services. As of 31 December 2021, we had more than 330 projects in different stages across 63 cities in the PRC and overseas. 65 of our projects are located in the Beijing Region, 58 of our projects are located in the Bohai Rim Region, 73 of our projects are located in the Eastern Region, 46 of our projects are located in the Southern Region, 36 of our projects are located in the Central Region, 49 of our projects are located in the Western Region and 5 in Other Regions. We believe that we are well positioned to benefit from the continued growth and development of these major economic regions. Most of our residential properties target the emerging or affluent urban middle class in the PRC, especially first-time home buyers and upgraders. We sell most of the properties we developed while selectively retaining portions as investment properties. This allows us to achieve strong sales while generating growing recurring income with capital appreciation potential.

We believe that the success of our projects has been largely due to our ability to interpret and respond to consumer tastes and preferences. Our market research team, engineering team and sales team work closely together with the help of international and domestic architectural firms in order to plan, develop and deliver products desired by consumers. We have also entered into strategic partnerships and joint ventures with established property developers based in Hong Kong and the PRC to develop quality and reputable projects. Our strategic partners include Nan Fung, a leading Hong Kong-based property developer and Swire Properties, a major Hong Kong-based high-end property developer and manager. Our business partners also include WeWork, Shin Kong Group and other reputable PRC real estate developers such as Greenland and Greentown with whom we jointly develop property projects. We believe that our customer focus and quality products have also enabled us to build "Sino-Ocean" into a reputable and well-recognised brand in the PRC. For example, we received "Sina Leju Brand Influence Award for 2016" in December 2016 from Leju Annual Innovative Summit.

In 2021, the Group's revenue was RMB64,247 million, representing a year-on-year increase of 14 per cent., gross profit margin was 18 per cent., maintained at a similar level as compared to the corresponding period in 2020, and gross profit reached RMB11,258 million, having increased by 8 per cent. as compared to the corresponding period in 2020. Profit attributable to owners of the Company was RMB2,729 million; basic and diluted earnings per share was RMB0.358.

As China's real estate market continues to evolve, we believe our expertise and versatility will enable us to identify and take advantage of growth opportunities across China and to adjust our strategy on a timely basis as needed based on the prevailing regulatory environment and dynamic market demands.

Reaping improvement in profitability from strategic positioning

We have successfully implemented our national expansion strategy to achieve geographical diversification. Our national expansion has reduced our reliance on any individual market and risks from regional concentration. Replicating our initial successes in Beijing since commencing operations in the early 1990's, we began to expand into Tianjin in 2004, followed by Dalian and Zhongshan in 2006, entering the Beijing-Tianjin-Hebei Region and the Southern Region. In 2007, we extended our business coverage to Hangzhou, successfully entering the Central Region and have continued to expand our presence across the PRC since then. Apart from our geographically diverse development plan, we have also developed a balanced property portfolio. We develop residential, office and retail properties typically situated in either prime or central city locations with convenient transportation access.

In 2021, the Group will continue to focus on property development and intensive cultivation of our major markets, launch superior products to satisfy demands, expand our principal business and accelerate de-stocking of existing resources, improve sales quality to encourage cash collection and ensure accomplishment of the year's target. The Group will monitor the market even more closely with a view to ensuring our intensive cultivation of cities, prioritizing moderate-sized projects to satisfy mainstream demands and generating better returns.

Optimised land banking oriented with fast turnover and shift in geographical focus

In 2020, the Group persevered in the deep cultivation of key city clusters, optimisation of city planning and expansion of investment scale. In accordance with the fifth phase of strategic development, the Group has made a series of regional adjustments and allocated investment resources by moving to "the south and west" (focusing on city clusters along the Yangtze-River Delta and the Pearl River Delta, and core cities such as Shenzhen, Xiamen, Wuhan, Xi'an and the metropolitan areas in the central and western regions). During the year ended 31 December 2021, we newly acquired a total of 25 residential development projects[1] and a new land bank of approximately 5.71 million sq.m.[1], with a total saleable value of nearly RMB80 billion[1], all of which were located in cities in the top two tiers where the Group has deeper penetration. As of 31 December 2021, we have presence in 63 cities all over the PRC and overseas, land reserve of over 53 million sq.m., providing a solid foundation for future developments.

We adopt a disciplined approach to land acquisition by undertaking extensive research, analysis and planning prior to land acquisition to ensure profitability, pricing flexibility and asset turnover. We are committed to the following principles with respect to land acquisition: adhering to our investment standards, selecting projects with reasonable scales, focusing on areas where we have an existing presence and staffing with suitable and efficient teams. Our Strategic and Investment Committee also plays an important role. The Strategic and Investment Committee reviews our investment strategies and risk management plans, as well as examines our annual investment plans.

We acquire land through a variety of channels, including the purchase of project companies in secondary markets and old town redevelopment, as well as public tenders, auctions, biddings, mergers and acquisitions. We also seek out primary land development opportunities from local governments, which have the potential to increase our chances of successfully obtaining the land in the subsequent auction or tender process. Leveraging these multiple channels, in 2021, we acquired 25 residential projects and 21 non-residential projects[2] (including logistics projects and internet data centers), of which total GFA and attributable interest GFA were approximately 7,171,000 sq.m. and 4,114,000 sq.m., respectively. Among the newly acquired projects, there are 17 logistics projects and 3 internet data center. The average acquisition cost per sq.m. of the newly acquired land plots for residential development was RMB7,040. In terms of saleable GFA, the average land cost per sq.m. for our landbank as at 31 December 2021 was

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Note 1: The data does not take into account the projects acquired through the acquisition of 70 per cent. equity of the target company by the Group's joint venture.

Note 2: Excluding the projects acquired through non-major platforms.

approximately RMB6,600 (as at 31 December 2020: RMB7,900). For the land in our land bank, we either hold land use rights certificates, have signed land grant contracts or have been successful in tendering or bidding for land use rights.

Growing investment properties to strengthen earnings and diversity

The Group has built a sound foundation for office complex operation and management since the development of commercial properties in 2010. We have cultivated strengths in commercial project positioning, planning and design, development and construction, attracting investment and project operation. To date, we have several commercial property projects in progress across China, including grade A offices, high-end shopping centers, five-star hotels and high quality serviced apartments pending for development and operation by stages between 2019 and 2024. During the first half of 2019, the Group newly acquired one investment property in the USA, which added to our list of high-end and well-developed overseas portfolio. We held more than 23 operating investment properties as of 31 December 2021, in which the majority were office units. Our investment properties are mainly A-grade office premises, shopping malls, commercial complex and logistics projects at good location. The total leasable area of our investment properties amounted to approximately 3,923,000 sq.m. as of 31 December 2021, with office developments about 24 per cent., logistics projects about 48 per cent. and others including commercial complexes, car parks and others 28 per cent. In addition, the Group has commercial property resources pending for development and operation by stages before 2026. These include offices of Plot Z6 in Beijing CBD, Grand Canal Place in Beijing, Indigo II in Beijing, 16 Aegean Places in the prime locations in the PRC and etc. We believe our commercial property brand will boost a strong portfolio of cross-regional and diversified products, and our expansion in the logistics real estate and internet data centre will provide a sound foundation for favourable investment yield and profitability level in the future. For the year ended 31 December 2021, revenue from property investment decreased by 17 per cent. to RMB410 million from RMB494 million in the corresponding period in 2020, which was mainly due to the implementation of mid to light asset mode for the Group's investment properties.

Solid balance sheet and strong financing capabilities

We are the one of the few domestic real estate companies with international investment grade rating. At present, the Group is rated "Baa3" with a negative outlook by Moody's, "BBB-" by Fitch, and "BBB_g+" with a stable outlook by CCXAP, respectively. We make use of diverse funding channels in order to effectively manage our financing costs. We have established close and long-standing relationships with both Chinese and international banks. We have good access to onshore bank financing from large-scale state-owned banks as well as other major commercial banks in the PRC. We also have a proven track record of obtaining offshore bank borrowings. We successfully obtained multiple offshore syndicated loans with favourable pricing. Besides bank borrowings, we also utilise the domestic and international capital markets for fund raising.

We completed the issuance of U.S.$600 million perpetual bonds in September 2017, U.S.$700 million floating rate notes in July 2018 with coupon rate of three-month U.S. dollar London Interbank Offered Rate plus 2.30 per cent., the issuance of U.S.$500 million 5.25 per cent. guaranteed notes in January 2019, the issuance of U.S.$600 million 4.75 per cent. guaranteed notes in August 2019 and the issuance of US$400 million 4.75 per cent. guaranteed notes in January 2020, respectively. We took the advantage of domestic bond market windows and successfully issued onshore corporate bonds of a total of RMB17 billion over 2015 to 2018 with the issuance of RMB2 billion in July 2018 with coupon rate of 4.70 per cent., issued medium-term notes of RMB10 billion over 2017 to 2018 with the issuance of RMB3.0 billion in February 2018 with the coupon rate of 5.95 per cent. and in March 2019, we issued 2-classes onshore corporate bonds of an aggregate principal amount of RMB2.9 billion with the coupon rate of 4.06 per cent. and 4.59 per cent. On 24 April 2020, the Group issued private placement note for a total of RMB2 billion, 3-year maturity at 3.35 per cent. On 10 April 2020, the Group received a reserve credit of RMB2 billion from the asset-backed facilities in The Shanghai Stock Exchange (the "**Shanghai Stock Exchange**") for accounts receivables, and on 29 April 2020 issued the first tranche of accounts receivable asset-backed facilities for RMB327 million at a coupon rate of 3 per cent., the lowest among the same product during that period. On 21

January 2021, we issued a private placement note with a total principal amount of RMB3.0 billion with coupon rate of 4.60 per cent. per year of a term of three years. On 26 February 2021, we issued a private placement note with a total principal amount of RMB3.0 billion with coupon rate of 4.30 per cent. per year of a term of two years. On 5 May 2021, we issued U.S.$400 million 3.25 per cent. guaranteed green notes due 2026. On 12 May 2021, we issued RMB2.6 billion 4.20 per cent. corporate bonds of a five-year term, under which after the end of the third year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer. On 8 July 2021, we issued RMB3.201 billion commercial mortgage-backed notes with coupon rate of 4.19 per cent. per year due 2039. On 13 July 2021, we issued U.S.$320 million 2.70 per cent. (a record low cost of U.S.$ notes we have ever issued) guaranteed green notes due 2025. On 27 September 2021, we issued RMB1.95 billion 4.06 per cent. corporate bonds of a five-year term, under which after the end of the third year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer. On 8 February 2022, we issued the 2025 New Notes, having been consolidated and formed a single series with the 2025 Original Notes. Net gearing ratio as at 31 December 2021 was 85 per cent.

The Group's cost of funding remained stable. In mid March 2017, the Group was granted issuance of a maximum of RMB10 billion Panda bonds. We grasped the opportunity to issue bonds of RMB4 billion before the costs in this round went up. Moreover, while domestic financing faced overall tightening, the Group received approval from the NDRC to issue bonds up to U.S.$1,200 million in May 2018, up to U.S.$1,000 million in February 2019 and up to US$720 million in September 2020. The Group's cost of funding in 2021 was in line with the general environment, with integrated cost of funding maintained at 5.50 per cent., 5.10 per cent. and 4.96 per cent. for the years ended 31 December 2019, 2020 and 2021. The Group will watch closely windows in the market and policies to explore new financing channels. We will continue to tightly match investment and financing, especially to raise sufficient funds prior to major investments, to enhance the Group's overall return on investment and efficiency of fund usage.

In 2021, the Group had pledged some of the plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties and equity interest to secure short-term borrowings (including the current portion of long-term borrowings) of RMB2,029 million (31 December 2020: RMB4,724 million) and long-term borrowings of RMB15,167 million (31 December 2020: RMB4,485 million). As at 31 December 2021, total pledged assets accounted for approximately 7 per cent. of the total assets of the Group (31 December 2020: 5 per cent.).

Equity financing is also a key funding channel for us. Our funding from equity has mainly consisted of share placements to our major Shareholders, as they have sought to expand their financial and operational support. In addition, we have project-level collaboration with our business partners to co-develop property projects, reducing the capital required from us and capitalising on the synergies achieved.

Strong support from major shareholders

As major shareholder, China Life is our single largest shareholder and held approximately 29.59 per cent. of our shares as of 31 December 2021. Dajia Life Insurance is our second largest shareholder and held approximately 29.58 per cent. of our shares as of the same date. They have always provided strong support to the Group. As regards to corporate governance, they have always maintained a stable shareholding ratio. As at the date of this Offering Circular, three were nominated by China Life and two were nominated by Dajia Life Insurance among our non-executive Directors. In terms of capital, they were the first to subscribe to the Group's several offshore and onshore bond issues. China Life and China Guangfa Bank (China Life has a controlling stake) combined subscribed to a total of over RMB7 billion in the Company's domestic corporate bond, USD notes, "panda" medium-term notes issuances and private placement notes from 2014 to 2022. China Life supported the Company by subscribing over RMB5 billion in the domestic corporate bond, the 2024 Notes, the 2025 New Notes, the 2026 Notes and the 2027 Notes. Please refer to the section headed "Relationship with Principal Shareholders" for more details.

We have extensively various areas for cooperation opportunities, and succeeded in collaborating on a strategic level and launching projects in investment property development, equity investments, development and operation of senior living and overseas investments. As business grew steadily, location planning improved continually and cooperation with major shareholders became closer, the Group's influence and importance to the major shareholders were further strengthened, shareholder synergy increased and its equity structure will continue to be stable.

OUR STRATEGIES

Our vision is to become the premier diversified property developer in China. Our short-term objective is to strengthen our profitability and operational efficiency. In the medium term, we aim to expand our operational abilities, improve the efficiency of our internal control processes, further balance our business portfolio and solidify our shareholding structure. We target sustainable development for the long term by looking ahead and will adjust our development strategies according to market conditions. Our strategies to achieve our vision and objectives are as follows:

Continue to optimise profitability and improve operational efficiency

In 2019, we pushed ahead with streamlining of management, formulated the project and business-oriented "4+8" system which delivered perceptible results in improved efficiency in operating decisions and quality. Going forward, we plan to continue to reduce costs and create synergies among our business segments to further improve profitability and operational efficiency. In particular, we plan to focus on effective control over our financial costs, administrative expenses and marketing expenses to protect and further enhance our performance. We will also develop our marketing and sales plans according to market conditions and maintain pricing flexibility. We are also devoted to improving our sale-through rate and increasing our asset turnover rate. In addition, we will continue to diversify our funding channels and optimise our debt structure in terms of onshore and offshore borrowings. We believe these efforts will allow us to better manage our total debt level and financing costs.

To create more value and achieve additional synergies across the value chain of our business operations

We will continue to focus on value creation and implement various measures to enhance our cost control and create more synergies in our operations. We intend to promote further research about our product line and leverage our findings to better refine our land acquisition strategies and investment planning. We plan to increase centralized procurement and thereby increase our economies of scale for purchases. We plan to also strengthen our front-end cost control to achieve our cost control target. A group-level cost management database will also be set up to strengthen internal and external cost benchmarking and management. Through the implementation of these various measures, we believe we can further improve our profitability.

Continue to further strengthen our business foundation and improve our development capabilities

We plan to continue to actively monitor the market and seize opportunities to support our growth in a prudent manner, with a primary focus on key cities clusters and other core tier 2 cities. We plan to leverage multiple investment channels to strengthen our exposure in these cities, achieving a healthy structural balance for our business portfolio. We are committed to continuing our disciplined approach of selective land acquisition focused on purchasing land at reasonable costs and prudently managing our land bank.

We will also continue to improve our capabilities in commercial property and senior living real estate developments, as we believe that these types of developments have strong synergies with our residential developments. In addition, we plan to fully roll out our comprehensive management information system which we expect to improve our management efficiency, lower management costs and optimise our operating procedures.

CORPORATE HISTORY AND KEY MILESTONES

Since our Company was founded in 1993, we have achieved strong growth and have become a leading large-scale national developer in the PRC. Listed on the Main Board of the SEHK in 2007, we have been selected as a constituent of Hang Seng Composite Index (HSCI), Hang Seng Composite Industry Indexes — Properties and Construction Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Composite LargeCap & MidCap Index, Hang Seng SCHK High Dividend Low Volatility Index and Hang Seng Corporate Sustainability Benchmark Index. A summary of our corporate history and key milestones are as follows:

1999–2003

- Founded in 1993 and restructured into a Sino-foreign equity joint venture in 2003
- Primarily focused on development of high-end office buildings and hotels
- Established a strong foothold in Beijing as a leading property developer

2003–2010

- Started to focus on residential property development in 2003 while maintaining our commercial property portfolio
- Expanded geographic coverage to Tianjin in 2004, the Southern Region in 2006, and the Central Region in 2007
- Listed on the SEHK in 2007 and became a constituent stock of Hang Seng Composite Index in 2008
- China Life became a 16.57 per cent. shareholder in December 2009

2010–2014

- In January 2010, China Life increased its shareholding to 24.08 per cent.
- Became a constituent stock of the Hang Seng High Dividend Yield Index in 2014
- Established as a national real estate developer with leading positions in select core markets such as Beijing-Tianjin-Hebei Region
- Developed a more balanced business portfolio consisting of both property development and property investment
- China Life continued to increase its holdings to 29.55 per cent., while Nan Fung became our second largest shareholder holding 20.48 per cent. of our shares as of 30 June 2014
- Rated in July 2014 for the first time with an investment grade rating by the three major international rating agencies — S&P Global Ratings (the "**S&P**"), Moody's and Fitch with ratings of "BBB-", "Baa3" and "BBB-", respectively, and successfully launched the issuance of U.S.$1.2 billion guaranteed notes, the then largest offshore debt issuance launched by a PRC listed property company

2015–2019

- In January 2015, we successfully entered into Guangzhou market, reinforcing the layout in the Southern Region.
- In March 2015, we entered into Nanjing market, strengthening the strategic purpose of deep ploughing of East China.

- In March 2015, we were successfully involved in the property businesses in Hong Kong, achieving breakthroughs in overseas investment.

- In April 2015, Swire Properties and Sino-Ocean officially started developing jointly Chengdu Sino-Ocean Taikoo Li.

- In October 2015, we subscribed the shares of China Huarong and became the largest cornerstone investor of China Huarong in Hong Kong.

- In December 2015, we first introduced WELL healthy building standard in China.

- In December 2015, Anbang Insurance Group purchased our shares from Nan Fung Group and became the second largest shareholder of Sino-Ocean.

- In March 2016, Sino-Ocean and China Huarong signed a strategic cooperation framework agreement, building a comprehensive business partnership.

- In March 2016, Sino-Ocean Land and American DELOS signed a strategic cooperation agreement to jointly promote the WELL healthy building standard in China.

- In May 2016, we changed our name from "Sino-Ocean Land Holdings Limited 遠洋地產控股有限公司" to "Sino-Ocean Group Holding Limited 遠洋集團控股有限公司".

- In March 2017, the Company completed the issue of the first tranche medium-term notes of the Company of a total of RMB4 billion in two series with the terms of three years and five years respectively.

- In January 2018, the Company completed the issue of the second tranche medium-term notes of the Company of a total of RMB3 billion with coupon rate of 5.87 per cent. per annum for a term of three years.

- In February 2018, the Company completed the issue of the third tranche medium-term notes of the Company of a total of RMB3 billion with coupon rate of 5.95 per cent. per annum for a term of three years.

- In May 2018, Sino-Ocean Land formed joint venture in the PRC with Beijing Anbang Hexie Zhiye Company Limited (北京安邦和諧置業有限公司), an indirect wholly owned subsidiary of Anbang Insurance Group Co., Ltd., and actively promoting cooperation, among other things, five major areas including real estate development business, strategic investment business, real estate financing business, insurance business and pension business.

- In July 2018, Sino-Ocean Land Limited issued RMB2 billion 4.70 per cent. corporate bonds of a five-year term, under which after the end of the third year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer.

- In July 2018, we completed the issue of the 2021 Notes.

- In September 2018, we completed the issue of asset-backed securities in the amount of RMB2,853,000,000.

- In December 2018, the ABS Issuer issued the ABS.

- In December 2018, we established and invested in the Property Fund with ICBC Investment and injected the entire issued share capital of Cityshine Holdings Limited (城暉控股有限公司), a wholly-owned subsidiary of the Company, the majority shareholder holding 94.03 per cent. (approximately) equity interest in a project company with the principal asset of Ocean Office Park (Beijing) (遠洋光華國際(北京)).

- In January 2019, we completed the issue of the 2022 Notes.

- In March 2019, Sino-Ocean Holding Group (China) Limited issued RMB1.7 billion 4.06 per cent. corporate bonds of a five-year term, under which after the end of the third year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer and RMB1.2 billion 4.59 per cent. corporate bonds of a seven-year term, under which after the end of the fifth year, the issuer shall be entitled to adjust the coupon rate and the bondholders shall be entitled to sell the bonds back to the issuer.

- In March 2019, the Company and China Life entered into a framework agreement, pursuant to which China Life group may, based on its investment needs, subscribe for financial products to be issued by the Group with the subscription amount by China Life group shall be capped at RMB12,000,000,000 or equivalent currencies during its term, and the annual caps in respect of the subscription amount by China Life group for transactions contemplated thereunder are RMB4,000,000,000 or equivalent currencies per annum for each of the years ending 31 December 2019, 2020 and 2021.

- In August 2019, we completed the issue of the 2029 Notes.

2020-present

- In 2020, Ocean Homeplus ranked 13th in the '2020 China's Top 100 Property Service Companies' and being selected by the China Index Academy as a growth leader.

- In January 2020, we completed the issue of the 2030 Notes.

- In March 2020, we successfully entered Dongguan market to further expand our strategic layout in the Guangdong-Hong Kong-Macao Greater Bay Area.

- In December 2020, we partnered with Swire Properties to develop Phase II Extension of INDIGO, Beijing.

- In December 2020, Sino-Ocean Service, the Company's property management spinoff successfully listed on the SEHK.

- In May 2021, we completed the issue of the 2026 Notes.

- In July 2021, we completed the issue of the 2025 Original Notes.

- In July 2021, the 2021 Fortune China 500 List was announced and we were ranked 202nd, and we have been on the list for 12 consecutive years.

- In July 2021, we entered into a cooperation framework agreement with Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) through a joint venture to acquire 70 per cent. interest of Chongqing Hongxing Macalline Enterprise Development Co., Ltd. (重慶紅星美凱龍企業發展有限公司) to develop real estate projects and related business in the PRC.

- In October 2021, we entered into agreements for the disposal of certain property holding companies and investment in a limited partnership in relation to, amongst others, the project development located at Plot Z6, the Core area of the Central Business District, East Third Ring Road, Chaoyang District, Beijing, the PRC on which a grade-A office building is being constructed.

- In February 2022, we completed the issue of the 2025 New Notes, having been consolidated and formed a single series with the 2025 Original Notes.

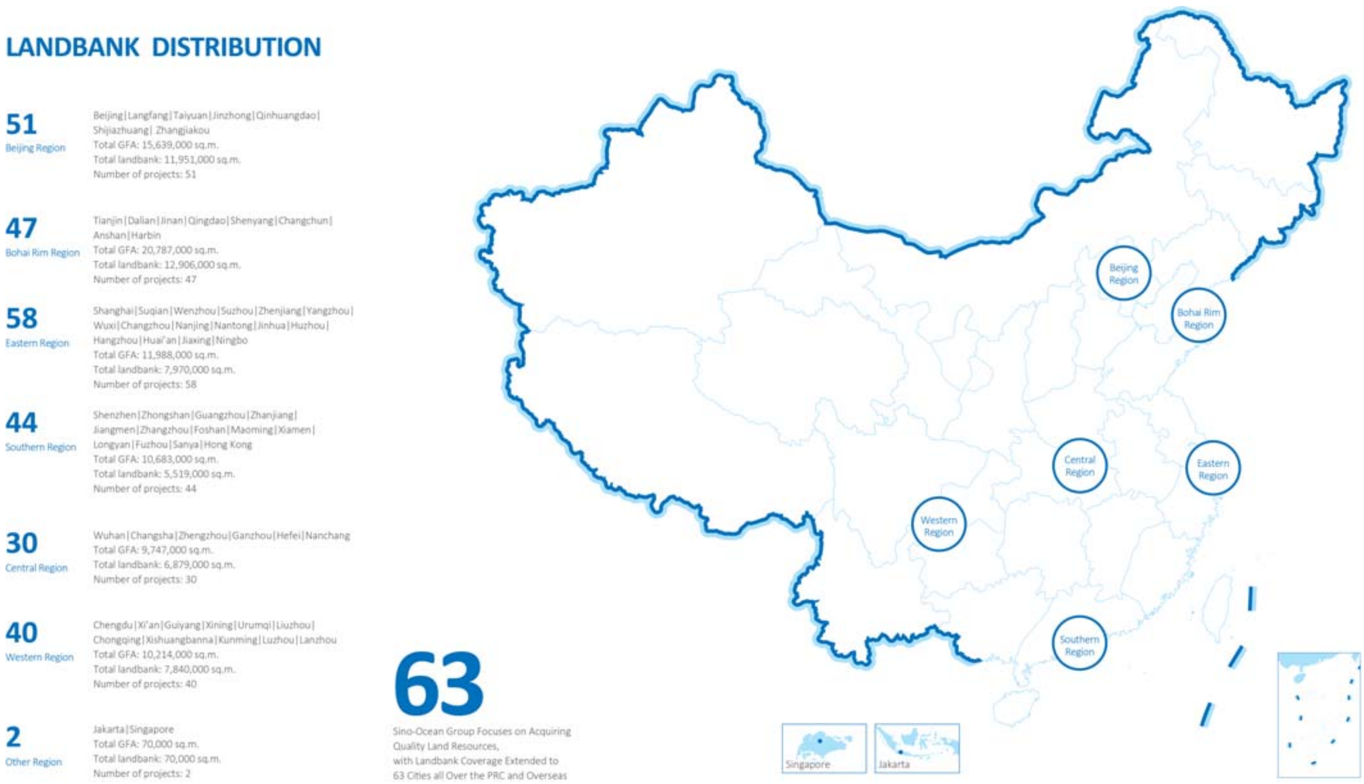
OUR BUSINESS

Our land bank

In general, land use rights in China are granted for a term of 70 years for residential properties, 40 years for commercial properties, 50 years for office properties and 50 years for mixed use development properties. The relevant authorities will not issue a formal land use rights certificate in respect of a piece of land until the construction land use approval and the construction land planning permit have been obtained by the developer, and the land premium has been paid in full and the resettlement process completed. As a result, according to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates are granted at different stages of development.

In 2021, the area of newly acquired land in terms of total GFA and attributable interest GFA was approximately 7,171,000 sq.m.[1] and 4,114,000 sq.m.[1], respectively. In terms of saleable GFA, the average land cost per sq.m. for our land bank as at 31 December 2021 was approximately RMB6,600 (31 December 2020: RMB7,900).

Our current portfolio of property developments consists of projects in the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region, the Western Region and the Other Regions. They mainly include residential, office, retail space and senior living developments. The following map shows the locations of our development projects as at 31 December 2021.



Note 1: Excluding the projects acquired through non-major platforms.

Details of the newly acquired land plots in 2021 are mainly set out as follows:

Cities	Projects	Approximate total GFA acquired	Approximate GFA attributable to the Group	Interest attributable to the Group
		('000 sq.m.)	('000 sq.m.)	(%)
Landbank				
Langfang.	Capital Palace	51	27	52.15%
Langfang.	Jiangkai Logistics Project	151	22	14.70%
Langfang.	Yanjiao Sanhe Internet Data Center	73	18	24.50%
Taiyuan.	Glory Mansion	288	150	52.15%
Taiyuan.	Jiefang Road Aegean Place	125	65	52.15%
Taiyuan.	Sky Masion	394	144	36.51%
Taiyuan.	Sky of Palace	897	239	26.60%
Taiyuan.	Wangjiafeng Aegean Place	109	40	36.51%
Jinzhong	Sky Masion	1,478	501	33.90%
Shijiazhuang	Gaocheng Logistics Project	54	35	64.30%
Tianjin.	Capital Palace	346	180	52.15%
Tianjin.	Eco-city Aegean Place	110	57	52.15%
Tianjin.	Fantastic Time	151	77	51.00%
Tianjin.	Jixian Aegean Place	87	45	52.15%
Tianjin.	Ocean Orient	164	164	100.00%
Tianjin.	Sky Masion	388	202	52.15%
Tianjin.	Sky Masion Bay	253	132	52.15%
Tianjin.	Southend Airport Logistics Project	69	34	64.30%
Tianjin.	UPED	653	333	51.00%
Tianjin.	Westend Airport Logistics Project	52	33	64.30%
Dalian	Tawanhe Plot, Lvshunkou District	234	234	100.00%
Jinan.	Aegean Place	83	25	30.67%
Jinan.	Beihu West Plot A, Tianqiao District	555	333	60.00%
Jinan.	Sky Masion	583	179	30.67%
Qingdao	Haibohe Plot, Shibei District	102	11	10.75%
Qingdao	Sino-Ocean Landscape	113	113	100.00%
Shenyang	Ocean Noble Mansion	47	47	100.00%
Changchun	Guantangyuanzhu	326	170	52.15%
Anshan	International Plaza	167	87	52.15%
Harbin.	Venice Manor	181	94	52.15%
Shanghai.	Baoshan Sky Masion	213	111	52.15%
Shanghai.	Lingang Aegean Place	66	34	52.15%
Shanghai.	Lingang Sky Masion	172	90	52.15%
Suqian	Aegean Place	117	43	36.51%
Suqian	Shuyang Aegean Place	107	107	100.00%
Suqian	Shuyang Sky Masion	545	545	100.00%
Suqian	Sky Masion	484	177	36.51%

Cities	Projects	Approximate total GFA acquired	Approximate GFA attributable to the Group	Interest attributable to the Group
		('000 sq.m.)	('000 sq.m.)	(%)
Landbank				
Wenzhou.	Aegean Place	82	82	100.00%
Wenzhou.	Binhai Sky Masion	488	488	100.00%
Wenzhou.	Ocean Peninsula No.9	276	73	26.60%
Wenzhou.	Plot 11-E-05, Longwan District	85	85	100.00%
Wenzhou.	Center Mansion	40	40	100.00%
Wenzhou.	Xingfuli	234	79	33.90%
Suzhou	Scenery East	108	108	100.00%
Suzhou	Shengze Sky Masion	262	130	49.54%
Zhenjiang	Central Mansion	607	304	50.00%
Zhenjiang	Sky Masion	110	57	52.15%
Yangzhou	Home Furniture Mall	81	42	52.15%
Yangzhou	Sky Masion	467	244	52.15%
Wuxi	Sky Masion	223	70	31.29%
Changzhou	Aegean Place	197	103	52.15%
Changzhou	International Plaza	86	45	52.15%
Nantong	Sky Masion	26	7	26.08%
Nantong	Star City	171	45	26.08%
Jinhua.	Jinyi Sky Masion	99	46	46.94%
Jinhua.	Ocean Mountain Courtyard	171	45	26.60%
Huai'An.	International Plaza	92	21	22.42%
Shenzhen	Peace Palace	278	175	63.01%
Zhongshan	Natural Mansion	76	39	51.00%
Zhongshan	Ocean Palace	181	126	69.80%
Guangzhou	Natural Mansion	76	76	100.00%
Foshan	Landscape	80	39	49.00%
Foshan	Natural Mansion	140	70	50.00%
Xiamen	Ocean Prospect	199	199	100.00%
Wuhan	Aegean Place	62	16	26.60%
Wuhan	Dongxihu Xingou Logistics Project	112	32	28.19%
Wuhan	Sky Masion	22	6	26.60%
Wuhan	Zhongjiacun Plot, Hanyang District	322	164	51.00%
Changsha	Aegean Place	69	29	41.72%
Changsha	Sky Masion	878	366	41.72%
Zhengzhou	Glory Mansion	135	39	28.68%
Zhengzhou	The Collection	182	146	80.00%
Ganzhou	Aegean Place	144	77	53.59%
Ganzhou	Sky Masion	888	476	53.59%
Hefei.	Hefei Logistics Project, Phase IV	66	42	64.30%
Hefei.	Ideal Bourn	104	104	100.00%
Hefei.	West Furong Road Plot, Jingkai District	455	137	30.00%

Cities	Projects	Approximate total GFA acquired	Approximate GFA attributable to the Group	Interest attributable to the Group
		('000 sq.m.)	('000 sq.m.)	(%)
Landbank				
Nanchang	Aegean Place	124	65	52.15%
Nanchang	Sky Masion	94	49	52.15%
Chengdu	Ocean Ecological Land	199	101	51.00%
Chengdu	Wenjiang Internet Data Center	54	13	24.50%
Xi'an	Aegean Place	104	28	26.60%
Xi'an	Ocean Mansion	558	236	42.33%
Xi'an	Sky Masion	462	123	26.60%
Xi'an	Xianyang Logistics Project	77	50	64.30%
Guiyang	Sky Masion	780	329	42.24%
Guiyang	Sky Masion, Retail	89	38	42.24%
Xining	Aegean Place	121	93	76.55%
Xining	Sky Masion	792	330	41.72%
Xining	Sky Palace	311	238	76.55%
Urumqi	Mansion Hills	74	39	52.15%
Urumqi	Royal Mansion	402	210	52.15%
Urumqi	Sky Masion	148	77	52.15%
Urumqi	Sky Palace	85	44	52.15%
Liuzhou	Aegean Place	85	65	76.55%
Liuzhou	Glory Mansion	357	273	76.55%
Liuzhou	Sky Masion	320	167	52.15%
Xishuangbanna[1]	Rainforest Resorts	460	120	26.08%
Luzhou	Sky Masion	279	145	52.15%
Lanzhou	Sky Masion	397	124	31.29%
Qiannan[2]	Guiyang Logistics Project, Phase II	61	39	64.30%
Subtotal		24,795	12,376	

Note 1: Xishuangbanna is an abbreviation for Xishuangbanna Dai Autonomous Prefecture.

Note 2: Qiannan is an abbreviation for Qiannan Buyi and Miao Autonomous Prefecture.

Cities	Projects	Approximate total GFA acquired	Approximate GFA attributable to the Group	Interest attributable to the Group
		('000 sq.m.)	('000 sq.m.)	(%)
Developed Project				
Beijing.	Shunyi Logistics Project	123	60	49.00%
Beijing.	Yizhuang Zhengyuan Internet Data Center	52	25	49.00%
Tianjin.	Jianghai Logistics Project	84	41	49.00%
Tianjin.	Hedong Aegean Place	221	75	33.90%
Shanghai.	CURA International Center	37	4	12.09%
Suzhou	Aegean Place	138	36	26.08%
Fuzhou	Aegean Place	131	41	31.29%
Wuhan	Caidian Logistics Project	25	12	49.00%
Hefei.	Hefei Logistics Project, Phase I	126	62	49.00%
Hefei.	Hefei Logistics Project, Phase II	24	12	49.00%
Hefei.	Hefei Logistics Project, Phase III	44	22	49.00%
Chongqing.	Chongqing Logistics Project, Phase I	91	45	49.00%
Chongqing.	Chongqing Logistics Project, Phase II	54	26	49.00%
Qiannan	Guiyang Logistics Project, Phase I	33	16	49.00%
Subtotal		1,183	477	
Total		25,978	12,853	

The landbank by stages of development as at 31 December 2021 are set out as follows:

	Approximate total GFA	Approximate total saleable GFA	Remaining landbank
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Completed properties held for sales	31,309	22,140	5,316
Properties under development	40,052	30,440	40,052
Properties held for future development	7,767	5,107	7,767
Total.	79,128	57,687	53,135

The landbank details of the Group and its joint ventures and associates as at 31 December 2021 are set out as follows:

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
Beijing Region .	Beijing	Anzhen Project	Chaoyang District, Beijing	46	—	46	11.97%
		Captain House	Fengtai District, Beijing	131	100	131	51.00%
		CBD Plot Z6	Chaoyang District, Beijing	27	21	27	28.57%
		Changping Sci-tech Park F2 Project	Changping District, Beijing	256	193	251	50.00%
		Gold Mansion	Daxing District, Beijing	118	99	91	25.00%
		Grand Canal Place	Tongzhou District, Beijing	479	334	379	50.00%
		Grand Harmony Emerald Residence	Daxing District, Beijing	224	165	156	40.00%
		Jasper Epoch	Daxing District, Beijing	92	78	50	49.00%
		Jialihua Project, Shunyi District	Shunyi District, Beijing	277	206	277	100.00%
		Liangxiang Project	Fangshan District, Beijing	126	102	126	11.10%
		Mentougou Tanzhe Temple Project	Mentougou District, Beijing	430	344	430	10.00%
		Ocean LA VIE	Chaoyang District, Beijing	318	305	45	85.72%
		Ocean Metropolis	Mentougou District, Beijing	330	276	130	51.00%
		Ocean Poetic Dwelling	Shijingshan District, Beijing	249	187	249	31.00%
		Ocean Wuliepoch	Shijingshan District, Beijing	595	458	271	21.00%
		Our New World	Fangshan District, Beijing	109	91	14	100.00%
		Plot 6002, Mentougou New Town	Mentougou District, Beijing	125	97	75	21.00%
		Royal River Villa	Chaoyang District, Beijing	132	118	20	20.00%
		Sino-Ocean Apple Garden No.6	Shijingshan District, Beijing	69	50	69	51.00%
		The CBD's Private Palace	Daxing District, Beijing	436	383	48	100.00%
		World View	Chaoyang District, Beijing	71	52	71	25.00%
		Xanadu & Ocean Epoch	Chaoyang District, Beijing	230	193	42	50.00%
		Xanadu & Ocean Palace	Daxing District, Beijing	300	207	104	50.00%
		Xiji Plot E, Tongzhou District	Tongzhou District, Beijing	139	136	139	50.00%

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
		Xinchi Tower	Daxing District, Beijing	67	41	67	70.00%
		Yongjingtaoyuan Project	Chaoyang District, Beijing	692	554	692	44.88%
				6,068	**4,790**	**4,000**	
	Langfang	Capital Palace	Anci District, Langfang	404	292	33	52.15%
		Jingkai Logistics Project	Jingkai District, Langfang	151	—	151	14.70%
		Ocean Brilliant City	Guangyang District, Langfang	1,897	954	1,897	38.00%
		Plot I, Guangyang Logistics Project	Guangyang District, Langfang	41	—	41	28.19%
		Plot II, Guangyang Logistics Project	Guangyang District, Langfang	144	—	144	14.70%
		Yanjiao Sanhe Internet Data Center	Yanjiao County, Langfang	73	—	73	24.50%
				2,710	**1,246**	**2,339**	
	Taiyuan	Glory Mansion	Xinghualing District, Taiyuan	288	198	288	52.15%
		Jiefang Road Aegean Place	Xinghualing District, Taiyuan	125	—	125	52.15%
		Ocean Seasons	Wanbailin District, Taiyuan	308	254	308	70.00%
		Sky Masion	Yingze District, Taiyuan	394	286	313	36.51%
		Sky of Palace	Wanbailin District, Taiyuan	897	529	897	26.60%
		Villa Epoch	Yangqu County, Taiyuan	54	34	34	44.00%
		Wangjiafeng Aegean Place	Yingze District, Taiyuan	109	—	109	36.51%
				2,175	**1,301**	**2,074**	
	Jinzhong	Sky Masion	Yuci District, Jinzhong	2,067	1,537	1,435	33.90%
	Qinhuangdao	Seatopia	Funing District, Qinhuangdao	1,438	1,243	1,148	100.00%
	Shijiazhuang	Ande Life Memorial Park	Jingxing County, Shijiazhuang	18	3	18	40.00%
		Chang'an District Redevelopment Project	Chang'an District, Shijiazhuang	147	94	147	51.00%
		Family Park	Chang'an District, Shijiazhuang	132	108	132	35.70%
		Family Park, Phase II	Chang'an District, Shijiazhuang	84	66	84	35.70%
		Gaocheng Logistics Project	Gaocheng District, Shijiazhuang	54	—	54	64.30%
		Harmony Palace	Zhengding New District, Shijiazhuang	152	140	96	38.35%
		Ocean Home Park	Gaocheng District, Shijiazhuang	48	43	48	40.00%

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
		Sino-Ocean No. 7	Chang'an District, Shijiazhuang	115	103	115	20.00%
		Vigorous Mansion	Chang'an District, Shijiazhuang	228	171	118	51.00%
				978	**728**	**812**	
	Zhangjiakou	Centrality Mansion	Qiaodong District, Zhangjiakou	203	163	143	60.00%
				15,639	**11,008**	**11,951**	
Bohai Rim Region	Tianjin	Boda Logistics Project	Wuqing District, Tianjin	285	—	285	49.00%
		Capital Palace	Jizhou District, Tianjin	346	213	199	52.15%
		Fantastic Time	Dongli District, Tianjin	151	115	151	51.00%
		Happy Light Year	Wuqing District, Tianjin	504	317	385	49.98%
		Harmony Mansion	Binhai New Area, Tianjin	102	78	102	58.00%
		Jixian Aegean Place	Jizhou District, Tianjin	87	—	87	52.15%
		Neo-metropolis	Beichen District, Tianjin	3,034	2,615	2,503	51.00%
		Ocean City	Binhai New Area, Tianjin	2,137	1,929	41	70.00%
		Ocean Epoch	Binhai New Area, Tianjin	35	25	18	100.00%
		Ocean Great Harmony	Xiqing District, Tianjin	350	290	47	100.00%
		Ocean Orient	Binhai New Area, Tianjin	164	126	164	100.00%
		Ocean Prospect	Dongli District, Tianjin	321	309	50	100.00%
		Royal River	Wuqing District, Tianjin	349	333	21	100.00%
		Sino-Ocean Brilliant Courtyard	Binhai New Area, Tianjin	675	488	111	64.28%
		Sky Masion	Binhai New Area, Tianjin	388	231	381	52.15%
		Sky Masion Bay	Binhai New Area, Tianjin	253	182	253	52.15%
		Southend Airport Logistics Project	Dongli District, Tianjin	69	—	69	64.30%
		The Great Habitat Mansion House	Dongli District, Tianjin	562	385	41	6.00%
		UPED	Binhai New Area, Tianjin	653	445	653	51.00%
		Westend Airport Logistics Project	Dongli District, Tianjin	52	—	52	64.30%
		Xanadu	Binhai New Area, Tianjin	185	135	185	42.86%
				10,702	**8,216**	**5,798**	
	Dalian	Diamond Bay	Ganjingzi District, Dalian	1,497	1,345	1,032	100.00%
		Joy of Mountain and Sea	Ganjingzi District, Dalian	189	150	182	51.00%
		Ocean Mansion	Shahekou District, Dalian	36	25	36	100.00%

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
		Ocean The Piedmont Epoch	Lvshunkou District, Dalian	68	46	13	100.00%
		Ocean Worldview	Jinzhou District, Dalian	1,902	1,645	353	100.00%
		Sino-Ocean Technopole	Jinzhou District, Dalian	922	540	922	100.00%
		Tawanhe Plot, Lvshunkou District	Lvshunkou District, Dalian	234	200	234	100.00%
		Zhonghua Road Plot #2	Ganjingzi District, Dalian	111	52	111	100.00%
				4,959	**4,003**	**2,883**	
	Jinan	Beihu Plot A-6, Tianqiao District	Tianqiao District, Jinan	97	83	97	60.00%
		Beihu West Plot A, Tianqiao District	Tianqiao District, Jinan	555	461	555	60.00%
		Ocean Crown	Huaiyin District, Jinan	103	87	97	66.50%
		Ocean Epoch	Lixia District, Jinan	390	371	181	50.00%
		Ocean Mansion	Huaiyin District, Jinan	228	190	222	54.35%
		Ocean Orient	Licheng District, Jinan	544	422	544	42.00%
		Ocean Precious Land	Licheng District, Jinan	226	172	226	58.82%
		Sino-Ocean Metropolis	Tianqiao District, Jinan	379	255	379	60.31%
		Sky Masion	Shanghe County, Jinan	583	520	434	30.67%
				3,105	**2,561**	**2,735**	
	Qingdao	Haibohe Plot, Shibei District	Shibei District, Qingdao	102	76	102	10.75%
		Ocean Crown	Fushan New District, Qingdao	125	95	113	59.50%
		Sino-Ocean Harmony	Shibei District, Qingdao	377	270	210	43.00%
		Sino-Ocean Landscape	Jimo District, Qingdao	113	86	113	100.00%
				717	**527**	**538**	
	Shenyang	Ocean Elite River Prospect	Shenbei New District, Shenyang	400	313	400	60.00%
		Ocean Noble Mansion	Tiexi District, Shenyang	47	32	47	100.00%
				447	**345**	**447**	
	Changchun	Guantangyuanzhu	Shuangyang District, Changchun	326	255	326	52.15%
	Anshan	International Plaza	Tiedong District, Anshan	350	294	166	52.15%
	Harbin	Venice Manor	Songbei District, Harbin	181	152	13	52.15%
				20,787	**16,353**	**12,906**	

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
Eastern Region	Shanghai	Baoshan Sky Masion	Baoshan District, Shanghai	213	115	213	52.15%
		Dongtan Villa	Chongming District, Shanghai	1,072	672	676	41.03%
		Hongqiao Origin	Qingpu District, Shanghai	75	53	75	60.00%
		Lingang Aegean Place	Pudong New Area, Shanghai	66	—	66	52.15%
		Lingang Sky Masion	Pudong New Area, Shanghai	172	108	172	52.15%
		Ocean Fortune Center	Pudong New Area, Shanghai	59	45	20	100.00%
		Ocean Seasons	Pudong New Area, Shanghai	323	279	55	100.00%
		Yuanbo Hotel Project	Putuo District, Shanghai	54	—	54	23.94%
				2,034	**1,272**	**1,331**	
	Suqian	Aegean Place	Sucheng District, Suqian	117	—	117	36.51%
		Shuyang Aegean Place	Shuyang County, Suqian	107	—	107	100.00%
		Shuyang Sky Masion	Shuyang County, Suqian	545	407	545	100.00%
		Sky Masion	Sucheng District, Suqian	484	411	484	36.51%
				1,253	**818**	**1,253**	
	Wenzhou	Aegean Place	Longwan District, Wenzhou	82	—	82	100.00%
		Binhai Sky Masion	Longwan District, Wenzhou	488	306	178	100.00%
		Center Mansion	Leqing City, Wenzhou	40	30	40	100.00%
		Harbor Heart	Ouhai District, Wenzhou	87	66	87	84.70%
		Ocean Peninsula No.9	Ouhai District, Wenzhou	276	174	276	26.60%
		Plot 11-E-05, Longwan District	Longwan District, Wenzhou	85	60	85	100.00%
		Shan Hai One	Leqing City, Wenzhou	123	100	123	100.00%
		Xingfuli	Lucheng District, Wenzhou	234	168	234	33.90%
				1,415	**904**	**1,105**	
	Suzhou	Easy Town	Huqiu District, Suzhou	104	85	17	16.50%
		Mansion Yue	Wujiang District, Suzhou	150	147	72	70.00%
		Rocker Park	Huqiu District, Suzhou	240	198	113	30.00%
		Royal Seasons	Taicang City, Suzhou	105	77	58	34.00%
		Scenert East	Zhangjiagang City, Suzhou	108	77	108	100.00%
		Shengze Sky Masion	Wujiang District, Suzhou	262	211	262	49.54%
		Shihu Project	Wuzhong District, Suzhou	49	—	49	100.00%

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
		Taicang Shaxi Logistics Project I	Taicang City, Suzhou	56	—	56	19.60%
		Taicang Shaxi Logistics Project II	Taicang City, Suzhou	124	—	124	17.84%
		Zhangjiagang Internet Data Center	Zhangjiagang City, Suzhou	24	—	24	75.01%
				1,222	795	883	
	Zhenjiang	Central Mansion (Zhenjiang)	Danyang City, Zhenjiang	607	502	607	50.00%
		Danyang Sky Masion	Danyang City, Zhenjiang	110	82	110	52.15%
				717	**584**	**717**	
	Yangzhou	Grand Canal Milestone	Guangling District, Yangzhou	56	43	56	89.00%
		Home Furniture Mall	Hanjiang District, Yangzhou	81	—	81	52.15%
		Royal Mansion	Guangling District, Yangzhou	63	47	63	100.00%
		Sky Masion	Hanjiang District, Yangzhou	467	348	467	52.15%
				667	**438**	**667**	
	Wuxi	Life in Park	Xinwu District, Wuxi	196	157	196	15.00%
		One Residence	Xinwu District, Wuxi	211	154	211	10.00%
		Sky Masion	Huishan District, Wuxi	223	172	223	31.29%
		Taihu Milestone	Xinwu District, Wuxi	116	93	4	80.00%
				746	**576**	**634**	
	Changzhou	Aegean Place	Wujin District, Changzhou	197	—	197	52.15%
		International Plaza	Wujin District, Changzhou	508	374	86	52.15%
				705	**374**	**283**	
	Nanjing	Ocean Seasons	Lishui District, Nanjing	234	184	38	100.00%
		Sino-Ocean Tangyue Landscape	Liuhe District, Nanjing	54	52	16	100.00%
		The One	Jiangning District, Nanjing	213	153	213	69.80%
				501	**389**	**267**	
	Nantong	Sky Masion	Chongchuan District, Nantong	270	253	24	26.08%
		Star City	Chongchuan District, Nantong	171	—	171	26.08%
				441	**253**	**195**	
	Jinhua	Jinyi Sky Masion	Jinyi New Area, Jinhua	423	387	5	46.94%
		Ocean Mountain Courtyard	Wucheng District, Jinhua	171	124	171	26.60%
				594	**511**	**176**	
	Huzhou	Anji Internet Data Center	Anji County, Huzhou	135	—	135	64.30%

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
	Hangzhou	Canal Business Center Project	Gongshu District, Hangzhou	609	292	10	60.00%
		Jiulongwan Project	West Lake District, Hangzhou	20	—	20	100.00%
		Neo 1	Gongshu District, Hangzhou	43	40	21	50.00%
		Ocean New Masterpiece	Gongshu District, Hangzhou	44	33	44	51.00%
		Xixi Mansion	Yuhang District, Hangzhou	395	285	10	100.00%
				1,111	**650**	**105**	
	Huai'an	International Plaza	Qingjiangpu District, Huai'an	319	264	91	22.42%
	Jiaxing	Pinghu Logistics Project	Pinghu City, Jiaxing	72	—	72	19.60%
	Ningbo	Sino-Fusion Yuyao Simen Logistics Park	Yuyao City, Ningbo	56	—	56	28.19%
				11,988	**7,828**	**7,970**	
Southern Region	Shenzhen	Lishan Project	Nanshan District, Shenzhen	156	70	156	60.00%
		Longhua District De Ai Industrial Park	Longhua District, Shenzhen	533	282	533	80.00%
		Ocean Express	Longgang District, Shenzhen	556	437	137	84.70%
		Ocean Palace	Nanshan District, Shenzhen	196	82	7	63.25%
		Ocean Seafront Towers	Nanshan District, Shenzhen	115	52	59	60.00%
		Peace Palace	Longhua District, Shenzhen	278	201	278	63.01%
				1,834	**1,124**	**1,170**	
	Zhongshan	Blossoms Valley	Shenwan Town, Zhongshan	1,172	1,037	986	75.00%
		Natural Mansion	Xiaolan Town, Zhongshan	76	62	76	51.00%
		Ocean City	Eastern District, Zhongshan	2,083	1,736	94	100.00%
		Ocean Emerald	Nantou Town, Zhongshan	437	412	49	100.00%
		Ocean Longshire	Henglan Town, Zhongshan	96	85	13	100.00%
		Ocean Palace	Southern District, Zhongshan	181	134	181	69.80%
		SCity (formerly known as Suixicun 162 Project, Nantou)	Nantou Town, Zhongshan	90	68	90	34.00%
		SCity (formerly known as Suixicun 163 Project, Nantou)	Nantou Town, Zhongshan	34	26	18	34.00%
		Sino-Ocean Landscape	Minzhong Town, Zhongshan	210	159	141	51.00%

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
		Zhonghui City (formerly known as Suixicun 135 Project, Nantou)	Nantou Town, Zhongshan	43	33	5	34.00%
		Zhonghui City (formerly known as Suixicun 136 Project, Nantou)	Nantou Town, Zhongshan	83	62	6	30.00%
		Zhonghui City (formerly known as Suixicun 137 Project, Nantou)	Nantou Town, Zhongshan	107	102	24	45.00%
				4,612	**3,916**	**1,683**	
	Guangzhou	East Bay	Zengcheng District, Guangzhou	141	96	112	40.00%
		Elite Palace	Tianhe District, Guangzhou	310	279	41	100.00%
		Hibiscus Villa	Huadu District, Guangzhou	179	87	98	51.00%
		Natural Mansion	Zengcheng District, Guangzhou	76	48	76	100.00%
		Ocean Prospect	Zengcheng District, Guangzhou	133	96	133	100.00%
				839	**606**	**460**	
	Zhanjiang	Ocean City	Xiashan District, Zhanjiang	612	493	381	67.50%
	Jiangmen	Cloud Mansion	Pengjiang District, Jiangmen	176	133	176	51.00%
		Top Mansion	Pengjiang District, Jiangmen	131	101	131	100.00%
				307	**234**	**307**	
	Zhangzhou	Sea and Star	Longwen District, Zhangzhou	266	210	266	51.00%
		Sino-Ocean Scenery	Zhao'an County, Zhangzhou	81	79	14	70.00%
				347	**289**	**280**	
	Foshan	Delight River	Sanshui District, Foshan	207	192	48	50.00%
		Elite Palace	Sanshui District, Foshan	259	191	11	65.93%
		Landscape	Shunde District, Foshan	80	63	80	49.00%
		Natural Mansion	Nanhai District, Foshan	140	107	140	50.00%
				686	**553**	**279**	
	Maoming	Sino-Ocean Landscape	Maonan District, Maoming	299	249	241	51.00%
	Xiamen	Ocean Prospect	Tong'an District, Xiamen	199	144	199	100.00%
		Top Mansion	Xiang'an District, Xiamen	75	53	17	50.00%
				274	**197**	**216**	

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
	Longyan	Sino-Ocean Landscape	Xinluo District, Longyan	203	160	203	51.00%
	Fuzhou	East Bay	Mawei District, Fuzhou	82	65	2	50.00%
		East Bay Upgrade	Mawei District, Fuzhou	51	42	51	33.50%
		Ocean Tianfu	Cangshan District, Fuzhou	128	97	128	51.00%
		Sino-Ocean Landscape	Mawei District, Fuzhou	89	74	9	55.00%
				350	**278**	**190**	
	Sanya	Ocean Hill	Jiyang District, Sanya	177	111	75	100.00%
	Hong Kong	LP6	Tseung Kwan O, Hong Kong	137	136	28	40.00%
		Mt. La Vie	Islands District, Hong Kong	3	3	3	100.00%
		Uptify	Yau Tsim Mong District, Hong Kong	3	3	3	100.00%
				143	**142**	**34**	
				10,683	**8,352**	**5,519**	
Central Region.	Wuhan	Aegean Place	Xinzhou District, Wuhan	62	—	62	26.60%
		Citylane	Hanyang District, Wuhan	450	—	450	70.00%
		Dongxihu Xingou Logistics Project	Dongxihu District, Wuhan	112	—	112	28.19%
		Heart of Hankow	Jianghan District, Wuhan	1,054	997	246	55.90%
		Huazhong Big Data Industrial Park	Jiangxia District, Wuhan	89	—	89	12.50%
		Oriental World View	Hanyang District, Wuhan	1,917	1,430	962	70.00%
		Sky Masion	Xinzhou District, Wuhan	371	268	15	26.60%
		Yangtze Opus	Jiang'an District, Wuhan	178	80	178	70.00%
		Zhongjiacun Plot, Hanyang District	Hanyang District, Wuhan	322	229	322	51.00%
				4,555	**3,004**	**2,436**	
	Changsha	Aegean Place	Yuhua District, Changsha	69	—	69	41.72%
		Sky Masion	Yuhua District, Changsha	878	616	878	41.72%
		Special Mansion	Wangcheng District, Changsha	482	384	482	24.50%
				1,429	**1,000**	**1,429**	
	Zhengzhou	Fontaine Polaris	Zhongmu County, Zhengzhou	176	141	176	24.50%
		Glory Mansion	Xinzheng City, Zhengzhou	135	103	135	28.68%
		Grand Apartment	Jinshui District, Zhengzhou	172	133	172	24.50%

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
		Ocean Landscape Courtyard	Yingyang District, Zhengzhou	204	150	204	55.00%
		Ocean Melody	Zhongmu County, Zhengzhou	43	38	15	69.30%
		Ocean Prospect	Xinzheng City, Zhengzhou	169	158	50	38.00%
		Rong Fu	Xinzheng City, Zhengzhou	156	101	156	17.84%
		The Collection	Erqi District, Zhengzhou	182	141	182	80.00%
				1,237	965	1,090	
	Ganzhou	Aegean Place	Nankang District, Ganzhou	144	—	144	53.59%
		Sky Masion	Nankang District, Ganzhou	888	705	778	53.59%
				1,032	705	922	
	Hefei	Hefei Logistics Project, Phase IV	Feidong County, Hefei	66	—	66	64.30%
		Ideal Bourn	Feidong County, Hefei	104	83	104	100.00%
		Ocean Glory	Feidong County, Hefei	197	186	45	100.00%
		Ocean Landscape	Feidong County, Hefei	200	180	59	59.29%
		West Furong Road Plot, Jingkai District	Jingkai District, Hefei	455	279	455	30.00%
				1,022	728	729	
	Nanchang	Aegean Place	Wanli District, Nanchang	124	—	124	52.15%
		Ocean Palace	Wanli District, Nanchang	173	122	110	51.00%
		Sky Masion	Wanli District, Nanchang	175	163	39	52.15%
				472	285	273	
				9,747	6,687	6,879	
Western Region	Chengdu	Ocean Ecological Land	Xindu District, Chengdu	199	127	199	51.00%
		Ocean Luxury City	Qingyang District, Chengdu	122	106	98	24.50%
		Qingbaijiang Internet Data Center, Zone A	Qingbaijiang District, Chengdu	193	—	201	36.51%
		Qingbaijiang Internet Data Center, Zone C	Qingbaijiang District, Chengdu	38	—	87	49.00%
		Sino-Ocean Taikoo Li	Jinjiang District, Chengdu	417	362	126	50.00%
		Wenjiang Internet Data Center	Wenjiang District, Chengdu	54	—	54	24.50%
				1,023	595	765	

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
	Xi'an	Aegean Place	Xincheng District, Xi'an	104	—	104	26.60%
		Emperor Chic	Weiyang District, Xi'an	321	316	321	24.50%
		Fontaine Island	Chanba Ecological District, Xi'an	147	111	147	24.50%
		Ocean Mansion	Weiyang District, Xi'an	558	416	558	42.33%
		Sino-Ocean Jinghe New Town Internet Data Center	Xixian New Area, Xi'an	60	—	60	49.00%
		Sino-Ocean Royal Landscape	Chanba Ecological District, Xi'an	292	208	292	56.00%
		Sky Masion	Xincheng District, Xi'an	462	312	462	26.60%
				1,944	**1,363**	**1,944**	
	Guiyang	Sino-Ocean Aristocratic Family	Shuanglong New District, Guiyang	165	135	165	100.00%
		Sino-Ocean Prospect	Yunyan District, Guiyang	100	75	24	89.80%
		Sky Masion	Guanshanhu District, Guiyang	780	565	780	42.24%
		Sky Masion, Retail	Guanshanhu District, Guiyang	89	—	89	42.24%
				1,134	**775**	**1,058**	
	Xining	Aegean Place	Haihu New District, Xining	121	—	121	76.55%
		Sky Masion	Chengzhong District, Xining	1,278	1,018	666	41.72%
		Sky Palace	Chengxi District, Xining	311	254	191	76.55%
				1,710	**1,272**	**978**	
	Urumqi	Mansion Hills	Saybag District, Urumqi	74	63	74	52.15%
		Royal Mansion	Saybag District, Urumqi	402	293	402	52.15%
		Sky Masion	Saybag District, Urumqi	148	111	148	52.15%
		Sky Palace	Saybag District, Urumqi	85	68	85	52.15%
				709	**535**	**709**	
	Liuzhou	Aegean Place	Yufeng District, Liuzhou	85	—	85	76.55%
		Glory Mansion	Yufeng District, Liuzhou	357	251	247	76.55%
		Sky Masion	Chengzhong District, Liuzhou	320	255	302	52.15%
				762	**506**	**634**	
	Chongqing	Fenghua Melody	Shapingba District, Chongqing	102	71	102	24.50%
		Fontaine Island	Nan'an District, Chongqing	178	132	3	24.50%

Regions	Cities	Projects	Districts	Approximate total GFA	Approximate total saleable GFA	Remaining landbank	Interest attributable to the Group
				('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	(%)
		Liangjiang New Town Internet Data Center	Liangjiang New Area, Chongqing	40	—	40	49.00%
		Life In Art Dist	Jiulongpo District, Chongqing	52	37	52	34.00%
		Ocean City	Jiulongpo District, Chongqing	126	125	95	40.00%
		Poetry of Landscape	Shapingba District, Chongqing	166	119	21	100.00%
		Sino-Ocean Garden	Banan District, Chongqing	592	480	192	42.50%
				1,256	**964**	**505**	
	Xishuangbanna	Rainforest Resorts	Jinghong City, Xishuangbanna	515	429	412	26.08%
	Kunming	In Galaxy (formerly known as Chenggong Project)	Chenggong District, Kunming	222	218	125	39.80%
		In Galaxy (formerly known as Chenggong Project, Phase II)	Chenggong District, Kunming	99	88	99	39.80%
		Sino-Ocean Esthetics Mansion	Panlong District, Kunming	164	145	59	37.15%
				485	**451**	**283**	
	Luzhou	Sky Masion	Jiangyang District, Luzhou	279	207	279	52.15%
	Lanzhou	Sky Masion	Yuzhong County, Lanzhou	397	301	273	31.29%
				10,214	**7,398**	**7,840**	
Other Region. .	Jakarta	Alam Sutera Project	Greater Jakarta, Indonesia	66	57	66	28.00%
	Singapore	Cairnhill 16	Area 9, Singapore	4	4	4	30.00%
				70	**61**	**70**	
Total				**79,128**	**57,687**	**53,135**	

We include in this Offering Circular the project names which we have used, or intend to use, to market our properties to which we have added references to their geographic location for the purposes of clarity. Some of the names for our property developments have not yet been approved by the relevant government authorities and may be subject to change.

The site area information for an entire project is based on either the relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. The aggregate GFA of a project includes saleable and non-saleable GFA, car parking spaces as well as rentable and hotel GFA. "Saleable GFA" represents the GFA of a property which we intend to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project. Saleable GFA does not include the GFA of car parking spaces unless otherwise stated. "Non-saleable GFA" represents the GFA of a property which is not for sale and largely includes ancillary facilities such as public facilities and schools. "Rentable GFA" refers to GFA that is available for rental proposes and "hotel GFA" refers to the total GFA of the relevant hotel.

The following information that appears in this Offering Circular is based on our internal records and estimates: (a) figures for GFA for completed projects held for sale, GFA under development, GFA for future development, GFA sold, GFA pre-sold, saleable GFA, non-saleable GFA, rentable GFA and hotel GFA, and (b) information regarding planned construction period and number of units. The information setting out the construction period for the completed blocks or phases of our projects in this Offering Circular is based on relevant government documents or our own internal records.

A property is sold when the purchase contract with a customer has been executed and the property has been delivered to the customer. A property is pre-sold when the purchase contract has been executed but the property has not yet been delivered to the customer.

OUR PRIMARY PROPERTY DEVELOPMENT PROJECTS

Descriptions of our principal property projects as of 31 December 2021 as follow:

Beijing

Ocean LA VIE (Beijing)

Ocean LA VIE (Beijing) is a completed high-end residential property development. It is situated at the south end of the Central Villa Zone in Chaoyang District. This development occupies a total saleable area of approximately 305,000 sq.m. and has a total GFA of 318,000 sq.m.

CBD Plot Z6 (Beijing)

CBD Plot Z6 (Beijing) is planned to be an office property development. It is adjoins Jinhe Road in east and South Jinhui Street in South. The development occupies a total GFA of 170,000 sq.m. We expect to complete the project in 2025.

China Life Financial Centre (Beijing)

China Life Financial Centre is a project of an international grade A office building jointly developed with China Life. The development occupies a total saleable are of approximately 126,000 sq.m. and has a total GFA of approximately 162,000 sq.m. The CBD Z13 project has been named "China Life Financial Center".

The CBD's Private Palace (Beijing)

The CBD's Private Palace (Beijing) is a completed high-end residential property development. It is situated at Eastern Yizhuang Economic Development Zone, Daxing District, Beijing. This development occupies a total saleable area of approximately 383,000 sq.m. and has a total GFA of 436,000 sq.m.

Ocean Plaza (Beijing)

Ocean Plaza (Beijing) is a completed high-end intelligent office development. It is situated at Fuxingmennei Street, Xicheng District, Beijing. This development occupies a total leasable area of approximately 30,000 sq.m.

Ocean International Center (Beijing) Tower A

Ocean International Center (Beijing) Tower A is a completed high-end intelligent office development. It is situated at Dongsihuan Zhonglu, Chaoyang District, Beijing. This development occupies a total leasable area of approximately 103,000 sq.m.

Ocean Office Park (Beijing)

Ocean Office Park (Beijing) Tower A is a completed high-end intelligent office development. It is situated at Jinghua South Street, Chaoyang District, Beijing. This development occupies a total leasable area of approximately 107,000 sq.m.

INDIGO (Beijing)

INDIGO (Beijing) is a completed integrated high-end retail, office and hotel development. It is situated at Jiuxianqiao Road, Chaoyang District, Beijing. This development occupies a total leasable area of approximately 225,000 sq.m.

Ocean We-life Plaza (Beijing)

Ocean We-Life Plaza (Beijing) is a completed integrated high-end retail, development. It is situated at North 4th Ring East Road, Chaoyang District, Beijing This development occupies a total leasable area of approximately 31,000 sq.m.

Tianjin

Ocean City (Tianjin)

Ocean City (Tianjin) is planned to be an integrated high-end residential and commercial property development. It is situated at the heart of the Binhai Development Zone in Tianjin. This development occupies a total saleable area of approximately 1,929,000 sq.m. and has a total GFA of 2,137,000 sq.m.

Shanghai

Ocean Seasons (Shanghai)

Ocean Seasons (Shanghai) is planned to be a residential property development. It is situated at Guanhai Road, Huinan Town, Pudong New District, Shanghai. This development occupies a total saleable area of approximately 279,000 sq.m. and has a total GFA of 323,000 sq.m.

Dongtan Villa (Shanghai)

Dongtan Villa (Shanghai) is planed to be a residential property development. It is located at No. 1 Lanhai Road, Chenjia Town. This development occupies a total salable area of approximately 672,000 sq.m. and has a total GFA of 1,072,000 sq.m.

Hangzhou

Canal Business Center Project (Hangzhou)

Canal Business Center Project (Hangzhou) is planned to be an integrated high-end retail, hotel, office and residential property development. It is situated at the west end of Shangtang Road, along the Beijing-Hangzhou Canal and at the heart of the Canal Culture Scenic Area in Hangzhou, Zhejiang. This development occupies a total saleable area of approximately 292,000 sq.m. and has a total developable GFA of 609,000 sq.m.

Nanjing

Ocean Seasons (Nanjing)

Ocean Seasons (Nanjing) is a completed high-end residential property development. It is located in the Lukou Airport New City extension. This development occupies a total salable area of approximately 184,000 sq.m. and has a total GFA of 243,000 sq.m.

Suzhou

Mansion Yue (Suzhou)

Mansion Yue (Suzhou) is a completed high-end residential property development. It is located at the Intersection of Huatian Road and Huasheng Avenue, Wujiang District, Suzhou city. This development occupies a total salable area of approximately 147,000 sq.m. and has a total GFA of 150,000 sq.m.

Yangzhou

Grand Canal Milestone (Yangzhou)

Grand Canal Milestone (Yangzhou) is planed to be a residential property development. It is located at the Intersection of Anlin Road and Dongsheng Road, Guangling New Town, Yangzhou. This development occupies a total salable area of approximately 43,000 sq.m. and has a total GFA of 56,000 sq.m.

Wuhan

Heart of Hankow (Wuhan)

Heart of Hankow (Wuhan) is a completed high-end integrated residential and commercial property development. It is situated at the junction of Fazhan Avenue and Changqing Road, Hejiadun Village, Jianghan District, Wuhan. This development occupies a total saleable area of approximately 972,000 sq.m. and has a total GFA of 1,019,000 sq.m.

Oriental World View (Wuhan)

Oriental World View (Wuhan) is planned to be an integrated residential and commercial development. It is located in the Jianghan District, Wuhan and surrounded by three main roads — Hanyang Avenue, Yingwuzhou Avenue and Guobo Avenue. This development occupies a total saleable area of approximately 1,509,000 sq.m. and has a total GFA of 1,880,000 sq.m. We expect to complete the project in 2023.

Chengdu

Sino-Ocean Taikoo Li (Chengdu)

Sino-Ocean Taikoo Li (Chengdu) is a completed integrated retail, office, hotel and residential property development. It is located at the South end of Daci Monastery Road, and east end of Shaomao Road, Jinjiang District, Chengdu. The development occupies a total leasable area of approximately 115,000 sq.m.

Guangzhou

Elite Palace (Guangzhou)

Elite Palace (Guangzhou) is planned to be a high-end residential property development. It is situated at Yuangang Street, Tianhe District, Guangzhou. This development occupies a total saleable area of approximately 279,000 sq.m. and has a total GFA of 310,000 sq.m.

Shenzhen

Ocean Palace (Shenzhen)

Ocean Palace (Shenzhen) is planned to be a residential property development. It is located in Xili Taoyuan Street Office, Nanshan District, Shenzhen. This development occupies a total salable area of approximately 82,000 sq.m and has a total GFA of 196,000 sq.m.

Ocean Seafront Towers (Shenzhen)

Ocean Seafront Towers (Shenzhen) is planned to be a residential property development. It is located in Longchuantang Industrial Zone, Nanshan District, Shenzhen. This development occupies a total salable area of approximately 52,000 sq.m and has a total GFA of 115,000 sq.m.

Ocean Express (Shenzhen)

Ocean Express (Shenzhen) is planned to be an integrated office, retail, hotel and residential property development. It is situated at the commercial area of Longgang city center in Long District, Shenzhen. This development occupies a total saleable area of approximately 437,000 sq.m. and has a total GFA of 556,000 sq.m.

Zhongshan

Ocean Emerald (Zhongshan)

Ocean Emerald (Zhongshan) is planned to be a residential property development. It is situated next to the Sanxin School, Nantou Town, Zhongshan. This development occupies a total saleable area of approximately 412,000 sq.m. and has a total GFA of 437,000 sq.m.

Blossoms Valley (Zhongshan)

Blossoms Valley (ZhongShan) is planned to be a residential property development. It is located in the Waisha Village, Shenwan Town, Zhongshan. This development occupies a total saleable area of approximately 1,037,000 sq.m. and has a total GFA of 1,172,000 sq.m.

Ocean Longshire (Zhongshan)

Ocean Longshire (Zhongshan) is a completed high-end residential property development. It is located at No.28, Fazhan Road, Baoyu Village, Henglan Town, Zhongshan City. This development occupies a total salable area of approximately 85,000 sq.m and has a total GFA of 96,000 sq.m.

Hong Kong

LP6 (Hong Kong)

LP6 (Hong Kong) is a completed high-end residential property. It is located on 1 Hong Cheng Road, LOHAS Park, Hong Kong. This development occupies a total salable area of approximately 136,000 sq.m and has a total GFA of 137,000 sq.m.

Dalian

Diamond Bay (Dalian)

Diamond Bay (Dalian) is planned to be a high-end residential property development. It is located on the north shore of Diamond Bay, in Ganjingzi District, Dalian. This development occupies a total saleable area of approximately 1,254,000 sq.m. and has a total GFA of 1,406,000 sq.m.

Jinan

Ocean Epoch (Jinan)

Ocean Epoch (Jinan) is planned to be a residential property development. It is located at north of the intersection of Wei Zishan Road and Century Avenue, Li Cheng District, Jinan. This development occupies a total salable area of approximately 371,000 sq.m and has a total GFA of 390,000 sq.m.

PROJECT DEVELOPMENT

Although the nature and sequence of specific planning and execution activities will vary among projects, we have summarised below the core elements of our typical project development process for our properties for sale:

Project Selection	Land Bidding/ Tendering	Pre-construction	Project Design	Construction	Pre-sale and Sale Aft-sale	Service
• Gather land information • Formulate initial concept • Perform market research • Perform internal feasibility study • Perform internal assessment and approval	• Arrange for bidding/tendering • Receive notice of successful bid/tender • Sign land contract Obtain land use rights certificate (國有土地使用證)	• Obtain construction land Planning permit (建設用地規劃許可證) • Obtain construction works planning permit (建設工程規劃許可證) • Obtain work commencement permit (建築工程施工許可證) • Obtain other relevant government approvals	• Schematic design • Construction design • Mechanical and electrical design • Interior design	• Commence construction • Monitor construction progress • Perform quality inspection • Maintain cost control	• Engage in marketing and promotion • Obtain commercial property pre-sale permit (商品房預售許可證) • Sign, notarize and register presale contract and mortgage • Obtain completion and acceptance certificate (竣工驗收證明) • Obtain delivery certificate (where applicable) (交付使用許可證)	• Register and apply for unit ownership certificate (小產證) • Gather and process customer feedback • Perform customer information analysis • Regular customer visit and activities

Project Selection

In conjunction with our ongoing market and design research, we continuously work to identify and evaluate potential sites for projects. We have a development department dedicated to identifying potential projects. Our development department assesses land parcels for use in potential projects based on our analysis of, among other things:

- size, shape and location of the land parcel;
- local customer demand and expected growth of the city in which the land is located;
- transportation access and infrastructure support;
- project evaluation according to our internal pre-determined criteria;
- development prospects, taking into account social, economic and environmental effects;
- applicable zoning regulations and government preferential policies; and
- government development plans for the relevant site and the neighboring area.

Once our development department decides to acquire a piece of land, the development department generally prepares a feasibility report for approval by the Board.

Project Management

For each project company, we have established seven departments to support the development and management of our projects: our engineering, budgeting, sales, customer service, public utilities, design and finance departments. The manager of each department within the project company reports directly to the project general manager who in turn reports directly to the executive officers in our corporation.

Bidding/Tendering for Land

We bid and tender for land in accordance with relevant PRC laws and regulations. For details of the relevant laws and regulations, see "*Regulation — Legal supervision relating to the property sector in the PRC*".

Pre-construction

According to PRC regulations, once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that we need in order to begin the construction and sale of our properties. If the land use right is acquired by way of grant, the land grant contract will be a precondition to applications for the following permits and licenses:

- land use rights certificate (國有土地使用證)/real estate certificate (不動產權證書). A certification of the right of a party to use a parcel of land;
- construction land planning permit (建設用地規劃許可證). A permit formally approving a developer to conduct the survey, planning and design of a parcel of land;
- construction works planning permit (建設工程規劃許可證). A certificate giving government approval for a developer's overall planning and design of the project and allowing a developer to apply for a work commencement permit (建築工程施工許可證);
- construction permit (建築工程施工許可證). A permit required for the commencement of construction; and
- pre-sale permit (商品房預售許可證). A permit authorising a developer to start the pre-sale of property still under construction.

Financing of Projects

We finance our projects primarily through bank loans, internally generated cash flows, including proceeds from the pre-sale and sale of our projects, and capital raising transactions.

According to guidelines issued by the CBRC, no loan shall be granted to projects which have not obtained the relevant land use rights certificates (國有土地使用證)/real estate certificate (不動產權證書), construction land planning permits (建設用地規劃許可證), construction works planning permits (建設工程規劃許可證) and construction permits (建設工程施工許可證). The guidelines also stipulate that not less than 35 per cent. of the total investment in a property development project must come from a real estate developer's own capital for the development project (項 目 資 本 金) in order for banks to extend loans to the real estate developer. Pursuant to the "Notice on the Improvement of Differential Residential Credit Policies" (Yin Fa [2010] No. 275) (《關於完善差別化住房信貸政策有關問題的通知》(銀發[2010]275號)), all commercial banks are prohibited from extending new real estate property loans, or extending existing loans, to real estate developers that hold idle land, that have changed the use or status of land they hold, that have delayed the commencement date or completion date of construction, or that have delayed the launch of sales of property projects for speculative purposes.

Government authorities in China have issued various regulations to govern the financing of development projects. See "*Regulation*".

Our policy is to finance our property developments with internal resources to the extent practicable in order to reduce the level of external funding required. As at 31 December 2021, our outstanding total bank and other borrowings amounted to RMB92,224 million.

Project Design

We contract out the project design work for our property developments to a number of established architectural and interior design firms which are selected through a tender process. All of these architectural and interior design firms are independent third parties. To ensure that the project design of each of our development projects reflects the positioning of our products, we also have an internal design team that strictly controls and monitors the design work of our external design firms.

The size of our unit flats is varied. For first-timer and first upgrader, units are under 144 sq.m., for multiple upgrader they are of 144 sq.m. to 250 sq.m. and over 250 sq.m. for high-end units. Our product mix in 2017 was 74 per cent. of first-timer and first upgrader, 13 per cent. of multiple upgrader and 13 per cent. of high-end units, as compared to 2016 which consisted of 59 per cent. of first-timer and first upgrader, 8 per cent. of multiple upgrader and 33 per cent. of high-end units.

Construction

Construction of our projects usually proceeds phase by phase or block by block as part of our financial management and marketing strategy. Different general contractors may be selected to carry out construction of different phases or blocks in a development, a practice which we consider enables us to better control construction quality, time and cost.

Our standard construction contracts typically provide for a fixed or a guaranteed maximum price payable by us and include express terms on construction schedule. The construction contracts contain warranties from the contractors in respect of the quality and timely completion of the construction. In the event of delay or poor quality of work, the contractor may be required to pay pre-agreed damages under the relevant construction contract. We require our contractors to comply with PRC laws and regulations on the quality of construction projects, as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports.

Our construction contracts generally provide for progressive monthly payments throughout the construction progress. The remaining balance, except for 5 per cent. of the contract sum which we withhold for two years after completion to apply against any expenses incurred as a result of any construction defects, is payable upon satisfactory completion of work. Upon the expiry of the two-year retention period, the balance of the retention amount is paid to the contractor. We have not had any incidences where the retention amount is less than the amount we have to pay for the defects as at the date of this Offering Circular.

We are not responsible for any labour problems of our contractors. As to our risk in relation to environmental, social and safety problems due to non-compliance with applicable PRC laws by the contractors, we may be held responsible for such problems but our construction contracts provide that we may seek indemnification from the contractors for the resulting damages.

We hire professionals in various areas to supervise and manage project quality and construction. We also engage independent engineering supervisory companies to conduct quality and safety control checks on all projects.

Quality Control and Construction Supervision

We are required to engage independent engineering supervisory companies to conduct quality and safety control checks on all building materials, equipment and construction. In addition, we also employ professionals, including designers, quantity surveyors, construction engineers, electrical engineers and water and heat engineers to carry out the functions of quality control and construction supervision for our project companies. We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations and are of a high quality. We require our functional departments, project companies and our construction supervisors to strictly follow these procedures. As part of our quality control procedures, we seek to engage reputable design and construction companies. We obtained ISO 9000 certification in recognition of our quality control in December 1997 and we have successfully renewed this certification each year since.

We directly purchase major building materials, especially those affecting product quality. We do not own any construction equipment and do not maintain any inventory of building materials since the delivery of the building materials are generally scheduled to be on the same day as the installation date. To maintain quality control, we hire independent supervisory companies to inspect the equipment and materials used in our projects to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. Our in-house project management team works closely with the independent supervisory company during quality control and assessment. We reject materials which are below standard or that do not comply with our specifications and return them to the suppliers.

To ensure quality and monitor the progress and workmanship of construction, each project has its own on-site project management team, which comprises qualified engineers led by our project controller. In addition, each of the projects has a construction controller who is responsible for the supervision of the construction of our properties and ensures that our properties meet a specified standard upon completion. The on-site project management team submits a monthly report on the appraisal and inspection of the quality of the work of the supervisory unit and the construction unit. In addition, prior to handing over a property to our customers, our sales and customer service departments, together with our engineers and the relevant property management company, will inspect the property. If our sales and customer service departments find any aspect of our property developments to be unsatisfactory, our sales and customer service departments will record the finding and take immediate action to cure the defect.

According to the provisions of the Regulation on the “Quality Management of Construction Projects” (Order of State Council No. 279) (《建設工程質量管理條例》(國務院令第279號)), the quality supervision authority of construction projects engaged by the construction administrative department or relevant government authorities shall supervise and manage the quality of the completed projects upon the completion and acceptance of projects.

Pre-sale

According to the “Law of the People’s Republic of China on Administration of Urban Real Estate” “Urban Real Estate Law” (《中華人民共和國城市房地產管理法》) and the “Administrative Measures governing the Pre-sale of Urban Real Estate” (“**Pre-Sale Measures**”) (《城市商品房預售管理辦法》), the following conditions must be fulfilled before the pre-sale of a particular property can commence:

- the land use right grant premium must be paid in full and the land use rights certificate must have been obtained;

- the construction works planning permit and the construction permit must have been obtained;

- the funds contributed to the development of the project shall amount to at least 25 per cent. of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and

- the pre-sale approval must have been obtained.

Certain local governments such as those of Shanghai and Tianjin have raised additional requirements for pre-sale of residential housing. See “*Regulation*”.

We have complied with the relevant statutory requirements for pre-sale, including, but not limited to, requiring all project companies to use a standard pre-sale contract in the form stipulated by the PRC government.

Sales and Marketing

We adopt a variety of measures to promote our properties to potential customers, including advertising through outdoor media, print media and the internet, as well as sponsoring performances and holding entertainment activities for the public. We target a broad base of customers with varied income levels and backgrounds. We have both individual and corporate clients from China as well as from abroad. Most of our customers are local customers.

Our property management subsidiaries also provide professional property consulting advice and extensive after-sales services. See "*Rental Properties and Property Management*" below. We also provide customers of our residential developments with a membership to our exclusive Ocean Club, which offers members discounts at various retailers, supermarkets and restaurants in various cities and discounts towards future purchases of our properties. We believe that these measures increase public interest in our properties.

Handover

In relation to our properties for sale, after construction is completed, we are required to obtain a certificate of completion (竣工驗收證明) and other government certificates before we are able to handover the properties to our customers. As at the date of this Offering Circular, no incidences have occurred where we had to compensate customers for delays in completing deliverables.

Payment and End-user Financing

With respect to both pre-sales and sales, our purchasers can choose either payment by installments, lump sum payments, bank loans or a loan from the administration authority for the housing accommodation fund.

In line with market practice, we have arrangements with various banks for the provision of mortgage facilities to our purchasers and we provide guarantees for these mortgages generally until completion of construction and the relevant property ownership certificates are lodged with the relevant banks. As at 31 December 2021, the unutilised credit facilities were RMB232,230 million.

Independent credit checks are conducted by the relevant bank in accordance with their own internal policies. See "*Risk Factors — Risks Relating to our Business — We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial condition could be adversely affected*".

RENTAL PROPERTIES AND PROPERTY MANAGEMENT

For the year ended 31 December 2021, our portfolio of investment properties and other properties managed by us generated approximately RMB2,940 million of revenue from rental income and property management fees.

Investment Properties

Our investment property portfolio mainly consists of A-grade office premises, shopping malls, commercial complex and logistics projects at good location.

As at 31 December 2021, the Group held more than 23 operating investment properties, in which the majority were office units. The revenue from the investment properties was RMB678 million, RMB494 million and RMB410 million for the years ended 31 December 2019, 2020 and 2021, respectively. The decrease in revenue between the first half of 2021 and that of 2020 was mainly due to the implementation of mid to light asset mode for the Group's investment properties.

The total leasable area of our investment properties amounted to approximately 3,923,000 sq.m. as of 31 December 2021, with office developments about 24 per cent., logistics projects about 48 per cent. and others including commercial complexes, car parks and others 28 per cent.

The investment properties of the Group and its joint ventures and associates as at 31 December 2021 is set out as follows:

Projects	Districts	Approximate leasable area (sq.m.)	Office premises (sq.m.)	Retail space (sq.m.)	Logistics projects (sq.m.)	Others (sq.m.)	Occupancy rate (%)	Interest attributable to the Group (%)
Ocean International Center (Beijing). . .	Chaoyang District, Beijing	103,000	76,000	9,000	—	18,000	92%	100%
Ocean Plaza (Beijing) .	Xicheng District, Beijing	30,000	26,000	—	—	4,000	99%	72%
San Francisco Project (USA).	Financial District, San Francisco	7,000	7,000	—	—	—	100%	100%
Other projects		72,000	—	41,000	—	31,000		
Subtotal		212,000	109,000	50,000	—	53,000		
Other								
China Life Financial Center (Beijing). . .	Chaoyang District, Beijing	111,000	111,000	—	—	—	66%	10%
E-wing Center (Beijing)	Haidian District, Beijing	12,000	12,000	—	—	—	88%	69%
INDIGO (Beijing)	Chaoyang District, Beijing	181,000	52,000	48,000	—	81,000	96%	50%
Ocean International Center, Phase II (Beijing)	Chaoyang District, Beijing	70,000	46,000	13,000	—	11,000	86%	35%
Ocean Office Park (Beijing)	Chaoyang District, Beijing	108,000	81,000	12,000	—	15,000	84%	29%
Ocean Rayzone (Beijing)	Fengtai District, Beijing	119,000	110,000	5,000	—	4,000	34%	21%
Ocean We-life Plaza (Beijing)	Chaoyang District, Beijing	31,000	—	31,000	—	—	98%	64%
Eco-city Aegean Place (Tianjin)	Binhai New Area, Tianjin	41,000	—	41,000	—	—	89%	52%
Hedong Aegean Place (Tianjin)	Hedong District, Tianjin	94,000	—	94,000	—	—	99%	34%
Ocean International Center (Tianjin). . .	Hedong District, Tianjin	53,000	53,000	—	—	—	77%	69%
Ocean We-life (Tianjin)	Binhai New Area, Tianjin	28,000	—	28,000	—	—	95%	70%
Ocean We-life Plaza (Tianjin)	Hedong District, Tianjin	42,000	—	42,000	—	—	95%	64%
Aegean Place (Jinan) .	Shanghe County, Jinan	35,000	—	35,000	—	—	93%	31%
H88 Yuehong Plaza (Shanghai).	Xuhui District, Shanghai	56,000	56,000	—	—	—	90%	24%
Haixing Plaza (Shanghai).	Huangpu District, Shanghai	14,000	10,000	—	—	4,000	75%	37%
Sino-Ocean Tower (Shanghai).	Huangpu District, Shanghai	64,000	46,000	4,000	—	14,000	89%	15%
Aegean Place (Suzhou)	Wujiang District, Suzhou	49,000	—	49,000	—	—	90%	26%
Grand Canal Place (Hangzhou)	Gongshu District, Hangzhou	69,000	—	68,000	—	1,000	97%	60%
Aegean Place (Fuzhou)	Cangshan District, Fuzhou	92,000	—	92,000	—	—	99%	31%
Sino-Ocean Taikoo Li (Chengdu)	Jinjiang District, Chengdu	174,000	—	84,000	—	90,000	96%	50%
Other projects		2,268,000	254,000	81,000	1,868,000	65,000		
Subtotal		3,711,000	831,000	727,000	1,868,000	285,000		
Total		3,923,000	940,000	777,000	1,868,000	338,000		

In addition, we have commercial property resources pending for development and operation by stages before 2026. These include CBD Plot Z6 — an office building located in Beijing CBD, Grand Canal Place (Beijing), INDIGO II (Beijing) and other high-end commercial complexes.

We set forth below details of properties under development as of 31 December 2021:

Cities	Projects	Location	Actual/ Estimated Completion Date	Type of Property	Site Area
					(sq.m.)
Beijing	Grand Canal Place	Tongzhou Canal	2022	Office/Retail	350,000
Wuhan	Citylane	Guiyuan Temple	2023	Office/Retail	450,000
Wuhan	Yangtze Opus	Inner Ring Core	2023	Hotel Office/ Retail/Hotel Office/Retail	100,000
Beijing	CBD Plot Z6	CBD	2025	Office	170,000
Beijing	Phase Two Extension of INDIGO	Jiuxianqiao Business District	2025	Office/Retail/ Hotel	590,000
Total					1,660,000

In selecting tenants for our properties, we consider whether the profile of our tenants fit into the overall theme of the development projects and we also try to attract commercial tenants that are able to provide expertise in retail management as well as those who could help us promote the image of our rental properties. We also assess whether the tenants have the financial means to sustain long-term rental.

Property Management

Residential projects developed by us and investment properties held by us are managed by our property management arm, Sino-Ocean Service. On 17 December 2020, we spined-off and separately listed the shares of Sino-Ocean Service, a subsidiary of the Company, on the Main Board of the SEHK and dealings in the Sino-Ocean Service shares on the Main Board of the SEHK commenced at 9:00 a.m. on 17 December 2020. Upon the completion of the offering, we, through our wholly owned subsidiary, indirectly control in aggregate approximately 67.57 per cent. of the total issued share capital of Sino-Ocean Service. The spin-off group is principally engaged in property management services, value-added services to non-property owners and community value-added services. We also hire reputable international property management companies, including DTZ Debenham Tie Leung Limited, to provide advisory services.

The property management services include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and rental agency services. The typical property management contract entered into by our property management companies and the owners of the properties sets out the scope and the quality requirements of the services provided by our property management companies. We prepare maintenance and renovation plans for the properties and public facilities that we manage. We are not permitted by law to assign the management duties in their entirety to a third party. However, we can outsource some of the responsibilities, such as cleaning and security services, to independent third parties. The property management contracts also set out the management fee arrangements. The property management service fee is paid on an annual basis.

Pursuant to the Civil Code of the People's Republic of China (《中華人民共和國民法典》) issued by the National People's Congress on 28 May 2020 and enforced on 1 January 2021, the employment and discharge of a property management service or any other manager shall be collectively determined by all owners, for which two-thirds or more of the total owners with private areas accounting for two-thirds or more of the total area of the building must participate in the voting. As at the date of this Offering Circular, our property management companies had not been dismissed from the management of any properties.

For the years ended 31 December 2019, 2020 and 2021, our revenue from the provision of property management and related services amounted to RMB1,579 million, RMB1,763 million and RMB2,530 million, respectively. For the year ended 31 December 2021, our revenue from property management and related services was RMB2,530 million, representing an increase of 44 per cent. from RMB1,763 million in the corresponding period in 2020, which was mainly due to the improvement in operating capacity, offering new types of services and synergy with the principal business.

FINANCIAL RISK MANAGEMENT

We aim to enhance our financing flexibility by actively managing our contracted sales proceeds, increasing the rate of cash receipts from contracted sales, centralizing our fund management and leverage our multiple funding channels. By implementing systematic project planning, strengthening our comprehensive budget management, tightening control over our costs and expenses as well as centralizing our pricing management, we aim to further increase our profit margins amid market competition. We also manage our gearing level and aim to lower our financing costs by controlling our interest-bearing debt and our total assets, optimising our debt structure and leveraging the support by our major Shareholders. We also have what we believe to be prudent financial policies and dividend policies, typically with a dividend payout ratio of above 20 per cent.

SUPPLIERS AND CUSTOMERS

Our five largest customers combined accounted for less than 30 per cent. of our total sales in the years ended 31 December 2019, 2020 and 2021. Our five largest suppliers (excluding land supply) combined accounted for less than 30 per cent. of our total purchases in the same years.

SUSTAINABLE DEVELOPMENT MANAGEMENT

We embrace the philosophy of "working with stakeholders to promote sustainable development of people, buildings and the environment", under the guidance of the "United Nations'2030 Sustainable Development Goals (SDG)" and regard creating value for stakeholders as our responsibility. In 2019, we formulated and reviewed the medium-term plan for sustainability and the objectives reached. The key points are summarized as follows:

Phase One 2008–2015	• Aiming at the brand promotion, disclosing certain qualitative information, and focusing on highlight case collection.
Brand Exploration	• Establishing and operating a foundation as a brand module tool, and introducing CASS ratings.
	• Focusing on report quality and publicity, and not yet focused on capital market.
Phase Two 2016–2018	• Aiming at meeting the compliance disclosure KPIs of the HKEX-ESG, and commencing to disclose environmental data.
Compliance Basis	• Establishing a primary management system and introducing to Seagull II system management.
	• Obtaining a certain degree of recognition and commencing to actively analyze the current capital market's concerns/ demands for the sustainability of property companies.
Phase 3 2019–2021	• Setting strategic objectives for our sustainability to disclose information with strategic objective-oriented.
	• Establishing and operating the ESG management system to improve relevant policies and functions.
Consolidation and Improvement	• Determining the objective of capital market improvement and actively responding to capital evaluations such as HSSUSB, GRESB and MSCI.

Phase 4 From 2022 onwards	● Striving for business growth by strategic objectives, making sustainability information disclosure beyond the report itself, and improving the quality to an international standard.
Leading Development	● Establishing and improving the special teams for ESG management system and objectives, and incorporating them into risk assessment and management. ● Continuing to enhance the position of the capital market and participating in more industry activities based on improvement suggestions. ● Adding elements to adapt to climate change in designing and planning new projects. ● Contributing to the Article 13 "Climate Initiative" of the SDG through business improvement, and implement effective and feasible climate change solutions.

Adhering to our core principle of "Dedicated Projects and Building ● Health (精耕細作，建築 ● 健 康)", we implement our sustainable development strategy with the following five focuses:

1. ***Building Healthy Management*** — With the strategic vision of "creator of building health and social value", we are committed to becoming an integrative industrial company focusing on investment, exploration and development of related new businesses. In 2019, the Group made significant progress in streamlined management. By comprehensively strengthening financial budget management and business plan management, a new "4 + 8" business management system focusing on projects and businesses was gradually formed, and supplemented by corresponding management reforms and human capital matching to fully empower the frontline of the project, the operational decision-making efficiency and operational quality have been significantly improved.

2. ***Building Health*** — Guided by the brand philosophy of "Joint Growth, Building Health (共同成長，建築健康)" and drawing upon our many years' experience in the implementation of WELL standard (which is the world's first building standard focused exclusively on the health and wellness of building users), we have developed our own Sino-Ocean Healthy Building System and applied it across the development of our projects.

3. ***Building Healthy Environment*** — We have developed our own green building standards to facilitate green product construction and continuously improved the standards through practice. For example, all projects were constructed in accordance with the 65 per cent. energy saving and 30 per cent. green space rate requirements; green building technologies have been systematically applied, and high-end commercial property projects received LEED certification from the U.S. Leadership in Energy and Environmental Design Awards. As of the end of 2019, we had registered 97 green building projects with a total registered GFA of over 14,400,200 sq.m. We also attach great importance to water conservation and advocate water conservation through various means.

4. ***Building Healthy Human Capital*** — We have formulated and implemented employment policies in compliance with laws and regulations. By taking several carefully designed measures, we fully protect employees' rights and interests, attach great importance to their safety and well-being, and provide incentives, guidance and training to encourage career development among staff members. We believe that employees can make greater contributions to the Company's development by redefining their individual values.

5. ***Building Healthy Communities*** — We have always supported local community building at its managed housing developments and in the surrounding areas and strives to encourage its business divisions and subsidiaries to support surrounding

communities, villages and cities. With Sino-Ocean Charity Foundation as a platform for fulfilling social responsibilities, relying on project organizers, we collaborated with related parties to boost sustainable community development focusing on the following aspects of social impacts of community building, namely supporting rural revitalization, green healthy community, caring for veterans and education and financial assistance for students.

In view of our Group's continuous business expansion and increasingly stringent requirements imposed by external parties on sustainable development, we will continue to implement standardized systems, rationalize and improve management systems, and develop more targeted staff incentive schemes, aiming to further enhance our sustainable development practices in terms of rationalizing and routinizing sustainable development management through effective marketing, communication and training. We will continue to work with other stakeholders to create shared value following the Health philosophy, with the aim of delivering steady and harmonious development for people, buildings and the environment.

COMPETITION

Our existing and potential competitors include major domestic State-owned and private developers and foreign funded real estate developers (including leading developers listed in Hong Kong) who focus on the high-end and/or upper mid-tier property markets in China. Competitive factors include the size of land bank, the geographical location, the types of properties offered, brand recognition by customers, creditworthiness, price and design quality. A number of our competitors have greater financial, marketing, land and other resources than we have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets.

We believe that through our experience in developing large scale, high quality properties and our in-depth understanding of the Chinese real estate market, we will be able to react more quickly when competing with these property developers to identify and secure desirable opportunities.

INTELLECTUAL PROPERTY

Our intellectual property forms an integral basis for our strong brand recognition and is important to our Company's business and profitability. We have several registered trademarks in the PRC and Hong Kong and we also hold licenses to use the "Sino-Ocean" brand.

Under Hong Kong and PRC law, a registered trademark owner has exclusive rights in the registered trademark. Any unauthorised use of a registered trademark (unless such use constitutes "fair use" as defined by law) will constitute infringement of the trademark owner's exclusive right.

We have not infringed the intellectual property rights of other parties and have not identified any instances of third parties infringing our intellectual property rights.

INSURANCE

Our contractors maintain all risks and third party insurance policies for all our properties under construction. We do not maintain insurance policies for properties that have been delivered to our customers. Instead, the relevant management companies will maintain all risks property insurance and public liability insurance for common areas and amenities of these properties. We also maintain, on a voluntary basis, personal accident insurance and supplementary commercial medical insurance for our employees.

EMPLOYEES

As at 31 December 2021, we had 14,890 employees. The following table shows a breakdown of employees by function as at 31 December 2021:

Division	Number
1. Senior management	12
2. Sales and marketing	1,886
3. Human resources and administration	467
4. Finance and strategic development	830
5. Others	11,695

All of our employees are employed under employment contracts. We review the performance of our employees once a year, the results of which are used in his or her annual salary review and promotion appraisal.

All of our employees are considered for an annual bonus based on various performance criteria and their assessment results. Commissions are provided to our sales personnel.

We review our staff remuneration packages every year. We conduct research on remuneration packages offered to similar positions in our industry which we believe allows us to remain competitive in the labour market.

We incurred staff costs (including Directors' emoluments and taking into account the amortisation of share options) of approximately RMB3,044 million, RMB2,617 million and RMB2,982 million, respectively for the years ended 31 December 2019, 2020 and 2021, equal to approximately 6.0 per cent., 4.6 per cent. and 4.6 per cent. of our revenue for those periods, respectively.

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. Each of our property developments is required to undergo environmental assessments and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of property development. On the completion of each property development, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record. We believe that our operation is in compliance with currently applicable national and local environmental and safety regulations in all material respects.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, we were not engaged in any litigation, arbitration or claim, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, in each case, that would have a material adverse effect on our results of operations or financial condition. We also do not have any material claims or lawsuits with our contractors.

THE LC BANK

The information below included in the Offering Circular is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that are referenced in the Offering Circular but is not separately included in the Offering Circular shall not be deemed to be incorporated by reference to the Offering Circular. The Issuer and the Company has taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Company, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Company, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents and advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Notes will have the benefit of the Irrevocable Standby Letter of Credit which will be issued by China Zheshang Bank Co., Ltd. Beijing Branch as the LC Bank. Under the PRC law, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by China Zheshang Bank Co., Ltd. ("**China Zheshang Bank**"), and the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Irrevocable Standby Letter of Credit, China Zheshang Bank would have an obligation to satisfy the balance of the obligations under the Irrevocable Standby Letter of Credit.

OVERVIEW

China Zheshang Bank is a nationwide joint-stock commercial bank which was established in Zhejiang Province, the PRC on 26 July 2004 with the approval from the CBRC and the only nationwide joint-stock commercial bank headquartered in Zhejiang. By adopting a full-asset class operation strategy, China Zheshang Bank has achieved rapid growth, efficient operations and solid asset quality. As at 31 December 2021, China Zheshang Bank has established 288 branch outlets in 21 provinces (autonomous regions and municipalities) and the Hong Kong Special Administrative Region, effectively covering the Yangtze River Delta, the Bohai Rim, the Pearl River Delta Region and the West Straits Economic Zone and certain areas in the Midwestern China.

In line with the development of information technology, China Zheshang Bank has fully implemented the platform based service strategy to build a dual engine driven by blockchain and IoT technologies and provide customers with comprehensive financial services which are open, efficient, flexible and easy-to-use.

CORPORATE BANKING BUSINESS

The majority of China Zheshang Bank's operating income is attributable to the corporate banking business. It provides comprehensive financial products and services to the corporate customers, which include large central state-owned enterprises ("**SOEs**"), local SOEs, quality private enterprises (including Zhejiang merchants), small and micro enterprises, government agencies and public sector entities.

Guided by the full-asset class operation strategy and the "Two Mosts" vision, China Zheshang Bank's corporate banking business strived to strengthen the innovation of the business model and marketing mechanism, enhance the construction of the basic customer base, and facilitate the transformation and development to improve core competitiveness of China Zheshang Bank. China Zheshang Bank's corporate banking business focuses on cultivating the strategic customers so as to establish long-term and comprehensive relationships with them and develop new customers from their upstream and downstream business partners. China Zheshang Bank develops strategic customers and enhance their loyalty by providing comprehensive and customised financial products and solutions.

To meet corporate customers' core needs for reducing financing costs and improving service efficiency, China Zheshang Bank has innovated the "Internet Plus" application and introduced the "pooled financing" services packages. China Zheshang Bank has been improving platforms such as "Bill Pool", "Export Pool" and "Asset Pool", which integrate the businesses of assets and liabilities, products and services, operations and management as a whole. China Zheshang Bank is able to provide corporate customers with comprehensive services for various financial assets, including pooled services, custody services, settlement services, value-added services, pledged financing services and credit extending services in order to help enterprises to raise funds at any time, reduce cost and increase income.

China Zheshang Bank has also customised the "Group Asset Pool" ("集團資產池") for conglomerates, their subsidiaries as well as listed companies, in order to optimise conglomerates' internal finance and fund management, coordinate the management of internal financial resources and fund and of conglomerates and build an excellent business ecosystem for the conglomerates and for providing financial services along the supply chain of enterprises as well as for B2B electronic commerce.

In addition, China Zheshang Bank actively sought to expand traditional financial service model, exploring a full-chain and comprehensive investment and financial service system, expanding corporate financing channels. China Zheshang Bank created the trading business model which combined loans and asset securitisation, established the engagement in private placements business of listed companies on the basis of credit increase by substantial shareholders, as well as built the cooperation with external private funds for participation in the direct investment in equity of industrial funds run by the government. The product lines and service lines have covered the financial needs of enterprises during each development stage, and China Zheshang Bank has established business partnership with over 100 listed companies or their shareholders. All of these have contributed to the initial capabilities of China Zheshang Bank to provide full-value-chain services to enterprises, which aim to improve both the externally evaluated value and intrinsic value of the enterprises. The full-value-chain services have a focus on listed companies, shareholders or leading enterprises, providing comprehensive, full-chain investment and financing services that cover all stages from business incubator, fostering, and growth to over-the-counter transfer, re-financing and market value management.

Corporate Loans

China Zheshang Bank provides corporate customers with various credit services, including loans and discounted bills for large, medium and small and micro enterprises. Driven by the full-asset class operation strategy in a comprehensive manner, China Zheshang Bank can meet customers' diverse financing needs, and promote the optimisation of corporate loan structure while incorporating the adjustment in total amount and structure of its loans.

Discounted Bills

China Zheshang Bank purchases bank acceptance bills and commercial acceptance bills with a remaining maturity of 12 months or less from the corporate customers at discounted rates. For the bills pool customers, China Zheshang Bank also provides an efficient online bill discounting service. China Zheshang Bank has flexibly regulated and controlled its discounted bills business of low risk and low consumption of capital according to the progress of loan extension, and took various measures including optimisation of structure and acceleration of turnover to improve comprehensive returns on bill assets year.

Corporate Deposits

China Zheshang Bank provides the corporate customers with time deposits and demand deposits denominated in both RMB and foreign currencies (including U.S. Dollars, Japanese Yen, Hong Kong dollars, Pounds Sterling and Euros). China Zheshang Bank generally offers time deposits with terms of up to five years. In addition, China Zheshang Bank offers call deposit products, which bear higher interest rates than demand deposit products, while at the same time providing a certain level of flexibility by allowing customers to make withdrawals after a notice period ranging from one to seven days.

China Zheshang Bank provides diversified and characteristic services for various corporate customers so as to extend the source of the deposits. For example, China Zheshang Bank offers electronic corporate deposit services to the customers, such as “E-Deposit” (“如e存”), which is an online time deposit service.

Customers may use this service at any time through the website without opening an account with China Zheshang Bank by remitting deposits to China Zheshang Bank from accounts opened at other banks in their name. China Zheshang Bank also provides deposit services for institutions such as government agencies and public sector entities. In addition, China Zheshang Bank has developed and issued certificate of deposit products. China Zheshang Bank believes that providing diversified services can help China Zheshang Bank expand the customer base and obtain a stable source of deposits.

Intermediary Business Products and Services

China Zheshang Bank provides its customers with a broad range of intermediary business products and services, including services related to investment banking, settlement, agency and custody and wealth management, acceptance and guarantees.

Investment Banking

The investment banking business is crucial to promoting China Zheshang Bank’s “full-asset class operation” strategy and developing asset-light businesses. Its investment banking business includes bond underwriting, M&A services, structured financing and asset securitisation.

Since obtaining the licences for underwriting commercial paper in 2005, China Zheshang Bank has been actively participating in the syndication, distribution and underwriting of commercial papers, and obtained lead underwriter qualification in September 2008. China Zheshang Bank also provides customers with M&A services, which include M&A financing and advisory services.

China Zheshang Banks provides corporate customers with M&A services, which include M&A financing and advisory services. Its M&A advisory services primarily involve assisting listed companies customers with industry upgrading and consolidation and enterprise restructuring. Through such services, China Zheshang Bank strives to help its customers develop new business lines and diversify their business operations.

China Zheshang Bank’s investment banking business also provides structured financing and asset securitisation services. With respect to structured financing, China Zheshang Bank mainly provides financial services to its customers by utilising special purpose vehicles and designing transaction structures that are in compliance with PRC laws and regulations. China Zheshang Bank closely follows the development of asset securitisation products issued and traded in the inter-bank bond market, and analyses the feasibility of securitising the loan portfolios of certain individual business owners and micro finance companies, so as to improve its small and medium enterprise financing services.

Settlement Services

China Zheshang Bank provides corporate customers with settlement services, including transfer and remittance services, agency payment collection services and services relating to bank notes, bank drafts, checks and commercial bills.

Agency and Custody

China Zheshang Bank's agency services for corporate customers primarily include entrusted loan services and services for agency account receivable financing under domestic letters of credit and agency account receivable transfers under letters of guarantees for payment.

China Zheshang Bank's custody services now cover mutual funds for securities investment, assets management plans for specific customers, insurance assets, trust plans, commercial bank wealth management products and private equity funds.

Wealth Management Services and Acceptance and Guarantee

China Zheshang Bank offers wealth management products with different terms and yields based on market conditions and its customers' needs and risk appetites. It provides a wide range of products to corporate customers through developing various types of bonds and inter-bank deposit wealth management products. China Zheshang Bank also provides corporate customers with letters of credit, bills and other forms of bank guarantees.

International Traded Financing and Settlement Services

China Zheshang Bank provides corporate customers which engage in import activities with services related to import letters of credit, import financing, shipping guarantees, overseas refinancing and cross-border guarantees. For China Zheshang Bank's corporate customers which engage in export activities, China Zheshang Bank provides services relating to packaged loans, export bills purchasing, export invoice financing, credit insurance financing and forfeiting.

China Zheshang Bank also provides importers and exporters with a wide range of international settlement services, such as services relating to export letters of credit settlement, export collection, import letters of credit settlement, inward collection, inward remittance, outward remittance and cross-border RMB settlement. For its documentary credit business, China Zheshang Bank has centralised settlement, and process of all documents for its entire China Zheshang Bank at a processing centre at the head office. For its foreign exchange settlement business, all foreign exchange settlement is also processed at the head office, which reduces the number of intermediate steps and allows for automatic settlement. China Zheshang Bank also processes over the counter foreign exchange business in a centralised manner. Orders are submitted to sub-centres for processing and examination after having been accepted by each outlet, which helps China Zheshang Bank ensure efficiency and mitigate operational risks.

China Zheshang Bank engages in foreign exchange agency transactions with its customers (primarily importers, exporters and cross-border investment and financing companies) acting as principals. Its services mainly include services related to spot, forward and swaps transactions, which help its customers mitigate exchange rate risks and preserve and increase the value of their holdings.

RETAIL BANKING BUSINESS

China Zheshang Bank's retail banking business provides retail customers with diversified products and services, including personal loans, personal deposits, bank cards and intermediary business services, and has achieve decent growth in recent years.

Personal Loans, Personal Deposits and Bank Cards

China Zheshang Bank is committed to providing a range of high-quality, comprehensive and dedicated financial services and solutions to small and micro enterprise entrepreneurs and individual business owners through its standardised management method. It also provides residential mortgage loans to retail customers, which includes first-hand housing mortgage loans and second-hand housing mortgage loans. Other personal loans mainly include personal consumption loans and overdrawn credit cards. In addition, China Zheshang Bank provides time and demand deposits denominated in RMB and foreign currencies service, the majority of which are denominated in RMB.

China Zheshang Bank issues debit cards and credit cards to retail customers. The income from its debit cards business is mainly generated from commissions charged to merchants who accept China Zheshang Bank's cards and service fees charged to cardholders. China Zheshang Bank is committed to promoting technological innovation and is actively developing virtual credit cards to further optimise its internet financing system.

Intermediary Business Products and Services

China Zheshang Bank provides its retail customers with a broad range of intermediary business products and services, including personal wealth management services, payment and settlement services and agency services. China Zheshang Bank is committed to promoting product innovation, channel expansion and services optimisation.

For its personal wealth management services, China Zheshang Bank selects underlying asset with relatively low risk and stable returns, and primarily invest in fixed income products, such as bonds, money market instruments and deposits. China Zheshang Bank enforces a differential pricing system for its products based on the overall contribution of customers to China Zheshang Bank in order to strengthen loyalty of its mid- to high-end retail banking customers. In addition, China Zheshang Bank provides retail customers with payment and settlement services, including RMB and foreign currency-denominated money transfer services, remittance and collection services and services relating to the settlement of cashier's checks, bank drafts and bank checks. It also provides for retail customers primarily include agency services relating to the sales of insurance products and investment fund products, as well as gold trading.

TREASURY BUSINESS

China Zheshang Bank's treasury business primarily comprises money market business, investments in bonds and other financial asset and treasury business conducted on behalf of customers. In recent years, China Zheshang Bank's treasury business has experienced rapid growth.

Money Market Business

China Zheshang Bank's money market business mainly includes (i) short-term placements with and from banks and other financial institutions and deposits with and from banks and other financial institutions; (ii) securities repurchases and reverse repurchases with banks and other financial institutions (the financial assets involved in such securities transactions are primarily bonds issued by the PRC central government and policy banks);and (iii) notes and other assets purchased under resale agreements with other banks.

Investments in Bond and Other Financial Assets

China Zheshang Bank invests in government bonds and bonds issued by policy banks and other financial and non-financial institutions. China Zheshang Bank monitors changes to the credit conditions of relevant assets and use various analytical tools to conduct scenario analyses of market risks, such as adverse movements of asset prices and benchmark interest rates, so as to develop corresponding contingency plans and timely adjust China Zheshang Bank's investment strategies.

Investments in other financial assets mainly include investments in trust plans managed by trust companies, asset management plans managed by securities and insurance organisations and wealth management products issued by other PRC commercial banks.

Treasury Business Conducted on Behalf of Customers

China Zheshang Bank provides wealth management services and offer foreign exchange agency transactions to corporate and retail banking customers. The proceeds China Zheshang Bank raises from the sale of its wealth management products are primarily invested in fixed-income investments, such as money market instruments, bonds, non-standard debt assets and other equity products. China Zheshang Bank generally prices the wealth management products by taking into consideration the comparability and competitiveness of its competitors and the conditions of the market. When setting the yield for the wealth management products, China Zheshang Bank selects certain banks for reference, including the large commercial banks, 12 other nationwide joint-stock commercial banks and the city commercial banks whose sizes are similar to the ones China Zheshang Bank has, and refer to the investors in their products, the types of products they offer, as well as the orientation, terms and minimum subscription amounts of their products. China Zheshang Bank tries to price its products competitively to promote its brand and increase its market influence.

BOARD OF DIRECTORS

The table below sets forth the members of the board of directors of China Zheshang Bank as at the date of this Offering Circular:

Name	Position
Zhang Rongsen (張榮森)	Executive Director, President
Ma Hong (馬紅)	Executive Director
Chen Haiqiang (陳海強)	Executive Director, Vice President, Chief Risk Officer
Hou Xingchuan (侯興釧先生)	Non-executive Director
Ren Zhixiang (任志祥)	Non-executive Director
Gao Qinhong (高勤紅)	Non-executive Director
Hu Tiangao (胡天高)	Non-executive Director
Zhu Weiming (朱瑋明)	Non-executive Director
Zheng Jindu (鄭金都)	Independent Non-executive Director
Zhou Zhifang (周志方)	Independent Non-executive Director
Wang Guocai (王國才)	Independent Non-executive Director
Wang Wei (汪煒)	Independent Non-executive Director
Xu Yongbin (許永斌先生)	Independent Non-executive Director

GENERAL INFORMATION

The latest audited financial information of China Zheshang Bank is incorporated by reference in this Offering Circular, and can be found from the website of China Zheshang Bank and The Stock Exchange of Hong Kong Limited at http://www.czbank.com/en/ and www.hkex.com.hk, respectively. Save for the aforementioned audited financial information, information contained in such filings does not form part of this Offering Circular.

The information contained on the websites of China Zheshang Bank and The Stock Exchange of Hong Kong Limited is subject to change from time to time. No representation is made by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on the websites of China Zheshang Bank and The Stock Exchange of Hong Kong Limited.

MANAGEMENT

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of the Board:

Name	Age	Position
LI Ming	58	Chairman, Executive Director and Chief Executive Officer
WANG Honghui	42	Executive Director
CUI Hongjie.	49	Executive Director
HUANG Xiumei	54	Non-executive Director
ZHAO Peng.	48	Non-executive Director
HOU Jun	44	Non-executive Director
CHEN Ziyang.	45	Non-executive Director
ZHAN Zhong	53	Non-executive Director
HAN Xiaojing.	67	Independent Non-executive Director
SUEN Man Tak	63	Independent Non-executive Director
WANG Zhifeng.	66	Independent Non-executive Director
JIN Qingjun	64	Independent Non-executive Director
LAM Sin Lai Judy.	67	Independent Non-executive Director

CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. LI Ming (李明), aged 58, is the Chairman of the Board, an Executive Director, the Chief Executive Officer, Chairman of the Nomination Committee and Chairman of the Strategic and Investment Committee of the Board of the Company. Mr. LI joined the Company as a general manager in July 1997 and became the Chief Executive Officer in August 2006 before serving as the Chairman of the Board since March 2010. He is a director of certain subsidiaries and joint ventures of the Company. Mr. LI was a non-executive director, honorary chairman of the board and chairman of the nomination committee of Gemini Investments (Holdings) Limited, a company listed on the SEHK. Mr. LI has extensive experience in corporate governance, property development and investment and management of listed companies. Mr. LI graduated from Jilin University of Technology (now known as "**Jilin University**") and obtained a bachelor's degree of Engineering in 1985, graduated from the Graduate School of Chinese Academy of Social Sciences in 1996, and graduated from the China Europe International Business School and obtained a master's degree in Business Administration in 1998. Mr. LI is currently a member of the 13th National Committee of the Chinese People's Political Consultative Conference, the member of the 6th election committee in Hong Kong Special Administrative Region, the honorary vice-president of the China Real Estate Association, a Chartered Builder of The Chartered Institute of Building, UK and also a senior engineer. Mr. LI was a member of the 10th and 11th Beijing Municipal Committees of the Chinese People's Political Consultative Conference and deputy to the 13th, 14th and 15th People's Congress of Chaoyang District of Beijing. He was an advisory expert of the Ministry of Housing and Urban-Rural Development at real estate market regulation.

EXECUTIVE DIRECTORS

Mr. WANG Honghui (王洪輝), aged 42, is an Executive Director and a member of the Strategic and Investment Committee of the Board, the Executive President of the Company. He is also a director of certain subsidiaries and associated companies of the Company. Mr. WANG joined the Company in July 2005 and had served as the investment head for the Beijing region, general manager of the secretarial administration department, general manager of the CEO management centre and general manager of capital operation department of the Company. Mr. WANG was a non-executive director as well as a member of the nomination committee and strategic investment committee of Beijing Capital Grand Limited, a company listed on the SEHK. Mr. WANG has extensive experience in real estate investment, equity investment and capital operation. Mr. WANG graduated from Renmin University of China and obtained a bachelor's degree in Real Estate Operation and Management in 2002 and graduated from the Chinese

Academy of Social Sciences and obtained a master's degree in Regional Economics in 2004. Mr. WANG is the vice president of the China Real Estate Association, a senior economist, specialises in real estate economy, and a registered real estate appraiser in China.

Mr. CUI Hongjie (崔洪杰), aged 49, is an Executive Director, the Executive President and also the general manager of the product construction centre of the Company. Mr. CUI joined the Company in August 1996 and has served as general manager of costing and engineering department, general manager of technology and cost department, assistant to CEO and vice president of the Company. Mr. CUI has been the joint chairman, a non-executive director and a member of each of the audit committee and nomination committee of Sino-Ocean Service Holding Limited, a subsidiary of the Company listed on the SEHK. He is also a director of certain subsidiaries of the Company. Mr. CUI has extensive experience in operation and development of real estate, product creation and management. Mr. CUI graduated from Beijing University of Technology and obtained a bachelor's degree in Engineering in 1996, and graduated from Beijing University of Technology and obtained a master's degree in Engineering in 2001. Mr. CUI is a member of the Royal Institution of Chartered Surveyors, a national registered first-class constructor and a senior engineer.

NON-EXECUTIVE DIRECTORS

Ms. HUANG Xiumei (黃秀美), aged 54, is a Non-Executive Director of the Company and a member of the Audit Committee of the Board. Ms. HUANG joined the Board in March 2021. Ms. HUANG has been appointed as an executive director of China Life, a company listed on The New York Stock Exchange, the SEHK and the Shanghai Stock Exchange, on 1 July 2021. Ms. HUANG also has been the vice president and the person in charge of finance of China Life since May 2020. From 2016 to 2020, she was the vice president, the board secretary and the person in charge of finance of China Life Pension Company Limited. From 2014 to 2016, she served as the financial controller and the general manager of the financial management department of China Life. From 2005 to 2014, Ms. HUANG held various positions at China Life's Fujian branch, including the assistant to the general manager, the deputy general manager, the branch head, the deputy general manager (responsible for daily operations) and the general manager. From 1999 to 2005, she served as the deputy division chief of the planning and finance division, the manager of the planning and finance department and the manager of the finance department of China Life's Fujian branch. During the period from 2004 to 2005, she concurrently served as the deputy general manager of China Life's Fuzhou branch. Ms. HUANG graduated from Fuzhou University, majoring in Accounting with a bachelor's degree. Ms. HUANG is a senior accountant. Ms. HUANG is nominated by China Life, a substantial shareholder of the Company.

Mr. ZHAO Peng (趙鵬), aged 48, is a Non-Executive Director of the Company and a member of the Audit Committee of the Board. Mr. ZHAO joined the Board in July 2021. Mr. ZHAO is currently an assistant general manager and board secretary of Dajia Insurance Group Co., Ltd.* (大家保險集團有限責任公司) ("**Dajia Insurance Group**"), a director of Dajia Life Insurance Co., Ltd.* (大家人壽保險股份有限公司) ("**Dajia Life Insurance**"). Mr. ZHAO has been appointed as a non-executive director of China Minsheng Banking Corp., Ltd., a company listed on the SEHK and the Shanghai Stock Exchange, since June 2021 and is currently a vice chairman of Financial Street Holdings Co., Ltd., a company listed on The Shenzhen Stock Exchange (the "**Shenzhen Stock Exchange**"), since August 2018. Mr. ZHAO was a director of Beijing Tongrentang Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr. ZHAO has extensive experience in insurance, banking and legal. Mr. ZHAO had previously served as a deputy division director then the division director of the Development and Reform Department of the former China Insurance Regulatory Commission, as well as a member of the team designated by the China Banking and Insurance Regulatory Commission to take over Anbang Insurance Group. Mr. ZHAO graduated from China University of Political Science and Law and obtained his doctorate in Economic Law in 2014. Mr. ZHAO is an economist. Mr. ZHAO is nominated by Dajia Life Insurance, a substantial shareholder of the Company.

Mr. HOU Jun (侯俊), aged 44, is a Non-Executive Director of the Company and a member of the Strategic and Investment Committee of the Board. Mr. HOU joined the Board in April 2020. Mr. HOU is currently the deputy general manager of the investment management department of China Life Insurance (Group) Company ("**China Life Insurance Group**"). Mr. HOU had served in various departments of China Life Insurance Group including finance department, asset management department and investment management department. Mr. HOU is currently a non- executive director of Town Health International Medical Group Limited, a company listed on the SEHK. Mr. HOU graduated from Shanxi University of Finance and Economics in July 2000, majoring in Investment Economics with a bachelor's degree in Economics, and graduated from Central University of Finance and Economics in June 2004, majoring in Finance with a master's degree in Economics. Mr. HOU is nominated by China Life, a substantial shareholder of the Company.

Mr. CHEN Ziyang (陳子揚), aged 45, is a Non-Executive Director of the Company and a member of the Strategic and Investment Committee of the Board. Mr. CHEN joined the Board in July 2021. Mr. CHEN is currently the chief investment officer and general manager of the investment management department of Dajia Insurance Group. He is also an expert consultant of the Expert Consultation Committee on Solvency Regulation under the China Banking and Insurance Regulatory Commission, an expert on the Core Talent Experts' Team for Assets and Liabilities Management under the Insurance Association of China, a member of the Assets and Liabilities Management Specialist Committee under the Insurance Asset Management Association of China. He has extensive experience in investment management and the management of assets and liabilities. Mr. CHEN had previously served as the general manager of the Research and Allocation Department, general manager of the Accounts and Entrusted Management Department, deputy general manager of the Asset Allocation Department and deputy general manager of the Asset Management Department under the Asset Management Centre of China Pacific Life Insurance Co., Ltd.* (中國太平洋人壽保險股份有限公司). Mr. CHEN graduated from Shanghai University of Finance and Economics and obtained a master's degree in Finance in 2003. Mr. CHEN is a CFA charterholder. Mr. CHEN is nominated by Dajia Life Insurance, a substantial shareholder of the Company.

Mr. ZHAN Zhong (詹忠), aged 53, is a Non-Executive Director of the Company. Mr. ZHAN joined the Board in September 2021. He has also been appointed the vice president of China Life since July 2019. He had served as the marketing director of China Life from 2017 to 2019 and a supervisor of China Life from 2015 to 2017. Mr. ZHAN also served as the general manager of the Individual Insurance Division of China Life from 2014 to 2017 and the deputy general manager (responsible for daily operations) and the general manager of China Life's Qinghai Branch from 2013 to 2014. From 2009 to 2013, he successively served as the deputy general manager and the general manager of the Individual Insurance Division of China Life. From 2005 to 2009, he successively served as the general manager of the Individual Insurance Division of China Life's Guangdong Branch and an assistant to the general manager of China Life's Guangdong Branch. Prior to 2005, he had successively served as the director of the Marketing Department of the Chengdu High-tech Sub-branch of Zhongbao Life Insurance Company* (中保人壽保險有限公司), an assistant to the manager and the manager of the Marketing Department of the Chengdu Branch, and the deputy general manager of the Chengdu Branch of Taikang Life Insurance Company* (泰康人壽保險公司). Mr. ZHAN graduated from Kunming Institute of Technology in July 1989, majoring in industrial electric automation with a bachelor's degree in Engineering. Mr. ZHAN is nominated by China Life, a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HAN Xiaojing (韓小京), aged 67, is an Independent Non-Executive Director of the Company, the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. Mr. HAN joined the Board in June 2007. Mr. HAN is the founding partner of the Commerce & Finance Law Offices. He has over 30 years' experience in the practice of corporate and securities laws in China, especially in the restructuring of large scale state-owned enterprises and private companies and offshore listing of Chinese companies. Mr. HAN has been an independent non-executive director of Angelalign Technology Inc., a company listed on the SEHK, since May 2021. Mr. HAN is currently an independent non-executive director of each of Far East Horizon Limited and Vital Innovations Holdings Limited, companies listed on the SEHK, and has been a supervisor of Ping An Bank Co., Ltd. ("**Ping An**"), a company listed on the Shenzhen Stock Exchange. Mr. HAN was an independent director of Ping An and Beijing Sanju Environmental Protection and New Material Co., Ltd., companies listed on the Shenzhen Stock Exchange. Mr. HAN graduated from China University of Political Science and Law and obtained a master's degree in Law in 1985.

Mr. SUEN Man Tak (孫文德), aged 63, is an Independent Non-Executive Director of the Company and a member of the Audit Committee and the Remuneration Committee of the Board. Mr. SUEN joined the Board in December 2015. Mr. SUEN has extensive experience in the enforcement of securities and futures related legislation as well as commercial crime investigations. Mr. SUEN had served with the Securities and Futures Commission of Hong Kong (the "**SFC**") for more than 17 years. He is now a practicing barrister-at-law specialising in litigation and advisory work on the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Buy-backs, the Listing Rules, the Code of Conduct for Persons Licensed by or Registered with the SFC, market misconduct, white collar crimes and anti-money laundering activities. Mr. SUEN is an independent non-executive director of each of Zijin Mining Group Co., Ltd. and China Jinmao Holdings Group Limited, companies listed on the SEHK. Mr. SUEN was appointed as an independent director of Inception Growth Acquisition Limited, a company listed on The Nasdaq Global Market on 9 December 2021. Mr. SUEN received his master's degree in Accountancy from the Charles Sturt University, Australia in September 1996. He further obtained a degree of Juris Doctor in July 2010 and a postgraduate certificate in Laws in July 2011, both from City University of Hong Kong. He was called to the Hong Kong Bar in February 2013. Mr. SUEN has been a member of The Hong Kong Institute of Certified Public Accountants since July 1998 and a member of Hong Kong Securities and Investment Institute since April 1999.

Mr. WANG Zhifeng (王志峰), aged 66, is an Independent Non-Executive Director of the Company and a member of the Nomination Committee and the Remuneration Committee of the Board. Mr. WANG joined the Board in March 2016. He is currently the retired cadre of the head office of Agricultural Bank of China Limited (the "**Agricultural Bank**", and together with its subsidiaries, the "**Agricultural Bank Group**"). Mr. WANG joined the Agricultural Bank Group in August 1978 and has over 37 years' experience in finance and management. Mr. WANG also served as the deputy head of Shenyang Branch, the deputy head of Liaoning Branch, the head and the secretary of the Communist Party Committee of Inner Mongolia Branch and the head and the secretary of the Communist Party Committee of Dalian Branch of the Agricultural Bank and a supervisor of Agricultural Bank of China Financial Leasing Co., Ltd. Mr. WANG currently serves as an independent supervisor of Liaoning Port Co., Ltd. (formerly known as Dalian Port (PDA) Company Limited) ("**Liaoning Port**"), a company listed on the SEHK and the Shanghai Stock Exchange. He was an independent non-executive director of Liaoning Port. Mr. WANG graduated from Shenyang Agricultural College with master's degree in Economic Management. Mr. WANG is a senior economist.

Mr. JIN Qingjun (靳慶軍), aged 64, is an Independent Non-Executive Director of the Company and a member of the Audit Committee and the Strategic and Investment Committee of the Board. Mr. JIN joined the Board in March 2016. Mr. JIN is currently the senior partner of King & Wood Mallesons, Beijing. His major areas of practice include securities, finance, investment, corporate and insolvency, as well as foreign-related legal affairs. Mr. JIN currently serves as an independent non-executive director of each of Times China Holdings Limited, Bank of Tianjin Co., Ltd., Central Development Holdings Limited and Goldstream Investment Limited, companies listed on the SEHK. Mr. JIN is an independent director of Shenzhen Cheng Chung Design Co., Ltd., and a non-independent director of Shenzhen Kingkey Smart Agriculture Times Co., Ltd, companies listed on the Shenzhen Stock Exchange. Mr. JIN was an independent non-executive director of Guotai Junan Securities Co., Ltd., a company listed on the SEHK and the Shanghai Stock Exchange, and a director of Konka Group Co., Ltd., a company listed on the Shenzhen Stock Exchange. Mr. JIN graduated from China University of Political Science and Law and obtained a master's degree in Law.

Ms. LAM Sin Lai Judy (林倩麗), aged 67, is an Independent Non-Executive Director of the Company, the Chairman of the Audit Committee and a member of the Strategic and Investment Committee of the Board. Professor LAM joined the Board in August 2017. Professor LAM is currently a board director of Wuhan College. Professor LAM has served as a board director and honorary treasurer of Hong Kong International Film Festival Society Limited. Professor LAM is the first scholar in Hong Kong who was awarded a PhD in accounting at The Chinese University of Hong Kong and is the first Cheung Kong chair professor in accounting engaged by the Ministry of Education of the PRC in Xiamen University. Professor LAM also holds positions as honorary professor and visiting professor at several universities in Mainland China. Professor LAM is a fellow member of The Hong Kong Institute of Certified Public Accountants, a chartered professional accountant and chartered accountant of Chartered Professional Accountants of British Columbia, a fellow member of The Chartered Governance Institute, a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), a fellow member of CPA Australia, a fellow member of The Institute of Chartered Accountants in England and Wales ("**ICAEW**") and the vice-chairman of its Chinese committee. She has been a member of the Greater China Strategy Advisory Group of the ICAEW. In 2018, Professor LAM was awarded the Honorary Member of The Chinese Institute of Certified Public Accountant in Shenzhen. In 2019, Professor LAM was invited by The Chinese Institute of Certified Public Accountant as an editorial member of its professional journal Chinese Certified Public Accountant.

* *For identification purposes only*

BOARD COMMITTEES

Audit Committee

We established an audit committee in 2007. The Audit Committee currently consists of five members, being three Independent Non-executive Directors, namely, Ms. LAM Sin Lai Judy, Mr. SUEN Man Tak and Mr. JIN Qingjun, and two Non-executive Directors, namely, Ms. HUANG Xiumei and Mr. ZHAO Peng. The chairman of the Audit Committee is Ms. LAM Sin Lai Judy.

The main duties of the Audit Committee are to monitor and supervise the financial reporting process of the Group and review of the Group's financial information. The Audit Committee is also responsible for considering the appointment, independence and remuneration of the auditors and any matters related to the removal and resignation of the auditors.

Nomination Committee

We established a remuneration and nomination committee in 2007 which was subsequently restructured and divided into the nomination committee and the remuneration committee in 2012. The Nomination Committee currently comprises three members, one of whom is Executive Director and two are Independent Non-executive Directors. Members of the Nomination Committee are Mr. LI Ming (the chairman of the committee), Mr. HAN Xiaojing and Mr. WANG Zhifeng. The main duties of the Nomination Committee are to nominate candidates for directorship, consider nominations for directorship and make recommendations to the Board in respect of such appointments. If necessary, the Nomination Committee will also convene meetings and submit reports to the Board.

Remuneration Committee

We established a remuneration and nomination committee in 2007 which was subsequently restructured and divided into the nomination committee and the remuneration committee in 2012. The Remuneration Committee currently comprises three members, being three Independent Non-executive Directors, namely, Mr. HAN Xiaojing (the chairman of the committee), Mr. SUEN Man Tak and Mr. WANG Zhifeng. The main duties of the Remuneration Committee are to make recommendations and proposals to the Board in respect of the remuneration policies and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board and based on prevailing market conditions. The Remuneration Committee may consult the Chairman of the Board about their remuneration proposals for other Executive Directors.

Strategic and Investment Committee

We established an investment committee in 2007 which was subsequently renamed as the strategic and investment committee in 2020. The Strategic and Investment Committee currently comprises six members, two of whom are Executive Directors, two are Non-executive Directors and two are Independent Non-executive Directors. Members of the Strategic and Investment Committee are Mr. LI Ming (the chairman of the committee), Mr. WANG Honghui, Mr. HOU Jun, Mr. CHEN Ziyang, Mr. JIN Qingjun and Ms. LAM Sin Lai Judy.

The main duties of the Strategic and Investment Committee are to conduct research and make recommendations in respect of the Company's development strategies, to review and approve investments within the authority delegated by the Board, to make recommendations to the Board on major investments which are beyond the authority of the committee, to make subsequent assessments of investments and to review and consider the overall investment direction and business development of the Company.

Retirement Schemes

Our employees in the PRC participate in a State-managed retirement pension scheme operated by the relevant local municipal government. 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. Our only obligation in respect of the retirement pension scheme is to contribute to the scheme at a certain rate of overall payroll expenses. Such rate is prescribed by the government of each of the provinces, autonomous regions or municipalities directly under the central government and may vary in different cities.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our Company's contribution to the pension plan on their behalf.

During the same period, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the three years ended 31 December 2021 for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Interests of Directors and chief executives in shares, underlying shares and debentures

As at 31 December 2021, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY

		As at 31 December 2021			
Name of Directors	**Nature of interest**	**No. of ordinary shares of the Company held**	**No. of underlying shares comprised in share options (Note i)**	**Total**	**Approximate percentage in the Company's total issued share capital (Note iv)**
Mr. LI Ming	Founder of discretionary trust	127,951,178 (Note ii)	–	127,951,178	1.680%
	Beneficiary of trust	14,914,200 (Note iii)	–	14,914,200	0.196%
	Beneficial owner	65,445,000	75,000,000	140,445,000	1.844%
Mr. WANG Honghui	Beneficial owner	273,295	2,000,000	2,273,295	0.030%
Mr. CUI Hongjie	Beneficial owner	369,571	2,000,000	2,369,571	0.031%
Ms. HUANG Xiumei	–	–	–	–	–
Mr. ZHAO Peng	–	–	–	–	–
Mr. HOU Jun	–	–	–	–	–
Mr. CHEN Ziyang	–	–	–	–	–
Mr. ZHAN Zhong	–	–	–	–	–
Mr. HAN Xiaojing	Beneficial owner	460,000	1,800,000	2,260,000	0.030%
Mr. SUEN Man Tak	Beneficial owner	120,000	1,800,000	1,920,000	0.025%
Mr. WANG Zhifeng	Beneficial owner	120,000	1,800,000	1,920,000	0.025%
Mr. JIN Qingjun	Beneficial owner	120,000	1,800,000	1,920,000	0.025%
Ms. LAM Sin Lai Judy	Beneficial owner	–	2,300,000	2,300,000	0.030%

Notes:

(i) The share options were granted pursuant to the Share Option Schemes, details of which are set out as above in the paragraphs headed "Share Option Schemes of the Company" in the 2021 annual report of the Company.

(ii) The 127,951,178 shares are held by a discretionary trust of which Mr. LI Ming is the founder.

(iii) The 14,914,200 shares are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.

(iv) Calculated based on the Company's total number of issued ordinary shares of 7,616,095,657 as at 31 December 2021.

LONG POSITION IN THE SHARES OF THE ASSOCIATED CORPORATION

Name of Director	Name of associated corporation	Nature of interest	No. of ordinary shares of associated corporation held as at 31 December 2021	Approximate percentage of total issued share capital of associated corporation as at 31 December 2021 (Note)
Mr. WANG Honghui	Gemini Investments (Holdings) Limited	Beneficial owner	132,000	0.021%

Note:

Calculated based on Gemini Investment (Holdings) Limited's total number of issued ordinary shares of 635,570,000 as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executives of the Company had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or which are required to be notified to the Company and the SEHK pursuant to the Model Code.

RELATED PARTY TRANSACTIONS

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between our members and its related parties during the years ended 31 December 2019, 2020 and 2021.

RELATED PARTY TRANSACTIONS

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(a) Provision of services to:			
– A shareholder	4,639	95,395	33,138
– Joint ventures	3,270,886	1,997,544	2,057,152
– Associates	833,095	537,067	177,689
	4,108,620	2,630,006	2,267,979

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(b) Purchase of services from:			
A joint venture	–	–	402,859

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(c) Investment to a subsidiary of an associate:			
Capital injection to Beijing UNIQloud	–	380,000	–

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(d) Transaction with joint ventures:			
Total consideration on disposal of subsidiaries to a joint venture (i)	–	–	5,471,777
Total consideration on disposal of a joint venture to a joint venture	–	48,000	–
	–	48,000	5,471,177

(i) On 24 December 2021, we disposed 100 per cent. equity of the Super Goal Development Limited and Beijing Skyriver CBD Property Co., Ltd. to the Sino-Ocean Prime Office Partners I LP, which is a joint venture of the Group.

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(e) Key management compensation			
Salaries and other short-term employee benefits	40,325	44,606	39,692
Post-employment benefits	3,469	5,143	4,271
Other long-term welfare	1,126	1,074	1,130
Share-based payments	45,745	24,294	7,707
	90,665	75,117	52,800

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(f) Year-end balances arising from sales and purchases of properties and services			
Receivables from related parties:			
– A shareholder	35,771	7,058	6,558
– Joint ventures	2,023,274	2,972,257	3,753,316
– Associates	258,967	357,532	266,878
	2,318,012	3,336,847	4,026,752
Other receivables from related parties			
A joint venture	–	–	–
Advance from related parties:			
– Joint ventures	–	182	13,833
– Associates	–	–	–
	–	182	13,833
Trade payables due to related parties:			
– A joint venture	37,836	8,021	676,200
– An associate	4,252	6,737	12,393
– A shareholder	–	–	38
	42,088	14,758	688,631

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(g) Interest income:			
– Joint ventures	1,190,595	492,628	605,738
– Associates	323,018	349,933	577,931
	1,513,613	842,561	1,183,669

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(h) Loans to related parties Joint ventures:			
At 1 January	11,516,089	9,803,165	6,368,436
Loans advanced during year	17,501,000	11,325,454	12,671,201
Loans repayments received	(19,528,323)	(12,218,187)	(11,054,439)
Decrease due to disposal of joint ventures	–	(2,316,515)	(3,080)
Increase due to disposal of interest in subsidiaries	778,049	965,726	50,453
Decrease due to disposal of interest in joint ventures	(463,650)	(1,191,207)	–
Interest charged	(1,190,595)	(492,628)	(605,738)
Interest received	1,190,595	492,628	605,738
At 31 December	9,803,165	6,368,436	8,032,571
Associates:			
At 1 January	1,129,255	1,431,745	3,595,317
Loans advanced during year	1,814,210	2,863,727	8,575,581
Loans repayments received	(811,450)	(700,155)	(6,857,615)
Increase due to acquisition of an associate	–	–	10,000
Decrease due to deemed disposal of associates	(402,895)	–	(154,405)
Increase due to disposal of interests in subsidiaries	376,015	–	–
Decrease due to disposal of interests in subsidiaries	(673,390)	–	–
Interest charged	(323,018)	(349,933)	577,931
Interest received	323,018	349,933	(577,931)
At 31 December	1,431,745	3,595,317	5,168,878

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(i) Amounts due from related parties Joint ventures:			
At 1 January	16,598,387	18,654,638	18,329,200
Amounts advanced during year	56,292,021	76,101,503	52,515,487
Repayments during year	(54,542,950)	(76,996,000)	(44,080,913)
Increase due to acquisition of joint venture	–	–	459,543
Decrease due to deemed disposal of joint ventures	(672,869)	(229,549)	(248,610)
Increase due to disposal of interests in subsidiaries	980,049	856,098	15,391
Decrease due to disposal of interests in subsidiaries	–	(14,101)	–
Decrease due to disposal of joint ventures	–	(43,389)	(181,088)
At 31 December	18,654,638	18,329,200	26,809,010
Associates:			
At 1 January	9,723,159	8,901,985	2,944,124
Amounts advanced during year	7,689,906	1,631,050	17,204,589
Repayments during year	(9,744,890)	(7,737,329)	(12,533,761)
Increase due to a acquisition of associates	–	–	132,568
Increase due to deemed disposal of associates	–	414,533	–
Decrease due to deemed disposal of an associate	(329,765)	(266,115)	(23,675)
Increase due to disposal of a subsidiaries	1,563,575	–	(961)
At 31 December	8,901,985	2,944,124	7,722,884

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(j) Amounts due to related parties Joint Ventures:			
At1 January	9,388,039	8,791,353	7,979,029
Amounts advanced during year	17,648,483	23,625,838	12,409,098
Repayments during year	(19,665,564)	(25,303,658)	(15,759,019)
Increase due to acquisition of joint venture	–	–	142,093
Increase due to disposal of interest in subsidiaries	1,961,124	1,127,145	2,507,439
Decrease due to disposal of interest in a subsidiary	(2,091)	(48,800)	–
Decrease due to deemed disposal of joint ventures	(538,638)	(212,849)	(4,023)
Decrease due to disposal of interest in joint venture	–	–	(982,331)
At 31 December	8,791,353	7,979,029	6,292,286
Associates:			
At 1 January	4,274,001	3,179,119	2,462,410
Amounts advanced during year	6,550,590	2,932,020	3,564,740
Repayments during year	(7,215,109)	(3,648,729)	(3,385,116)
Decrease due to disposal of interest in a subsidiary	–	–	–
Decrease due to deemed disposal of an associate	(432,549)	–	(608,594)
Increase due to disposal of interest in an associate	–	–	1,972
Decrease due to disposal of interest in an associate	–	–	(21)
Increase due to disposal of interest in a subsidiary	2,186	–	–
At 31 December	3,179,119	2,462,410	2,035,391

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(k) Investment in limited partners' share issued by an associate:			
Fair value of investment in limited partners' share issued by an associate	2,126,795	2,254,862	2,273,742

	As at 31 December		
	2019	2020	2021
	(RMB thousands)		
(l) Investment in capital instrument issued by associates:			
Fair value of investment in capital instrument issued by associates	2,011,000	5,690,025	5,389,553

PRINCIPAL SHAREHOLDERS

The register required to be kept by the Company under Section 336 of Part XV of the SFO shows that as at 31 December 2021, the Company had been notified of the following shareholders' interests in the shares of the Company, being interests of 5 per cent. or more, in addition to those disclosed above in respect of the Directors and chief executives of the Company:

Name of the shareholders	Capacity	Long/short position	No. of ordinary shares of the Company held as at 31 December 2021	Approximate percentage in the Company's total issued share capital as at 31 December 2021 (Note iii)
China Life Insurance (Group) Company ("**China Life Insurance Group**") (Note i).	Interest of controlled corporation	Long	2,253,459,151	29.59%
Dajia Insurance Group Co., Ltd.* (大家保險集團有限責任公司) ("**Dajia Insurance**") (Note ii) . . .	Interest of controlled corporation	Long	2,252,646,115	29.58%

Notes:

(i) The 2,253,459,151 shares were registered in the name of, and beneficially owned by, China Life. China Life Insurance Group was interested in 68.37 per cent. of China Life. China Life Insurance Group was deemed to be interested in these shares by virtue of the SFO.

(ii) The 2,252,646,115 shares were registered in the name of, and beneficially owned by, Dajia Life Insurance. Dajia Insurance was interested in 99.98 per cent. of Dajia Life Insurance. Dajia Insurance was deemed to be interested in these shares by virtue of the SFO.

(iii) Calculated based on the Company's total number of issued ordinary shares of 7,616,095,657 shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any person or corporation who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

RELATIONSHIP WITH PRINCIPAL SHAREHOLDERS

Set forth below are certain details regarding our relationships with China Life, being one of our principal shareholders.

OUR RELATIONSHIP WITH CHINA LIFE

China Life, our largest shareholder, is one of the largest life insurance companies globally, and is the only Chinese financial institution listed in Shanghai, Hong Kong and New York. China Life had approximately RMB4.90 trillion of assets as of 31 December 2021. China Life is rated A+, A1 and A+ by the three international credit rating agencies, Fitch, Moody's and S&P, respectively, reflecting their recognition of China Life's outstanding business and operating capacity.

China Life held approximately 29.59 per cent. of our issued share capital as at 31 December 2021. China Life has been our shareholder since 2009 and became our largest shareholder in 2011. China Life has been actively participating in the management of our business and has nominated three non-executive directors to our Board of Directors as at the date of this Offering Circular. Further, China Life has provided significant capital and business support to us.

China Life has provided a non-binding letter of support and a non-binding equity interest purchase undertaking. In addition, China Life Insurance Group, the holding company of China Life, and our Company have signed a non-binding memorandum of understanding "Memorandum to Effectively Achieve the Synergistic Effect of Sino-Ocean Land and China Life Insurance". The major terms of the letter and memorandum are set below:

1. The Company is intended to serve as China Life's professional platform for alternative investment.

2. Subject to government policies and economic feasibility, China Life should leverage the strengths of its insurance funds to support the Company, via equity, debt or other methods, to enhance the financial strength of the Company and help it achieve sustainable development.

3. Subject to government policies and economic feasibility and subject to guarantee or other credit enhancement structures and relevant regulations, China Life intends to actively explore opportunities to cooperate with the Company in the real estate sector, including debt investment, equity investment, investment in properties, as well as setting up joint venture companies or funds.

4. Subject to relevant regulations, the investment subsidiaries of China Life will cooperate with the Company to jointly explore real estate investment opportunities, including joint land acquisition, cooperative development, joint acquisition and joint ownership of commercial real estate projects.

5. When China Life considers acquiring office buildings for its own use, priority will be given to the projects developed by the Company that fulfill China Life's requirements.

6. So long as China Life remains the largest shareholder of the Company, China Life will monitor, through the Board of Directors, the Company's capacity to service its debt, including principal and interest in each quarter.

In February 2021, China Life signed a "Strategic Cooperation Agreement" with the Group. Upholding the principles of "sharing resources, complementing advantages, mutual benefits and codevelopment", both parties agreed to focus on cooperation in six major fields including capital ties, financial products, insurance, real estate investment, property management and senior living. The "Strategic Cooperative Agreement" demonstrated China Life's support and recognition towards the Group's superior and stable development, as well as the stronger and deeper co-operation between the parties.

LEGAL SUPERVISION RELATING TO THE PROPERTY SECTOR IN THE PRC

Establishment of a property development enterprise

Pursuant to the "Law of the People's Republic of China 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》) enacted by the Standing Committee of the National People's Congress on 5 July 1994, effective in January 1995 and as amended on 30 August 2007, 27 August 2009 and 26 August 2019 respectively, a property developer is defined as "an enterprise which engages in the development and operation of property for the purposes of making profits". Under the "Regulations on Administration of Development of Urban Real Estate" (Order of the State Council No. 248) (the "**Development Regulations**") (《城市房地產開發經營管理條例》(國務院令248號)) enacted by the State Council and enforced on 20 July 1998 and as amended on 8 January 2011, 19 March 2018, 24 March 2019 and 29 November 2020, the establishment of a real estate development enterprise shall fulfill the following requirements: (a) its registered capital shall be RMB1 million or above (b) it shall have four or more full-time professional property/construction technicians and two or more full-time accounting officers with relevant qualifications. The Development Regulations also stipulates that people's government of the provinces, autonomous regions or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, applications for registration of a real estate development enterprise have to be submitted to the department of Administration for Industry and Commerce. The applicant shall file a record with the departments authorized by the local people's governments at or above the county level where the registration department is located within one month of the receipt of its business license.

On 25 On 25 May 2009, the State Council issued a "Notice on Adjusting the Capital Ratio of Fixed Assets Investment Project" (Guo Fa [2009] No. 27) (《關於調整固定資產投資項目資本金比例的通知》(國發[2009]27號)). The Notice provides that the minimum capital requirement for affordable housing and ordinary commodity apartments is 20 per cent., and the minimum capital requirement for other real estate development projects is 30 per cent. These regulations apply to both domestic and foreign investment projects.

On 9 September 2015 the State Council issued a "Notice on Adjusting and Improving the Capital System of Fixed Asset Investment Projects" (Guo Fa [2015] No. 51) (《關於調整和完善固定資產投資項目資本金制度的通知》(國發[2015]51號)), the minimum capital ratio of government-subsidized housing and ordinary commodity housing projects maintained at 20 per cent., while the minimum capital ratio of other real estate development projects has been reduced from 30 per cent. to 25 per cent.

Foreign-invested real estate enterprises and foreign-invested real estate projects

Foreign-invested real estate enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly owned foreign enterprise according to the laws and administrative regulations relating to foreign-invested enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and have obtained an approval certificate for establishing a foreign-invested enterprise. After registration to the department of administration of industry and commerce, the enterprise shall go through registration with competent foreign exchange bureau. In addition, foreign-invested real estate projects also need to be approved by the provincial government or filed with the competent investment department of the local government for the record.

Pursuant to the "Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition)" (《外商投資准入特別管理措施(負面清單)(2021年版)》) jointly enacted by MOFCOM and NDRC and which became effective on 1 January 2022, all types of property development fall within the permitted category. Under the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (No. 26 Order of the President of the PRC) (the "**Foreign Investment Law**") (《中華人民共和國外商投資法》, 主席令第 26號) promulgated on 15 March 2019, and became effective on 1 January 2020. Pursuant to the Foreign Investment Law, industries outside the negative list for foreign investment access are to be managed according to the principle of consistency between domestic and foreign investment.

On 11 July 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" (Jian Zhu Fang [2006] No. 171) ("**Circular No. 171**") (《關於規範房地產市場外資准入和管理的意見》(建住房[2006]171號)), which was amended on 19 August 2015 by "Notice for Adjusting Policies on the Access and Administration of Foreign Investment in 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》) (建房(2015)122號). According to the circular, foreign investment in property market must comply with the following requirements:

(a) Foreign institutions or individuals purchasing property in China which is not for their own residential use shall follow the principle of commercial existence and apply for the establishment of foreign-invested enterprises under the regulations of foreign investment in property. Foreign institutions and individuals can only carry on their business pursuant to the approved business scope after obtaining the approvals from relevant authorities and upon completion of the relevant registrations.

(b) If the total investment of a foreign-invested real estate development enterprise exceeds or equals U.S.$10 million, the registered capital must not be less than 50 per cent. of the total investment. If the total investment is less than U.S.$10 million, the amount of the registered capital shall follow the existing regulations.

(c) The commerce authorities and the department of administration of industry and commerce are, respectively, in charge of granting approval for establishing and effecting the registration of foreign-invested real estate enterprises and issuing approval certificates for foreign-invested enterprises and business licenses which are only effective for one year. After paying off the land grant premium, the enterprises should apply for the land use rights certificate by presenting the above-mentioned approval certificates and business licenses. With the land use rights certificate, the enterprises will receive a formal approval certificate for a foreign-invested enterprise from the commerce authorities, and shall replace the business license with one that has the same operational term as the formal approval certificate for foreign-invested enterprises in the department of administration of industry and commerce, and then apply for tax registration with the tax authorities.

(d) Transfers of projects of or shares of foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies to obtain approvals. Foreign Investors should submit: (i) the letter of guarantee for the performance of the state-owned land use rights grant contracts, the construction land planning permit and the construction work planning permit; (ii) the land use right certificate; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(e) When acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in sino-foreign equity joint ventures, foreign investors should make proper arrangement for the employees, settle the bank loans and pay the consideration in one single payment with its internal fund. Foreign investors with irregular track records shall not be allowed to conduct any of the aforementioned activities within China.

On 23 May 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in the Real Estate Sector in the PRC" (Shang Zi Han [2007] No. 50) (《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》(商資函[2007]50號)), which was amended on 28 October 2015. The notice stipulates the following requirements for the approval and supervision of foreign investment in property sector:

(i) foreign investment in the PRC property sector relating to luxury properties should be strictly controlled;

(ii) before obtaining approval for the establishment of a foreign-invested property development enterprise, (a) both the land use rights certificates and housing ownership right certificates should have been obtained, or (b) contracts for obtaining land use rights or housing ownership rights should be entered into;

(iii) entities which have been set up with foreign investment need to obtain approvals before they expand their business operations into property development, and foreign-invested entities which have been set up for property development operations need to obtain new approvals in order to expand their property business operations;

(iv) acquisitions of domestic property entities and foreign investment in the aforesaid entities by way of "round-trip" investment (返程投資) (including when there is the same actual controlling person) should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons of the domestic property entities;

(v) parties to foreign-invested property enterprises should not in any way guarantee a fixed investment return;

(vi) the approval of the establishment of a foreign-invested property enterprises shall be filed with MOFCOM;

(vii) for those foreign-invested property enterprises which are irregularly approved by local authorities for their establishment, (a) MOFCOM should carry out investigation and order punishment and corrections, and (b) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On 10 July 2007, SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the Ministry of Commerce" (Hui Zong Fa [2007] No. 130) ("**Notice No. 130**") (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》(匯綜發[2007]130號)). Notice No. 130 provides, among other things, that the local foreign exchange authorities must not (i) process foreign debt registrations or applications for the settlement of foreign debt submitted by real estate enterprises with foreign investment that obtained approval certificates from the competent commerce departments and registered with MOFCOM on or after 1 June 2007; or (ii) process foreign exchange registrations (or any change of such registrations) or foreign exchange settlements regarding capital account items and sale of foreign exchange submitted by foreign-invested real estate enterprises that obtained approval certificates from local commerce departments but have not registered with MOFCOM on or after 1 June 2007. On 10 May 2013, SAFE issued the "Notice of the State Administration of Foreign Exchange on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and the Supporting Documents" (Hui Fa [2013] No. 21) (《國家外匯管理局關於印發外國投資者境內直接投資外匯管理規定及配套文件的通知》(匯發[2013]21號)), which repealed Notice No. 130.

The Foreign Investment Law became effective on 1 January 2020. The Foreign Investment Law stipulates that foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment (hereinafter referred to as the "negative list"). For any field restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list. Fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly. On 26 December 2019, the State Council issued the Implementing Regulations of the Foreign Investment Law of the People's Republic of China No. 723 Order of the State Council)(《中華人民共和國外商投資法實施條例》, 國務院令第723號), effective on 1 January 2020, provides that the registration of foreign-invested enterprises shall be legally handled by the department for market regulation under the State Council or departments for market regulation under local people's governments authorized thereby. A foreign investor or foreign-invested enterprise shall submit its investment information to the competent department of commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System.

In November 2010, MOFCOM promulgated the "Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry" (Shang Ban Zi Han [2010] No. 1542) (《關於加強外商投資房地產業審批備案管理的通知》(商辦資函[2010]1542號)), which reiterated a number of limitations on foreign-invested real estate enterprises, such as:

(a) Competent commerce departments of all regions shall, jointly with relevant local departments, enhance the monitoring of cross-border investment and financing activities, reinforce the safeguarding against risk in the real property market, and suppress speculative investment. Real property enterprises established in China with foreign capital shall not seek interest arbitrage by purchase and/or sale of existing real property/real property under construction in China.

(b) Competent commerce departments of all regions shall carry out their examination and approval work strictly in accordance with various provisions on the investment in and establishment of foreign-invested investment companies, and shall not approve investment companies involved in the business of developing and operating real property.

(c) Competent commerce departments of all regions shall, jointly with relevant departments such as the administration of foreign exchange, carefully discern and strictly review real property enterprises that involve round-trip investment and strictly control the establishment of real property enterprises in China by way of round-trip investment.

On 11 May 2013, SAFE issued the "Notice of the State Administration of Foreign Exchange on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and the Supporting Documents" (Hui Fa [2013] No. 21) ("**Notice No. 21**") (《國家外匯管理局關於印發外國投資者境內直接投資外匯管理規定及配套文件的通知》(匯發[2013]21號)). According to Notice No. 21, direct investment in China shall be managed by registration. Institutions and individuals involved in direct investment in China shall go through registration with SAFE and its branches (hereinafter collectively referred to as the "Foreign Exchange Bureau"). Banks shall process business relating to the direct investment in China based on the registration information provided by Foreign Exchange Bureaus. A foreign-invested enterprise shall be registered with the relevant Foreign Exchange Bureau after being duly established. Where a foreign investor has made capital contribution to the foreign-invested enterprise in the form of monetary funds, equity, tangible assets, intangible assets, etc. (including lawful incomes obtained in China), or where the foreign investor has paid consideration for the acquired equity from the Chinese side of a Chinese enterprise, the foreign-invested enterprise shall register the capital contribution and the rights and interests of the foreign investor with the Foreign Exchange Bureau. The foreign-invested enterprise shall go through change of registration with the Foreign Exchange Bureau if subsequently it increases or reduces its capital, transfers its equity or undergoes other capital changes. The foreign-invested enterprise shall go through deregistration with the Foreign Exchange Bureau if it subsequently cancels the registration of business or converts to a non-foreign-invested enterprise.

On 29 August 2008, SAFE issued the "Circular on the Relevant Operating Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises" (Hui Zong Fa [2008] No. 142) ("**Circular No. 142**") (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》(匯綜發[2008]142號)). Pursuant to Circular No. 142, Renminbi funds derived from the settlement of foreign exchange capital of a foreign-invested enterprise must be used within the business scope of the enterprise as approved by the relevant examination and approval department and cannot be used for domestic equity investment unless otherwise provided for by other regulations. On 30 March 2015, SAFE issued the "Notice of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises" (Hui Fa [2015] No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(匯發[2015]19號)》, which repealed Notice No. 142 ("**Notice No. 19**").

Pursuant to Notice No. 19, Renminbi funds derived from the settlement of foreign exchange capital of a foreign-invested enterprise cannot be used to make loans, repay loans borrowed from other non-financial enterprises (including advances from third parties) or repay bank loans which were relent to third parties.

On 4 August 2014, SAFE issued the "Circular of the State Administration of Foreign Exchange on Issues Concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas" (Hui Fa [2014] No. 36) (《國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) (匯發[2014]36號), which became effective on 4 August 2014. Pursuant to this Circular, SAFE has launched the administrative approach pilot reform regarding the settlement of the foreign exchange capitals of foreign-invested enterprises in the following areas: Tianjin Binhai New Area, Economy Group of Shenyang, Suzhou Industrial Park, Donghu National Independent Innovation Demonstration Zone, Guangzhou Nansha New Area, Hengqin New Area, Chengdu High-tech Industrial Development Zone, Zhongguancun Science Park, Chongqing Liangjiang New Area, border development and opening-up regions in Heilongjiang Province in which pilot foreign exchange administration reform is carried out, Wenzhou Comprehensive Financial Reform Pilot Area, Pingtan Comprehensive Experimental Area, China-Malaysia Qinzhou Industrial Park, Guiyang Comprehensive Bonded Zone, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and Qingdao Comprehensive Wealth Management and Financial Reform Pilot Area. In these areas, (i) ordinary foreign-invested enterprises other than those whose main business is investment (including foreign-invested investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) will be governed by the prevailing provisions on domestic re-investment if they make domestic equity investments by capital transfers in the original currencies; (ii) where such an ordinary foreign-invested enterprise makes domestic equity investments with RMB funds obtained from foreign exchange settlement, the invested enterprise is required to first go through domestic re-investment registration and open a corresponding account pending for foreign exchange settlement with the local foreign exchange bureau, and the enterprise making the investment must then transfer the RMB funds obtained from foreign exchange settlement to the account pending for foreign exchange settlement opened by the invested enterprise according to the actual amount of investment; and (iii) the foregoing principles shall apply if the invested enterprise continues to make domestic equity investment.

On 30 March 2015, SAFE issued the "Notice of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises" (Hui Fa [2015] No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知)(匯發[2015]19號)), which repealed Notice No. 36 and Circular No. 142. Pursuant to this Notice, (i) the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement; (ii) the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment; and (iii) foreign-invested enterprises with investment as the primary business (including foreign-invested investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to carry out domestic equity investment with the capital obtained from foreign exchange settlement.

On 9 June 2016, SAFE issued the "Notice of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts" (Hui Fa [2016] No. 16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(匯發[2016]16號)), which stipulates (i) domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may go through foreign exchange settlement formalities for their foreign debts at their discretion; (ii) domestic institutions may, at their discretion, settle up to 100 per cent. of foreign exchange receipts under capital accounts for the time being; (iii) the RMB funds obtained by domestic institutions from discretionary settlement of foreign exchange receipts under capital accounts shall be managed under the accounts pending for foreign exchange settlement payment; (iv) further enhance foreign exchange administrations' ex post regulation and investigation and treatment of violations and so on. And what needs to be prompted is that if there are any conflicts or inconsistencies between Notice No. 19 and Notice No. 16, Notice No. 16 shall prevail.

On 17 May 2014, NDRC issued the "Administrative Measures for the Verification, Approval and Record-filing of Foreign Investment Projects" (Order of NDRC No. 12) (《外商投資項目核准和備案管理辦法》(國家發展和改革委員會令第12號)), which was amended on 27 December 2014. According to the administrative measures: (i) The following projects listed in the Guidance Catalogue shall be subject to verification and approval of the NDRC: encouraged projects with a total investment (including increased investment) of U.S.$300 million or more which are subject to the requirement of being controlled by Chinese shareholders (whether by holding a majority shareholding or otherwise having actual control), and restricted projects with a total investment (including increased investment) of U.S.$50 million or more (excluding real estate projects); (ii) Real estate projects under restricted industries and other restricted projects with a total investment (including increased investment) of less than U.S.$50 million in the Guidance Catalogue shall be subject to verification and approval of provincial governments. Encouraged projects with a total investment (including increased investment) of less than U.S.$300 million that are subject to the requirement of being controlled by Chinese shareholders (whether by holding a majority shareholding or otherwise having actual control) in the Guidance Catalogue shall be subject to the verification and approval of local governments; (iii) Foreign investment projects other than those listed in the preceding two items that fall under Item 1 through to Item 11 of the Catalogue for Investment Projects Need to Be Approved by the Government (2013 Version) (《政府核准的投資項目目錄》) shall be subject to verification and approval in accordance with Item 1 through to Item 11 therein; and (iv) Foreign investment projects beyond the scope of the preceding three items herein shall be subject to the record-filing by the competent investment departments of local governments.

On 31 October 2014, the State Council issued the "Circular of the State Council on Promulgating the Catalogue of Investment Projects Need to be Approved by the Government (2014 Version)" ("**2014 Catalogue of Investment Projects Need to be Approved by the Government**") (Guo Fa [2014] No. 53) (《國務院關於發佈政府核准的投資項目目錄(2014年本)的通知》(國發[2014]53號)), which repeal the Catalogue for Investment Projects Need to Be Approved by the Government (2013 Version) (《政府核准的投資項目目錄》(2013年本)). Pursuant to 2014 Catalogue of Investment Projects Need to be Approved by the Government, (i) projects under the encouraged category with a total investment (including increased investment) of U.S.$1 trillion or more which are subject to the requirement of being controlled by Chinese shareholders whether by holding a majority shareholding or otherwise having actual control and projects under the restricted category with a total investment (including increased investment) of U.S.$100 million or more (excluding real estate projects) in the Guidance Catalogue, shall be subject to the approval of the competent investment department under the State Council. Among them, projects with total investment (including increased investment) of U.S.$2 billion or above shall be reported to the State Council for registration; (ii) real estate projects under the restricted category and other projects under the restricted category with a total investment (including increased investment) of less than U.S.$100 million in the Guidance Catalogue shall be subject to verification and approval of provincial governments. Projects under the encouraged category with a total investment (including increased investment) of less than 1 trillion million which are subject to the requirement of being controlled by Chinese shareholders whether by holding a majority shareholding or otherwise having actual control in the Guidance Catalogue shall be subject to the verification and approval of local government. There are some inconsistencies between the relevant provisions in the Order of NDRC No. 12 and these aforesaid provisions.

On 27 December 2014, NDRC issued the "Decision on Revising Relevant Provisions of the Administrative Measures for Approval and Record-filing of Overseas Investment Projects and the Administrative Measures for the Verification, Approval and Record-filing of Foreign Investment Projects" (Order of NDRC No. 20) (《關於修改境外投資項目核准和備案管理辦法和外商投資項目核准和備案管理辦法有關條款的決定》(國家發展和改革委員會令第20號)). According to this decision, the approval level and scope relating to foreign investment projects shall be implemented according to the 2014 Catalogue of Investment Projects Need to be Approved by the Government.

On 12 December 2016, the State Council issued the "Circular of the State Council on Promulgating the Catalogue of Investment Projects Need to be Approved by the Government (2016 Version)" (Guo Fa [2016] No. 72) (《國務院關於發佈政府核准的投資項目目錄(2016年本)的通知)(國發[2016]72號)), which repeal the Catalogue for Investment Projects Need to Be Approved by the Government (2014 Version) (《政府核准的投資項目目錄》(2014年本)). Pursuant to 2016 Catalogue of Investment Projects Need to be Approved by the Government, the restricted projects with total investment (including capital increase) of U.S.$300 million or above in the Catalogue for the Guidance of the Foreign Investment Industries shall be subject to the approval of the competent investment department under the State Council. Among them, the projects with total investment (including capital increase) of U.S.$2 billion or above shall be submitted to the State Council for registration. The restricted projects with total investment (including capital increase) below U.S.$300 million in the Catalogue for the Guidance of the Foreign Investment Industries shall be subject to the approval of provincial governments.

Qualifications of a property developer

Classifications and assessment of a real estate development enterprise's qualification

Under the "Provisions on Administration of Qualifications of Real Estate Development Enterprises" (the "**Provisions on Administration of Qualifications**") (Order of the Ministry of Construction [2000] No. 77) (《房地產開發企業資質管理規定》(建設部令[2000]第77號)) promulgated by the Ministry of Construction in March 2000 and amended by Ministry of Housing and Urban-rural Development on 4 May 2015 and 22 December 2018, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the operation of real estate development without a qualification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Developers with class 1 qualifications shall be subject to preliminary examination and approval by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the Central Government and then final approval by the construction authority under the State Council. Procedures for approval of developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the Central Government. A property developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible property developer within 30 days upon receipt of the report.

The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority may extend the validity period for no longer than two years after considering the actual business conditions of the enterprise. The property developer shall apply for a verification qualification classification by the property development authority within one month before the expiry of the Provisional Qualification Certificate.

Business scope of a property developer

Under the Provisions on Administration of Qualifications, a property developer of any qualification classification shall only engage in the operation of real estate development within its approved scope of business and shall not engage in business which is limited to another qualification classification. A class 1 property developer is not restricted as to the scale of a property project to be developed and may undertake a property development project across the country. A class 2 property developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the Central Government.

Annual inspection of a property developer's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorised institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the Central Government.

Bidding/Tendering for Land

According to the "Regulation on the Grant of State-owned Land Use rights through Tender, Auction and Listing-for-sale" (Order of MLR No. 11) (《招標拍賣掛牌出讓國有土地使用權規定》(國土資源部令第11號)) promulgated on 9 May 2002, effective from 1 July 2002, which was subsequently amended on 28 September 2007 and effective on 1 November 2007 and renamed as "Regulations on the Grant of State-owned Construction Land Use rights through Tender, Auction and Listing-for-sale" (Order of MLR No. 39) (《招標拍賣掛牌出讓國有建設用地使用權規定》(國土資源部令第39號)), allland to be developed for commercial purposes, such as industrial, tourism, commercial, entertainment or commodity residential housing, must be granted by way of competitive bidding, auction or listing-for-sale. When deciding to whom the land use rights should be granted, the relevant authorities will consider not only the bidding price but also the credit history and qualifications of the developer and its bidding proposal.

In brief, the procedures to obtain land use rights certificates after 1 July 2002 are as follows:

- The land administration department of the people's government (人民政府) at the county or municipal level (the "**Grantor**") issues a notice specifying the terms and conditions of the tender, auction or bidding (the "**Sale**"), including the amount of deposit payable, the initial bidding price of the land and other criteria that will be considered by the Grantor in determining the successful participant. The notice will generally be issued at least 20 days prior to the commencement date of Sale.

- The Grantor will notify the eligible participants, who comply with the terms and conditions of the notice, to attend the Sale. At the Sale, the eligible participants may make an offer for the land and/or submit a bidding document in accordance with the steps prescribed in the notice.

- The Grantor then issues a letter of confirmation to the successful participant. The successful participant then enters into a state-owned land grant contract with the Grantor in accordance with the terms specified in the letter of confirmation. The deposit paid for participating in the Sale shall be converted into the land premium.

- Having fully paid the land premium specified in the land grant contract, the successful participant may apply for land registration and obtain the state-owned land use rights certificate.

- The people's government (人民政府) at or above the county level issues a state-owned land use rights certificate upon fully payment of the land premium and the deed tax.

On 17 April 2010, the State Council issued the "Notice on Strictly Restraining the Excessive Growth of the Real Property Prices in Certain Cities" (Guo Fa [2010] No. 10) (《國務院關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)), which states that apart from adhering to and improving the competitive bidding, auction and listing-for-sale system, the PRC government is considering exploring new land use rights granting mechanisms in order to restrain rampant growth in the land grant prices. These new mechanisms may include "comprehensive bid evaluation" (綜合評標), "one-time bidding" (一次競價) and "mutual bidding" (雙向競價). On 11 May 2011, the MLR promulgated the "Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing-for-Sale" (Guo Tu Zi Fa [2011] No. 63) (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》(國土資發[2011]63號)), which provides an explanation of adjustments and improvements to the land transfer policy through competitive biddings, auctions and listing-for-sale, including (i) adjust and improve policy-based residential land by means of auction or listing with the housing price or land price restricted; (ii) transferring land for commodity housing by means of listing or auction with the requirements for building certain area of affordable housing, and; (iii) comprehensively evaluating conditions for land development and utilisation and transfer price of land, and determining the owner of land use rights by public bidding.

Development of a property project

Land for property development

Under the "Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Land in Urban Areas" (Order of the State Council No. 55) (the "**Interim Regulations on Grant and Transfer**") (《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》(國務院令第55號)) promulgated and enforced by the State Council on 19 May 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a premium to the state as consideration for the grant of the land use rights within a certain term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use rights within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user for the grant of the land use rights. The land user shall pay the land use right premium as provided for by the land grant contract. After payment in full of the land use right premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Development Regulations provide that land use rights for a site intended for property development shall be obtained through government grant, except for land use rights which may be obtained through allocation pursuant to the PRC laws or the stipulations of the State Council.

Under the "Regulations on the grant of State-owned Land for Construction Use Rights through Competitive Bidding, Auction and Listing-for-Sale" (Order of MLR No. 39) (《招標拍賣掛牌出讓國有建設用地使用權規定》(國土資源部令第39號)) enacted by MLR on 28 September 2007, and effective on 1 November 2007, land for industrial use (including land for warehouses, but excluding land for mining), commercial use, tourism, entertainment and commodity housing development or one parcel of land having more than two competing applicants shall be transferred by way of competitive bidding, public auction or listing-for-sale. The procedures are as follows:

(i) The land authority under the people's government of the city and county (the "**Grantor**") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, auction or listing-for-sale. The announcement should include basic particulars such as land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

(ii) With respect to applicants who satisfy the requirements set out in the announcement, the Grantor shall inform them to attend tender, auction or listing-for-sale.

(iii) After determining the winning tender or the winning bidder by either competitive bidding, auction or listing-for-sale, the grantor shall issue the bid winning notice to the winning tender or enter into a letter of confirmation with the winning bidder. The grantor should return other bidding or auction applicants their bidding or tender deposits.

(iv) The Grantor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned construction land use rights according to the time set out in the bid winning notice or letter of confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set-off part of the land use right grant premium for the grant of the state-owned construction land use rights.

(v) The winning tender or winning bidder should apply for registration and the land use rights certificate after paying off the total land grant premium in accordance with the state-owned construction land use rights grant contract. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land use right grant premium, and no land use rights certificates will be issued pro rata based on partial payment received.

On 13 May 2011, the MLR promulgated the "Opinions on Upholding and Improving the System for the Transfer of Land by Competitive Bidding, Auction and Listing-for-Sale" (Guo Tu Zi Fa [2011] No. 63) (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》(國土資發[2011]63號)), which adjusted and improved the system for the transfer of land by means of public bidding, auction and listing. Local administrative departments shall, based on the development of the local land market and residential construction, choose proper procedures and policies for granting land parcels: (i) Where land use rights are granted by "restricting the housing price and bidding on the land price", the competent land and resources departments of cities and counties shall, before granting land use rights, together with the competent administrative departments in charge of housing construction, commodity prices and planning, determine the sale conditions for houses according to relevant policies, and reasonably determine the sales price cap and the area standards for each housing unit on land parcels which will be granted, based on the sale price of commodity housing in the same region where the land parcels are located, then include the sale conditions, price caps and area standards in the plans for the grant of land use rights as restrictive conditions, and after reporting the same to the government and obtaining its approval, publicly grant the land use rights by means of listing or auction. Whoever meets the conditions and offers the highest bid for the land not less than base price shall be the winning bidder. The sales price cap of housing accepted by the winning bidder, and the strike price of land, etc., shall be specified in the bid winning notice and the land use rights grant contract. (ii) Where land use rights are granted by "restricting the land price and bidding on the housing price", the competent land and resources departments of cities and counties shall, before granting land use rights, determine the grant price of land parcels and the sales price cap for the house (which shall be lower than the market price of commodity houses in the same region with equal conditions) based on factors such as compensation for expropriation of land and removal and relocation of residents relating to land parcels to be granted, the pre-development cost of the land, the benchmark price and market price of other land parcels within the same region, the market land price, the conditions for the grant of land use rights, housing sales price, the housing price control goals determined by the government, etc., then include these prices into the plans for the grant of land use rights, and after reporting the same to the government and obtaining its approval, publicly grant land use rights by means of listing or auction. Whoever provides the lowest sale price for houses (i.e., the highest sale price when developers sell houses) shall be the winning bidder. The promised sales price for houses provided by the winning bidder, and the strike price of land, etc., shall be specified in the bid winning notice and the land use right grant contract. (iii) Where land use rights are granted by "building certain areas of affordable housing in the land used for commodity housing", the competent land and resources departments of cities and counties shall, together with the administrative departments in charge of housing construction, planning, housing management and security housing, determine the area, number of units, construction progress, conditions and price for government recovery, and methods for the allocation of land area, etc., for low-income housing, economical housing and other affordable housing on the land parcels which are planned to be granted, then include these qualifications in the plans for the grant of land use rights, and after reporting the same to the government and obtaining its approval, write them into the announcement and other documents for the grant of land use rights, and organise the listing and auction of the land. The strike price and the promise to build certain area of affordable housing made by the winning bidder shall be specified in the bid winning notice and the land use right grant contract. (iv) Where land use rights are granted by selecting "the optimal overall conditions for land utilisation", the competent land and resources departments of cities and counties shall determine procedures for granting land use rights and bid assessment standards based on certain conditions, including, the standards for land utilisation, the conditions of the region where the land parcels are located and the governmental requirements for development and construction, and then, after determining the lawful base price, view factors which may affect the development and utilisation of land as bid assessment conditions such as land price, delivery time, development and construction periods, requirements for construction, economic efficiency of the proposed use, and the performance of the bidder under previous grant contracts, etc., reasonably determine each factor's weight and organise competitive bidding. After comprehensive assessment of the bids, the land use rights shall be granted to the bidder who offers the optimal overall conditions for land utilisation. When the winning bidder is determined, it shall be disclosed to the public and the conditions for the development and utilisation of the aforesaid land shall be specified in the bid winning notice and the land use rights grant contract.

On 24 July 2019, the Ministry of Natural Resources issued "Implementing Rules of the Interim Regulations on Real Estate Registration" (Order of the Ministry of Natural Resources No. 5) (《不動產登記暫行條例實施細則》(自然資源部令第5號) which specifies detailed provisions relating to the procedures of real estate registration and materials required for such registration.

According to the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (Guo Tu Zi Fa [2003] No. 356) (《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》(國土資發[2003]356號)) issued by MLR on 24 September 2003 and amended on 3 December 2010, land use for luxurious commodity houses shall be stringently controlled and applications for land used for building villas will not be accepted.

On 12 December 2006, the MLR and the NDRC issued the 2006 version of the "Catalogue of Restricted Projects for Land Use" (《限制用地項目目錄(2006 年版)》) and the 2006 version of the "Catalogue of Prohibited Projects for Land Use" (《禁止用地項目目錄(2006 年版)》) (together with the catalogue of Restricted Projects for Land Use (2006 version), the "Catalogue of Restricted Projects for Land Use"), which restricted the area of a parcel of land granted for low-density and large-size commodity housing (projects with a plot ratio less than 1.0 and GFA more than 144 sq.m. for each set) and prohibited the use of land for villa and golf course development. On 10 November 2009, the MLR issued the supplement to the 2006 version of the "Catalogue of Restricted Projects for Land Use" (《限制用地項目目錄(2006 年本增補本)》), which restricted the area of a parcel of land granted for commodity housing development to 7 hectares in small cities, 14 hectares in medium-size cities and 20 hectares in large cities. From year 2010 to 2012, the MLR issued several notices restating that the supply of the land to be developed for government-subsidized housing, housing required for transformation of shanty towns and medium and small size ordinary commercial housing shall be no less than 70 per cent. of the total land supply for housing constructions.

On 23 May 2012, MLR and NDRC jointly issued the "Circular on the Distribution and Implement of the Catalogue for Restricted Projects for Land Use (2012 Version)" and the "Catalogue for Prohibited Projects for Land Use (2012 Version)" (《關於發佈實施限制用地項目目錄(2012 年本)和禁止用地項目目錄(2012 年版)的通知》). In this circular, (i) MLR and NDRC set forth a ceiling for the land granted by local governments for the development of residential housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities, and the plot ratio of residential housing projects shall not be less than 1; (ii) theme parks and large living area residential housing projects (referring to those residential housing projects with a floor area over 144 square meters per single set) shall not occupy farmland or occupy farmland in disguised forms; and (iii) property development projects for villas and golf courses projects are listed in the catalogue for prohibited land use projects.

Under the Urgent Notice, the land authority should rigidly execute the "Model Text of the State-owned Land Use Rights Grant Contract" (《國有土地使用權出讓合同示範文本》) and "Model Text of the State-owned Land Use Rights Grant Supplementary Agreement (for Trial Implementation)" (《國有土地使用權出讓合同補充協議示範文本(試行)》) jointly enacted by the MLR and the SAIC. The documents of the land grant should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the land grant contract. On 29 April 2008, MLR and SAIC jointly issued the "Notice regarding Distribution of the Model Text for Grant of State-owned Land for Construction Use Rights Contract" (Guo Tu Zi Fa [2008] No. 86)) (《關於發佈國有建設用地使用權出讓合同示範文本的通知》(國土資發[2008]86 號)). The Notice replaces the previous model text with the model text for contracts contained in the Notice.

In November 2009, the Ministry of Finance, MLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant" (Cai Zong [2009] No. 74) (the "**Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant**") (《關於進一步加強土地出讓收支管理的通知》(財綜[2009]74 號)). The notice raises the minimum down payment on land use right grant premiums to 50 per cent. of the total premium and requires the land use right grant premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

On 8 March 2010, MLR promulgated the "Circular on Strengthening Real Estate Land Supply and Supervision" (Guo Tu Zi Fa [2010] No. 34) (the "**Guo Tu Zi Fa [2010] No. 34**") (《關於加強房地產用地供應和監管有關問題的通知》(國土資發[2010]34 號)). Under this circular, the price for a given land granted is required to be at least 70 per cent. of the benchmark price for land in the surrounding locality and the bidding deposit is required to be equal to at least 20 per cent. of the applicable minimum land grant premium. This circular has made further strict provisions on land grant contract administration. The land grant contract shall be executed within 10 working days after the land grant deal is closed, the down payment of 50 per cent. of the land use right grant premium shall be paid within one month after the date of land grant contract, and the remaining fee shall be paid in accordance with provisions of the land grant contract within one year.

On 21 September 2010, the MLR and Ministry of Housing and Urban-Rural Development jointly promulgated the "Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development" (Guo Tu Zi Fa [2010] No. 151) ("**Circular 151**") (《關於進一步加強房地產用地和建設管理調控的通知》(國土資發[2010]151號)), which stipulates, among other things, that: (i) at least 70 per cent. of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before rectifying any misconduct, including (1) illegal transfer of land use rights; (2) failing to commence required construction within one year from the delivery of land under land grant contracts due to developers' own reasons; (3) non-compliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (iv) grant of two or more parcels of land as a bundle are prohibited.

According to the "Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of Land Market" (Guo Tu Zi Fa [2010] No. 204) (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》(國土資發[2010]204號)) promulgated by MLR on 19 December 2010, (i) for the lands granted through biding, auctions and listing-for-sale process, if the premium rate is more than 50 per cent., or the total amount of price or the price per unit has made a new record, the government of the cities and counties shall submit a compendium of abnormal transaction of real estate land to the MLR and the land resources department of the local government; and (ii) if a parcel of land is idle for more than one year or the relevant land developer breaches the terms of the relevant land grant contracts or relevant laws or regulations, the developer will be disqualified from obtaining land through the bidding process.

On 26 January 2011, the General Office of the State Council issued the "Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market" (Guo Ban Fa [2011] No. 1) (the "**Guo Ban Fa [2011] No. 1**") (《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》(國辦發[2011]1號)), under which the supply of lands for government-subsidized housing, housing required for transformation of shanty towns and medium and small size ordinary commercial housing is no less than 70 per cent. of the total supply of land.

On 19 July 2012, the MLR and the Ministry of Housing and Urban-Rural Development jointly issued the "Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market" (Guo Tu Zi Dian Fa [2012] No. 87) (the "**Guo Tu Zi Dian Fa [2012] No. 87**") (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》(國土資電發[2012]87號) to strengthen the enforcement of macroeconomic policy in the real property market. Local governments are required to secure residential land supplies, especially land to be used for the development of government-subsidized residential units. Local governments are also required to strictly implement macroeconomic control policies in the real property market. The qualifications of bidders shall be examined in a strict manner and the provision that "land grant premium shall not be paid by bank loans" shall be implemented. Two or more parcels of land shall not be granted as a bundle and undeveloped land shall not be granted. According to the aforesaid Notice, the land grant contract shall be executed within 10 business days of completing the land grant, and a down payment of 50 per cent. of the land grant premium shall be paid, with the remaining balance payable in installments within one year. For any land (including land used for service housing, residences or commercial and residential complexes) the strike price of which is expected to become the highest total price or unit price in history, or the premium rate of which will exceed 50 per cent., the competent departments of land and resources at the municipal and county level shall adjust the land grant program in a timely manner and grant such land by "restricting the housing price and bidding on the land price", building auxiliary affordable housing or public infrastructure and other methods. With regard to users who have committed acts such as failing to make payment for land grant premium, leaving land idle, hoarding land for speculation, developing land in excess of their actual development capacity or failing to fulfil a land use contract, the land administration authority under the local government of the relevant city or county shall forbid them from participating in land bidding within a certain period of time.

On 26 February 2013, the General Office of the State Council issued the "Circular of the General Office of the State Council on Continuing the Regulation of Real Estate Market" (Guo Ban Fa [2013] No. 17) (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)) to promote the supply of common commercial houses and residential lands. Under this Offering Circular, the total supply of housing lands in 2013 shall not be less than the actual average supply in the last five years in principle. In part of the hot-spot cities and regional key cities in which the housing demand and supply contradiction is urgent and the rising pressure on housing prices is larger as well as in the cities of which the completion rates of supply plans for housing lands in the last two years are on the low side, the annual total supply of housing lands shall be increased and the proportion in annual land supply plans shall be improved. For the purpose of enhancing the information disclosure in respect of the land markets, the people's governments at the municipal and county levels shall promulgate the annual supply plans of housing lands at the first quarter to stabilise the anticipation of land market. All districts shall continue to take effective measures to improve the manners for land assignment and actually prevent any high-priced lands from disturbing the anticipation of land market.

On 1 April 2017, the MLR and the Ministry of Housing and Urban-Rural Development jointly issued the "Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply" (Jian Fang [2017] No. 80) (《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》(建房[2017]80號)), which requires all the housing and urban-rural development departments of all provinces, autonomous regions and municipalities directly under the central government and the departments of land and resources to (i) make reasonable arrangements for the supply of housing land. In cities featuring obvious contradiction between the supply of and demand for housing or under pressure due to increasing housing prices and more housing land, in particular the land for ordinary commercial houses, shall be supplied to a reasonable extent, and the housing land supply shall be reduced or even suspended in cities requiring a lot of destocking of real estate. According to the commercial housing inventory cycle, all the local authorities shall adjust the scale, structure and time sequence of housing land supply in due time, and shall stop the supply of land to real estate having a cycle of more than 36 months; reduce the supply of land to those having a cycle of 18–36 months; increase the supply of land to those having a cycle of 6–12 months; and increase and accelerate the supply of land to those having a cycle of less than six months; (ii) grasp the scientific pace of construction and sales of new real estate. Speed up the construction of commercial housing projects. Strengthen the management of the pre-sale of commercial real estate. Increase the effective supply of real estate for leasing; and (iii) provide more housing security.

On 6 July 2019, the General Office of the State Council issued the "Guiding Opinions on the Improvement of the Secondary Market for the Transfer, Lease and Mortgage of the Land Use Rights" (Guo Ban Fa [2019] No. 34) (《國務院辦公廳關於完善建設用地使用權轉讓、出租、抵押二級市場的指導意見》(國辦發[2019]34號)), which put forward the main tasks of improving the secondary market of land use rights, including (i) the perfection of transferring rules of land use rights; (ii) the improvement of rental market management of land use rights; (iii) the improvement of mortgage mechanism of land use rights; (iv) the innovation of operation model of land market and the standardisation of market order; and (v) the enhancement of service system and supervision.

Property project development

Commencement of property projects and idle land

Under the Urban Real Estate Law, those who have obtained the land use rights must develop the land in accordance with the terms of use and within the period of commencement prescribed in the land use rights grant contract. According to the "Measures on Disposing Idle Land" (Order of the MLR No. 53) (《閒置土地處置辦法》(國土資源部令第53號)) issued by MLR on 1 June 2012, under the following circumstances, a parcel of state-owned land for construction use shall be defined as "idle land":

- if the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use; and

- if the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25 per cent. of the total investment, and the construction and development of the land has been suspended for more than one year.

If a parcel of land is identified as idle land by a competent department of land and resources, unless otherwise prescribed by the new Measures on Disposing of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the land use right and collect the charges for idle land at the rate of 20 per cent. of the land grant premium or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and

- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Taking Back the Right to Use the State-owned Land for Construction Use to the holder of the land use right.

On 3 January 2008, the State Council reiterated the above-mentioned policies in the "Notice on Enhancing the Economical and Intensive Use of Land" (Guo Fa [2008] No. 3) (《關於促進節約集約用地的通知》(國發[2008]3號)). This notice states, among other things, that MLR and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land added price (增值地價) on idle land. On 22 January 2017, the MLR issued "the construction of land use rights to transfer, lease, mortgage secondary market pilot program notice" (Guo Tu Zi Fa [2017] No. 12) (《國土資源部印發<關於完善建設用地使用權轉讓、出租、抵押二級市場的試點方案>的通知》(國土資發[2017]12號)), which states that land collection fees are strictly levied for the idle land.

On 26 February 2013, the State Council issued the "Circular on Continuing the Regulation of Real Estate Market" (Guo Ban Fa [2013] No. 17) (the "**Guo Ban Fa [2013] No. 17**") (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)), pursuant to which, any real estate development enterprises that violate laws and regulations such as having idle lands, driving up land prices, hoarding properties for speculation and driving up prices of houses, the relevant departments shall establish cooperative mechanisms, and investigate and impose appropriate penalties more strictly. The land and resource departments shall forbid such enterprises to take part in the land bidding. Moreover, the banking financial institutions shall not offer loans to such enterprises for their new projects, the securities regulatory departments shall not approve the listing, refinancing and restructuring of such enterprises, and the banking regulatory departments shall not allow such enterprises to obtain financing through trust plans.

On 12 September 2014, MLR promulgated the "Guiding Opinions of the Ministry of Land and Resources on Promoting the Economical and Intensive Utilisation of Land" (Guo Tu Zi Fa [2014] No. 119) (《國土資源部關於推進土地節約集約利用的指導意見》) (國土資發[2014]119號), which requires the relative land and resources departments to strictly implement the provisions of forfeiture of idle land or imposing the charges for idle land in accordance with regulations, and accelerate the identification, public disclosure and disposition of idle land.

Planning of property projects

According to the "Urban and Rural Planning Law of the People's Republic of China" (replacing the previous "City Planning Law of the People's Republic of China" (《中華人民共和國城鄉規劃法》) since January 2008, and amended on 24 April 2015 and 23 April 2019, the "Administrative Measures on Planning of Grant and Transfer of Urban State-owned Land Use Rights" (Order of the Ministry of Construction No. 22) (《城市國有土地使用權出讓轉讓規劃管理辦法》(建設部令第22號)) enacted by the Ministry of Construction on 4 December 1992, enforced on 1 January 1993 and amended on 26 January 2011, (i) for any land that was obtained through government allocation, the property developer shall apply for an Opinion on Construction Project's Site Selection (選址意見書); and (ii) for any land that was obtained through land grant, the property developer shall apply for a construction land planning permit after signing a land grant contract. After obtaining a construction land planning permit, a property developer shall organise the necessary planning and the design work with regard to planning and design requirements, and apply for a construction works planning permit from city planning authority with the relevant approval documents.

Construction of property projects

According to "the Decision of the State Council on Reform of the Investment System" (《國務院關於投資體制改革的決定》(國發[2004]20號)) issued by the State Council on State Council on 16 July 2004, a record filing system of enterprise investment projects outside the Investment Projects Subject to Government Verification and Approval Catalogue (《政府核准的投資項目目錄》) shall be implemented unless otherwise stipulated by the State, and enterprises shall file a record of such investment projects with the local government department in charge of investment on the principle of dependency.

After obtaining the "construction work planning permit", a property developer shall apply for a construction permit from the housing and urban-rural development authority above the county level according to the "Measures for the Administration of Construction Permits for Construction Projects" (The Order of Ministry of Housing and Urban-Rural Development No. 18) (《建築工程施工許可管理辦法》(住房和城鄉建設部令第18號)) enacted by the Ministry of Housing and Urban-Rural Development on 25 June 2014 and enforced on 25 October 2014 and amended on 28 September 2018.

On 17 November 2007, the General Office of the State Council issued the "Circular of on Strengthening and Regulating the Administration on Newly-commenced Projects" (Guo Ban Fa [2007] No. 64) (《國務院辦公廳關於加強和規範新開工項目管理的通知》(國辦發[2007]64號)), which set forth the conditions that shall be met by various investment projects when they are commenced as follows:

1. the projects shall be subject to the industrial policies, development and construction plans, land supply policies and market-access criteria of the PRC.

2. the formalities of approval, ratification or filing of the projects must have been completed.

3. the location and distribution of the projects within the planning area must be in line with the urban and rural planning, and relevant planning approval formalities for the projects have gone through in accordance with urban and rural planning law.

4. the approval of use of the land, which is subject to application, must be obtained, the contract of compensated use of the state-owned land shall have been signed or the decision on the allocation of the state-owned land has been obtained, and the land for the construction of profit-making investment projects shall be gained by means of biddings auctions or listing-for-sale in accordance with relevant provisions.

5. the examination and approval of environmental impact assessment must have been completed in accordance with the provisions on the category administration of environmental impact assessment as well as examinations and approval of environmental impact assessment at different levels.

6. the energy-saving appraisal and examination of the fixed asset investment projects must have been completed in accordance with relevant provisions.

7. the construction unit must have, prior to the commencement of the construction projects, acquired the construction permit or work-start report in accordance with relevant provisions of the Construction Law, and taken specific measures which can guarantee the quality and safety of the construction projects.

8. the projects must meet other relevant requirements as specified by the laws and regulations of the State.

According to the "Law on Environmental Impact Assessment of PRC" (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the Ninth National People's Congress on 28 October 2002 and subsequently amended on 29 December 2018, before commencing construction, a real estate developer shall prepare an environmental impact assessment report or an environmental impact registration form for submission to the relevant PRC environmental authorities and obtain approval from the relevant PRC environmental authorities to be filed in the relevant environmental protection department.

On 9 May 2012, the Ministry of Housing and Urban-Rural Development promulgated the "Circular on issuance of the special plan of "Twelfth five-year" Energy Conservation of Construction" (Jian Ke [2012] No. 72) (《關於印發"十二五"建築節能專項規劃的通知》(建科[2012] 72 號)). Pursuant to this notice, construction projects that fail to comply with regulations or mandatory standards of energy conservation and emissions reduction, will not be granted a construction works planning permit and a construction permit.

The "Circular of the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development on Further Strengthening the Administration and Control of the Land-Use and Construction of Real Estates" (Guo Tu Zi Fa [2010] No. 151) (《國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知》(國土資發[2010]151號)) prohibits companies or individuals from changing the planning and construction conditions without due authorisation after a land grant. If property developers apply for a change of land planning and construction conditions do not commence construction on schedule, land authorities shall take back the land and re-grant the land use right. Pursuant to the "Urgent Notice on Further Tightening the Management of Land for Real Estate and Consolidating the Achievements of Regulation and Control of the Real Estate Market" (Guo Tu Zi Dian Fa [2012] No. 87) (《國土資源部住房城鄉建設部關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》(國土資電發[2012]87號)) issued on 19 July 2012, residential construction projects are required to commence within one year from the land delivery date that is stipulated in the land allocation decision or land grant contract, and should be completed within three years from the date of commencement.

Completion of property projects

According to the Development Regulation, the "Regulation on the Quality Management of Construction Projects" (Order of the State Council No. 279) (《建設工程質量管理條例》(國務院令第279號)) enacted and enforced by the State Council on 30 January 2000, and implemented on 7 October 2017 and 23 April 2019, and the "Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (Order of the Ministry of Construction No. 2) (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) (建設部令第2號) enacted by the Ministry of Construction in April 2000 and amended on 19 October 2009 and the "Circular on the Issuance of the Rules for Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (Jian Zhi [2013] No. 171) (《關於印發房屋建築和市政基礎設施工程竣工驗收規定的通知》(建質[2013]171號)) enacted and enforced by the Ministry of Housing and Urban-Rural Development on 2 December 2013, after completion of a project, a property developer shall apply for an acceptance examination performed by the property development authority at or above the county level and report details of the acceptance examination, upon which the certificate of completion is issued. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase.

Property transactions

Transfer of property

According to the Urban Real Estate Law and the "Provisions on Administration of Transfer of Urban Real Estate" (Order of the Ministry of Construction No. 96) (《城市房地產轉讓管理規定》) (建設部令第96號) enacted by the Ministry of Construction on 7 August 1995 and revised on 15 August 2001, a property owner may sell, grant or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by way of grant, the real property may only be transferred on the condition that: (i) the land use right grant premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use rights certificate has been obtained; and (ii) The investment and development in accordance with the transfer contract, which is a housing construction project, should complete more than 25 per cent. of the total investment; if it is a whole land development project, construction work has 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 levelled and made ready for industrial or other construction purposes. In addition, if the construction of the real estate has been completed, the real estate should be transferred after the property ownership certificate is obtained.

Sale of commodity properties

Under the "Regulatory Measures on the Sale of Commodity Properties" (Order of the Ministry of Construction No. 88) (《商品房銷售管理辦法》(建設部令第88號)) enacted by the Ministry of Construction on 4 April 2001 and effective 1 June 2001, sale of commodity properties can include both pre-completion sales and post-completion sales.

Permit of pre-sale of commodity properties

According to the Development Regulations and the "Regulatory Measures on the Pre-sale of Commodity Properties" (the "**Pre-sale Measures**")(《城市商品房預售管理辦法》) enacted by the Ministry of Construction on 15 November 1994 and revised on 15 August 2001 and 20 July 2004, respectively, the pre-sale of commodity properties shall be subject to a permit system, under which a property developer intending to sell a commodity building before its completion shall make the necessary pre sale registration with the property development authority of the relevant city or county to obtain a permit of pre-sale of commodity properties. A commodity building may only be sold before completion provided that: (A) the land use right grant premium has been paid in full for the grant of the concerned land use rights and a land use rights certificate has been issued; (B) a permit for construction work planning and a construction permit have been obtained; (C) the funds calculated by the commodity properties for pre-sale invested in the development and construction represent 25 per cent. or more of the total investment in the project and the progress of work and the completion and completion date has been ascertained; and (D) the pre-sale has been registered and a pre-sale permit of commodity properties has been obtained. In addition, regulations of certain local governments, such as Guangdong and Tianjin, have set forth additional conditions to be satisfied in connection with the application for a pre-completion sale permit.

According to the "Regulations on Administration of Pre-Sale of Commodity Properties of Guangdong Province" (《廣東省商品房預售管理條例》) enacted by the Standing Committee of Guangdong Provincial People's Congress on 22 August 1998 and revised on 14 October 2000 and 23 July 2010, and 25 September 2014, and the "Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province" (Yue Jian Fang Zi (2001) No. 2) (《關於調整我省商品房預售項目工程形象進度條件的通知》(粵建房字(2001)2號)) issued by the Guangdong Provincial Construction Bureau in January 2001, the following conditions must be fulfilled in connection with the pre-sale of commodity properties in Guangdong: (A) the property developer has obtained a real property development qualification certificate and a business license; (B) the construction quality and safety monitoring procedures have been performed; (C) the structural construction and the roof sealing must have been completed in respect of properties of seven or fewer stories, and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (D) a special property pre-sale account with a commercial bank in the place where the project is located has been opened; and (E) the properties, pre-sale project and its land use rights are free from any third party rights. According to the "Notice of Shanghai Housing Security and Housing Management Department on the Issues of Adjusting the Pre-Sale Standards of Commodity Properties" (《上海市住房保障房屋管理局關於調整商品房項目預售標準有關問題通知》) implemented on 27 October 2010, the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential housing projects to the completion of the roof sealing of the main structures and the acceptance examinations with regards to projects obtained the construction permit after 1 July 2010. According to the "Notice of Beijing Municipal Commission of Housing and Urban-Rural Development on the Issues of Further Enhancing the Pre-Sale Approval of Commodity Properties in Beijing" (Jing Jian Fa [2013] No. 12) (《北京市住房和城鄉建設委員會關於進一步加強本市商品房預售許可管理有關問題的通知》(京建法[2013]12號)) implemented on 13 June 2013, regarding (i) property development projects whose land use right grant contract is signed after 1 August 2013; (ii) non-residential houses such as commercial houses and office buildings; and (iii) residential houses with average GFA more than 140 sq.m. of a suit, the roof sealing of the main structures must have been completed in respect of properties of seven or fewer stories, and at least half of the structural construction must have been completed in respect of properties of more than seven stories.

Management of pre-sale proceeds of commodity properties

According to the Pre-Sale Measures, the proceeds obtained by a property developer from the pre-sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the pre-sale of commodity properties shall be formulated by the property administration departments.

Conditions of the sale of post-completion commodity properties

Under the "Regulatory Measures on the Sale of Commodity Properties" (Order of the Ministry of Construction No. 88) (《商品房銷售管理辦法》(建設部令第88號)), commodity properties may be put to post-completion sale only when the following pre-conditions have been satisfied: (A) the real estate development enterprise offering to sell the post-completion properties shall have an business license and a qualification certificate of a property developer; (B) the enterprise has obtained a land use rights certificate or other approval documents of land use; (C) the enterprise has the permit for construction project planning and the permit for construction; (D) the commodity properties have been completed and have been inspected and accepted as qualified; (E) the relocation of the original residents has been well settled; (F) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc., have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule for construction and delivery date thereof have been specified; and (G) the property management plan has been enacted.

Before the post-completion sale of a commodity building, a property developer must submit the Real Estate Development Project Manual (房地產開發項目手冊) and other documents showing that the pre-conditions for post-completion sale have been fulfilled to the property development authority to complete the formality of filling.

Regulations on sale of commodity properties

According to the Development Regulations and the Pre-Sale Measures, for the pre-sale of a commodity property, the developer shall sign a contract for the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and recording of the contract for pre-sale of commodity property to the relevant administrative departments governing the property and the land administration department of the city or County Governments. The property administration departments are supposed to take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

Pursuant to the "Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices" (Guo Ban Fa [2005] No. 26) ("Guo Ban Fa [2005] No. 26") (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》(國辦發[2005]26號)) on 9 May 2005, several regulations concerning commodity properties sales were implemented:

- The advance buyer is prohibited from conducting any transfer of such commodity property offered for pre-sale or under construction. Before completion and delivery of an pre-sale commodity property to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the property administration department shall not handle any transfer of the commodity building. If the name of the applicant for property ownership is inconsistent with the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not accept the application of real estate ownership.

- A real-name system for house purchases should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts for commodity properties.

On 13 April 2010, the Ministry of Housing and Urban-Rural Development issued the "Notice on Issues Relating to the Further Strengthening of Real Estate Market Regulation and Improvement of the Pre-sale System for Commodity Housing" (Jian Fang [2010] No. 53) (《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》(建房[2010]53號)), which stipulates: (i) a property developer should disclose, within 10 days of the receipt of a pre-sale permit, all the properties approved for pre-sale and the price of each unit, and should sell the properties at prices which are the same as the prices submitted in the pre-sale proposal; and (ii) the plan for pre-sale of commodity properties submitted by the property developer with provisional qualification certificate when applying for the "pre-sale permit" should identify a body bearing all responsibilities relating to the qualification of the commodity property after the bankruptcy, and such body should submit a letter of guarantee.

On 16 March 2011, the NDRC issued the "Circular on Promulgating the Rules on Sales of Commercial Houses at Clearly Marked Prices" (Fa Gai Jia Ge [2011] No. 548) (《關於發佈商品房銷售明碼標價規定的通知》(發改價格[2011]548號)). According to this circular, the seller of the commodity property is required to make known to the public the price and relevant fees relating to the commodity property and other factors affecting the price thereof. The price of each unit of a commodity property must be marked explicitly. After the permit of pre-sale of commodity properties is obtained or the filling for sale of the completed commodity properties has been completed, the seller thereof shall make known to the public all the commodity properties available for sale at one time and each unit of the commodity property shall be sold at the price registered. The seller is also required to mark out the commodity properties sold and if the price thereof is also marked, it shall be the actual price.

According to the "Notice on Conducting Special Inspections of the Sale of Commodity Houses with Marked Prices" (Fa Gai Ban Jia Jian [2011] No. 1050) (《關於開展商品房銷售明碼標價專項檢查的通知》(發改辦價檢[2011]1050號)), issued by the General Office of the NDRC on 11 May 2011, real estate developers who fail to mark a price on each unit in accordance with the relevant regulations will incur a fine of RMB5,000 for each unit sold. If real estate developers are found to have committed price fraud, they will be ordered to correct it, illegal gains will be confiscated and fines will be imposed. In serious cases, real estate developers will be ordered to suspend business.

Mortgages of property

Under the Urban Real Estate Law and the Civil Code of the People's Republic of China (No. 45 Order of the President of the PRC) (《中華人民共和國民法典》, 主席令第45號) issued by the National People's Congress on 28 May 2020 and enforced on 1 January 2021, and the "Measures on the Administration of Mortgage of Real Estate in Urban Areas" (Order of the Ministry of Construction No. 98) (《城市房地產抵押管理辦法》(建設部令第98號)) enacted by the Ministry of Construction on 9 May 1997 and revised on 15 August 2001, "mortgage" refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charges those properties as security for the creditor's rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds of the auction or sale of the concerned properties. The creditor's rights that the mortgagor has mortgaged must not exceed the value of the properties mortgaged. After being mortgaged, the amount of value of the properties that exceeded the creditor's rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land where the building is erected. When the land use rights of state-owned lands acquired through a grant is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, both the parties must register the mortgage with the competent property administration authority. If a mortgage is created on the real estate in respect of which a property ownership certificate has been legally obtained, the registration authority shall make an entry under the "third party rights" item on the original real estate ownership certificate and then issue a Certificate of Third Party Rights to Real Estate (房屋他項權證) to the mortgagee. If a mortgage is created on the commodity properties put to pre-completion sale or under construction, the registration authority shall record the details of the commodity property put to pre-sale or under construction on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the ownership of the property.

Lease of buildings

On 1 December 2010, "Administrative Measures for Commodity Housing Leasing" (Order of the Ministry of Housing and Urban-Rural Development No. 6) (《商品房屋租賃管理辦法》(住房和城鄉建設部令第6號)) were issued by Ministry of Housing and Urban-Rural Development, according to which, the parties to a real estate lease shall apply for lease registration with the competent departments of the municipality directly under the Central Government, cities and counties where the commodity housing is located within 30 days after the contract is signed.

Property Financing

The PBOC issued the "Circular on Further Strengthening the Management of Real Estate Related Credit" (Yin Fa [2003] No. 121) (《關於進一步加強房地產信貸業務管理的通知》(銀發[2003] 121號)) on 5 June 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

(a) the property loan by commercial banks to real estate enterprises shall be granted only under the title of "property development loan" and it is strictly forbidden to extend such loans as current capital loan for a property development project or other loan item. No project loan shall be granted to property projects which have not obtained the land use rights certificates, construction land planning permit, construction works planning permit and construction work commencement permit;

(b) commercial banks shall not grant loans to property developers to pay off land use right grant premium; and

(c) commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual housing loans for his first residential unit, the down payment remains at 20 per cent. In respect of his loan application for the additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the "Guidance on Risk Management of Property Loans of Commercial Banks" (Yin Jian Fa [2004] No. 57) (《商業銀行房地產貸款風險管理指引》(銀監發[2004]57號)) issued by CBRC on 30 August 2004, any property developer applying for property development loans shall have at least 35 per cent. of the capital funds required for the development.

According to the "Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit" (Yin Fa [2005] No. 61) (《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》(銀發[2005]61號)) enacted by the PBOC on 16 March 2005, effective on 17 March 2005, the down payment for individual housing increased from 20 per cent. to 30 per cent. in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On 24 May 2006, the State Council passed the "Circular on the Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Housing Prices" (Guo Ban Fa [2006] No. 37) (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》(國辦發[2006]37號)). The regulations provide the following:

(a) The tightening of the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers who do not have the required 35 per cent. or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and revolving credit facilities in any form to the property developers who have a large number of idle land and unsold commodity properties. Banks should not accept mortgages of commodity properties remaining unsold for three years or longer.

(b) From 1 June 2006 and onward, purchasers need to pay a minimum of 30 per cent. of the purchase price as down payment, except for apartments with a floor area of 90 sq.m. or less for residential purposes, for which the existing requirement of 20 per cent. of the purchase price as down payment remains unchanged.

On 27 September 2007, the PBOC and the CBRC issued the "Circular on Strengthening the Credit Management for Commercial Real Property" (Yin Fa [2007] No. 359) (《關於加強商業性房地產信貸管理的通知》(銀發[2007]359號)), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30 per cent. of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or more and the purchaser is buying the property for their own residence;

- for a second time home buyer who has purchased a home with a loan, increasing (i) the minimum amount of down payment to 40 per cent. of the purchase price and (ii) the minimum mortgage loan interest rate to 110 per cent. of the relevant PBOC benchmark 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 per cent. of the purchase price, (iii) increasing the minimum mortgage loan interest rate to 110 per cent. of the relevant PBOC benchmark bank lending interest rate and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on its risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45 per cent. of the purchase price, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35 per cent. of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial houses that have been vacant for more than three years as collateral for loans. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

On 29 July 2008, the PBOC and the CBRC issued the "Notice on Promoting Economization of Land Use in Finance" (Yin Fa [2008] No. 214) (《關於金融促進節約集約用地的通知》(銀發[2008] 214號)), under which, commercial banks are prohibited from providing loans (i) for projects that fall within the Catalogue for Prohibited Land Use Project (and, if extended, any such loan must be withdrawn gradually); (ii) to property developers to finance the payment of land use rights grant premium; (iii) to property developers that hold idle land for two years and prohibited commercial banks from extending other loans (including asset management business) secured by such idle land to the property developers.

In addition, commercial banks are required to be prudent when extending loans for restricted projects for land use and when extending loans to the property developers where the development and construction of the land has not commenced within the prescribed time in the land grant contract or where the development and construction of the land has commenced but the area of the development and construction that has commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25 per cent. of the total amount of investment.

According to the notice on "Issues on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans" (Yin Fa [2008] No. 302) (《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》(銀發[2008]302號)) issued by the PBOC on 22 October 2008 and effective on 27 October 2008, the PRC government lowered the minimum interest rate for individual mortgage loans to 70 per cent. of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20 per cent.

On 7 January 2010, the General Office of the State Council issued a "Circular on Facilitating the Stable and Healthy Development of Property Market" (Guo Ban Fa [2010] No. 4) (《關於促進房地產市場平穩健康發展的通知》(國辦發[2010]4號)), adopting a series of measures to strengthen and improve the regulation of the property market, stabilise market expectations and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of property, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down payment of 40 per cent. of the purchase price.

On 17 April 2010, the State Council issued the "Circular on Restraining the Housing Price from Increasing Rapidly for Some Cities" (Guo Fa [2010] No. 10) ("Guo Fa [2010] No. 10") (《關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)) which provides the following:

- a household (including the borrower, his or her spouse and any minor children) that borrows a mortgage loan for the purchase of its first residential property, of which the building area is more than 90 square meters, must make a down payment of not less than 30 per cent. of the purchase price;

- a household that borrows a mortgage loan for the purchase of its second residential property must make a down payment of not less than 50 per cent. of the purchase price and pay a mortgage rate which is not lower than 110 per cent. of the benchmark lending interest rate;

- the down payment proportion and mortgage rate applicable to the purchase of a household's third residential property or beyond shall be significantly increased at the sole discretion of the commercial banks according to their risk controlling principles;

- in regions where commodity housing prices are too high, have increased too rapidly or where commodity housing is in short supply, commercial banks may suspend the grant of mortgage loans to any third-time (or beyond) home buyers if they deem it appropriate according to the risks involved, and may suspend the grant of mortgage loans to any non-residential home buyers who are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more. Local governments may, based on the circumstances, impose temporary restrictions during a certain period of time on the number of properties that can be purchased;

- commercial banks are prohibited from providing loans for new development projects to real estate developers who have been found to be leaving their land idle and speculating on land.

On 26 May 2010, the Ministry of Housing and Urban-Rural Development, the PBOC and the CBRC jointly issued the "Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans" (Jian Fang [2010] No. 83) (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》(建房[2010]83號)), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans is required to be determined by taking into account the total number of residential properties owned by the family of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or additional residential property.

On 29 September 2010, the PBOC and the CBRC issued the "Notice on the Improvement of Differential Residential Credit Policies" (Yin Fa [2010] No. 275) (《關於完善差別化住房信貸政策有關問題的通知》(銀發[2010]275號)). The notice provides that:

- commercial banks in the PRC must not extend loans for the purchase of third or subsequent residence or to non-residents without proof of tax or social insurance payments covering more than one year;

- the minimum down payment for a primary residence must be 30 per cent. or more of the purchase price;

- the minimum down payment for a second residence must not be less than 50 per cent. of the purchase price of the property and the loan interest rate must not be lower than 110 per cent. of the benchmark lending interest rate;

- all commercial banks in the PRC must strengthen the management of consumer credit to ensure it is not used for the purchase of housing properties;

- all commercial banks in the PRC must stop extending new real estate property loans, or extending existing loans, to real estate developers that hold idle land, that have changed the land use or land status, that have delayed the commencement date or completion date of construction, or that have delayed the launch of sales of property projects for speculative purposes.

On 26 January 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (Guo Ban Fa [2011] No. 1) (《關於進一步做好房地產市場調控工作有關問題的通知》(國辦發[2011]1號)), which: (i) imposes a minimum down payment of at least 60 per cent. of the total purchase price with a minimum mortgage lending interest rate of 110 per cent. of the benchmark rate published by the PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities specifically designated in the state plans (計劃單列市), provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-residents with one or more residential properties, or non-residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties in the administrative region of such cities. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties each family is allowed to purchase.

On 26 February 2013, the State Council issued the "Notice on Continuing to Regulating the Real Estate Market" (Guo Ban Fa [2013] No. 17) (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)), pursuant to which, in cities where the housing price are increasing at an excessively high rate, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments.

On 19 July 2013, the PBOC issued the "Notice on Further Advancing the Market-based Interest Rate Reform" (《關於進一步推進利率市場化改革的通知》), which stipulates that since 20 July 2013, the control on the lending interest rate for financial institutions was removed and the bottom limit of 0.7 times of the benchmark lending rate was suspended. Financial institutions may determine the lending rate level at their own discretion according to commercial principles. Meanwhile, however, such notice mentioned that the floating band of the interest rate in respect of loans for personal housing will remain the same and unadjusted; also, the differential housing credit policies will continue to be strictly implemented.

On 10 May 2013, SAFE issued the Notice No. 21. According to Notice No. 21, direct investment in China shall be managed by registration. Institutions and individuals involved in direct investment in China shall go through registration with SAFE and its branches. See "*Regulation — B. Foreign-invested real estate enterprises and foreign-invested real estate projects*".

On 29 September 2014, the PBOC and CBRC jointly issued the "Circular of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Financial Services for Housing Consumption" (Yin Fa [2014] No. 287) (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》(銀發[2014]287號)). According to this Circular, persons who have paid off the loan of its first residence and are applying for a loan for a second residence to improve their living conditions may receive a loan with an interest rate at 70 per cent. of the relevant benchmark lending interest rate. In cities where "restrictive measures for purchasing houses" have been lifted or are not applicable, families owning two or more residences for which there is no outstanding mortgage and are applying to buy another residence on loan, banking financial institutions shall decide on the percentage of down payment and interest rate by prudently evaluating the borrower's solvency, credit status and other factors. Banking financial institutions may, according to local urbanisation plans, grant housing loans to non-local residents who meet policy requirements. Meanwhile, banking financial institutions shall shorten their loan approval times, set interest rates in a reasonable manner and give priority to meeting the needs of resident families to buy on loan their first ordinary residence for self-use or ordinary residence for the improvement of living conditions.

On 12 January 2018, the CBRC issued the "Key Work Points on Rectify Chaos in the Banking Industry in 2018" (《2018年整治銀行業市場亂象工作要點》), which states that the CBRC has decided to further sort out the chaos in the banking industry, includes violation of policies of the real estate industry, such as an institution provides, directly or indirectly, different kinds of on-balance-sheet and off-balance-sheet financing services, or support or channels with its own credit for real estate enterprises to cover their land purchase expenses.

On 11 May 2018, the NDRC and the Ministry of Finance promulgated the No. 706 Circular. According to the No. 706 Circular, (i) enterprises intending to borrow medium and long-term foreign debts shall have concrete business in fact, raise funds in a market-oriented way in accordance with laws and regulations, and meanwhile, work out a plan for the repayment of the principal and interest of foreign debts according to their respective credit status, and implement safeguards for the repayment of debts. Any enterprise is banned from, in any name, requesting the local government or a department affiliated thereto to provide guarantee or undertake liability for debt repayment for its market-oriented fundraising; (ii) the raised funds will be mainly used to support innovation development, green development, strategic emerging industries, high-end equipment manufacturing industry, "One Belt One Road" construction and international cooperation in capacity; (iii) an enterprise that intends to borrow medium and long-term foreign debts is required to establish the thorough and standardised corporate governance structure, the decision-making management mechanism and the financial management system; (iv) it is necessary to form the market-oriented investment return mechanism and create sustainable, stable and feasible expected financial yields, for fund raising-based investment projects financially aided by funds of foreign debts; (v) an enterprise that intends to borrow medium and long-term foreign debts is required to prudentially select financing instruments, reasonably hold foreign exchange position, in order to effectively prevent and control foreign debt risks; (vi) an enterprise that intends to borrow medium and long-term foreign debts is required to standardise its information disclosure. It should be clarified in the relevant documents that the relevant debts shall be repaid by the bond-issuing enterprises as the independent legal person; (vii) for the enterprises undertaking government investment projects in accordance with laws and regulations, the finance departments shall promptly appropriate the funds in accordance with the provisions and the approved budget; (viii) for the enterprises, underwriters, audit firms, law firms and other subjects involving illegal financing and guarantee provided by local governments and the principals thereof, the punishment shall be strengthened.

Insurance of a property project

There are no mandatory provisions in PRC laws, regulations or government rules that require a property developer to have insurance policies for its property projects.

In light of the "Construction Law of the People's Republic of China" (《中華人民共和國建築法》) enacted by the Standing Committee of the National People's Congress on 1 November 1997 and amended on 22 April 2011 and 23 April 2019, construction enterprises must maintain accident and casualty insurance for workers engaged in dangerous operations. In the "Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work" (Jian Zhi [2003] No. 107) (《關於加強建築意外傷害保險工作的指導意見》(建質[2003]107號)) enacted by the Ministry of Construction on 23 May 2003, the Ministry of Construction further emphasized the importance of insurance to cover accidental injury in construction work and put forward detailed guidance.

Construction companies shall pay the insurance premium at their own costs and purchase various types of work-related injury insurance for the employees engaging in dangerous operations throughout the construction period. The requirements for insurance for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

Major taxes applicable to property developers

Income tax

According to the "PRC Enterprise Income Tax Law" (《中華人民共和國企業所得稅法》) which was promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, a uniform income tax rate of 25 per cent. is applied towards PRC enterprises, foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, pursuant to the PRC Enterprise Income Tax Law and the Implementation Rules on the Enterprise Income Tax (《企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, and amended on 23 April 2019, a withholding tax rate of 10 per cent. will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after 1 April 2007 and in Mainland China to any year commencing on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5 per cent. on dividends it receives from its PRC subsidiaries if it holds a 25 per cent. or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10 per cent. if it holds less than a 25 per cent. equity interest in that subsidiary. According to the Notice of the State Administration of Taxation, or SAT on issues regarding the Administration of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated on 20 February 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty. One such requirement is that the taxpayer must be the "beneficiary owner" of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. On 14 October 2019, SAT issued the Announcement of the State Taxation Administration on Issuing the "Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers" (〈國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告〉), became effective on 1 January 2020, which applies to non-resident taxpayers with tax payment obligations within the territory of China who need entitlement to treaty benefits. According to the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers, where non-resident taxpayers judge by themselves that they meet the conditions for entitlement to treaty benefits, they may obtain such entitlement themselves at the time of making tax declarations, or at the time of making withholding declarations via withholding agents. At the same time, they shall collect, gather and retain relevant materials for future reference in accordance with the provisions of these Measures, and shall accept the follow-up administration of tax authorities. Also, tax authorities at all levels shall carry out follow-up administration of non-resident taxpayers' entitlement to treaty benefits, accurately implement treaties, and prevent the abuse of treaties and the risk of tax avoidance and evasion.

Value added tax

Pursuant to the "Interim Regulation of the People's Republic of China on Value Added Tax" (Order of State Council No. 691) (《中華人民共和國增值稅暫行條例》(國務院令第691號), issued by the State Council on 13 December 1993, and amended by the "Decision of the State Council to Repeal the Interim Regulation of the People's Republic of China on Business Tax and Amend the Interim Regulation of the People's Republic of China on Value-Added Tax" (Order of State Council No. 691) (《國務院關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定》(國務院令第691號)) on 19 November 2017, for taxpayers selling property and transferring the land use rights, the value-added tax rate is 11 per cent.

On 4 April 2018, the MOF and the SAT promulgated the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)), which was became effective on 1 May 2018. Pursuant to the notice, the tax rates of 17 per cent. and 11 per cent. applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16 per cent. and 10 per cent., respectively.

On 20 March 2019, the MOF, SAT and GAC promulgated the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on the Policy of Deepening the Reform of Value-Added Tax (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)), which was became effective on 1 April 2019. Pursuant to the notice, the tax rates of 16 per cent. and 10 per cent. applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 13 per cent. and 9 per cent., respectively.

Land appreciation tax

According to the requirements of the "Provisional Regulations of The People's Republic of China on Land Appreciation Tax" (the "**Land Appreciation Provisional Regulations**") (Order of State Council No. 138) (《中華人民共和國土地增值稅暫行條例》(國務院令第138號)), which was promulgated on 13 December 1993 and amended on 8 January 2011, and the "Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Land Appreciation Tax" (Cai Fa Zi [1995] No. 6) ("**Land Appreciation Detailed Implementation Rules**") (《中華人民共和國土地增值稅暫行條例實施細則》(財法字[1995]6號)), any appreciation gained from taxpayer's transfer of property shall be subject to LAT. LAT is set at four different rates: 30 per cent. on appreciation not exceeding 50 per cent. of the sum of deductible items; 40 per cent. on appreciation exceeding 50 per cent. but not exceeding 100 per cent. of the sum of deductible items; 50 per cent. on appreciation exceeding 100 per cent. but not exceeding 200 per cent. of the sum of deductible items; and 60 per cent. on appreciation exceeding 200 per cent. of the sum of deductible items. The deductible items include but are not limited to the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by the Ministry of Finance.

After the issuance of the "Land Appreciation Provisional Regulations" and its implementation rules, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate enterprises to declare and pay LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, the MLR had separately and jointly issued several notices to restate the following: after the land use rights grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" (Guo Shui Han [2002] No. 615) (《關於認真做好土地增值稅徵收管理工作的通知》(國稅函[2002]615號)) on 10 July 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT, to improve the methods of pre-levying for the pre-sale of property.

That notice also pointed out that the preferential policy of LAT exemption for first time transfer of properties under property development contracts signed before 1 January 1994 or project proposal that has been approved and for which capital was injected for development is expired, and that such tax shall be levied again.

The State Administration of Taxation issued the "Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax" (Guo Shui Han [2004] No. 938) (《關於加強土地增值稅管理工作的通知》(國稅函[2004]938號)) on 2 August 2004 and the "Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns" (Guo Shui Fa [2004] No. 100) (《關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知》(國稅發[2004]100號)) on 5 August 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before 1 January 1994 is expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to LAT should be further improved and perfected.

On 2 March 2006, the Ministry of Finance and State Administration of Taxation issued the "Notice of Certain Issues Regarding Land Appreciation Tax" (Cai Shui [2006] No. 21) (《關於土地增值稅若干問題的通知》(財稅[2006]21號)), which was amended on 1 January 2015. The notice clarifies the relevant issues regarding LAT as follows:

Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties

Where any developers build ordinary standard residential properties and commercial properties, the value of land appreciation shall be assessed respectively. No retroactive adjustment will be made in respect of ordinary standard residential properties for which application for tax exemption has been filed before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people's government of the province, autonomous region or municipality directly under the central government.

Advance Collection and Settlement of LAT

- All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.

- If any tax pre-payment is not paid within the advance collection period, overdue fines will apply as at the day following the expiration of the prescribed advance collection period.

- As to any property project that has been completed and gone through the acceptance, where the floor area of the property as transferred makes up 85 per cent. or more in the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income generated from the transfer of property and the deductible items. The specific method of settlement shall be prescribed by the local tax authority.

On 28 December 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" (Guo Shui Fa [2006] No. 187) (《關於房地產開發企業土地增值稅清算管理有關問題的通知》) (國稅發[2006]187號)) which came into effect on 1 February 2007 and amended on 15 June 2018. The notice sets out further provisions concerning the settlement of LAT by property developers by clarifying issues on responsibility for the settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and the handling of transfer after tax is imposed and settled, etc. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

Pursuant to the notice described above, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incompleted development project; or (iii) the land-use rights with respect to the project is transferred directly. In addition, the relevant tax authorities may require the developer to settle LAT if either of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85 per cent. of total saleable GFA, or the proportion represented is less than 85 per cent., but the remaining saleable GFA has been leased out or used by the developer; (b) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (c) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The notice above also indicates that if a property developer satisfies any of the following criteria, the tax authorities will levy and collect LAT as per the levying rate no lower than the advance collection rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book as required by law or administrative regulation; (ii) destroying the account book without authorisation or refusing to provide taxation information; (iii) the accounts are disorganised or illegible, or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period without being remedied within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the "Rules on the Administration of the Settlement of Land Appreciation Tax" (Guo Shui Fa [2009] No. 91) (《土地增值稅清算管理規程》(國稅發[2009]91號)), which became effective on 1 June 2009. The rules reiterated the circumstances under which LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the rules. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

On 25 May 2010, the State of Administration of Taxation issued the "Notice on Strengthening of Administration work with respect to the Collection of Land Appreciation Tax" (Guo Shui Fa [2010] No. 53) (《關於加強土地增值稅徵管工作的通知》(國稅發[2010]53號)) which specifies the advance collection rate of LAT in different regions in China. According to this circular, except for governmental-subsidized housing, the advance collection rate of LAT should not be less than 2 per cent. in provinces of China's eastern region, 1.5 per cent. in provinces of China's central and northeastern regions, and 1 per cent. in provinces of China's western region. The local government should apply the proper advance collection rate on the basis of the specific property category (regions should be divided in accordance with the relevant documents of the State Council).

On 20 June 2013, the State of Administration of Taxation issued the "Notice on Further Improving the Collection and Administration on the Collection of Land Appreciation Tax" (Shui Zong Fa [2013] No. 67) (《關於進一步做好土地增值稅徵管工作的通知》(稅總發[2013]67號)), pursuant to which, competent tax authorities shall settle the outstanding projects backlogged in recent years, improve efficiency, urge enterprises to conduct self-settlement within the allotted time, and enforce the consequences on those failing to conduct self-settlement.

On 25 April 2016, the State Administration of Taxation and the Ministry of Finance issued the "Circular on Issues concerning the Taxation Basis for Deed Tax, House Property Tax, Value-Added Tax of Land and Individual Income Tax Following the Collection of Value-Added Tax in lieu of Business Tax" (Cai Shui [2016] No. 43) (《關於營改增後契稅、房產稅、土地增值稅、個人所得稅計稅依據問題的通知》(財稅[2016]43號), which provides that the transfer of property subject to the value-added tax of land shall exclude value-added tax. Where VAT input tax is included in the list of items for deduction of value-added tax of land and is allowed to be deducted from calculation of VAT output tax under the Interim Regulations of the People's Republic of China on Value-Added Tax of Land and other relevant regulations, the VAT input tax shall be exempt from deductible items; otherwise, the VAT input tax shall be calculated in deduction.

On 7 July 2016, the State Administration of Taxation issued the "Circular of the State Administration of Taxation on Revising the Land Valued-added Tax Returns" (Shui Zong Fa [2016] No. 309) (《國家稅務總局關於修訂土地增值稅納稅申報表的通知》(稅總函[2016]309號)), which clarifies that the amount paid for the acquisition of land use rights should be defined as the land-transferring fees actually paid and the relevant fees paid in accordance with the unified provisions of the State for the land use rights required by the taxpayer for the acquisition of the real estate development project.

On 10 November 2016, the State Administration of Taxation issued the "Announcement of the State Administration of Taxation on Several Provisions concerning the Levy and Administration of Land Appreciation Tax after the Collection of Value-added Tax in Lieu of Business Tax" (Announcement of the State Administration of Taxation [2016] No. 70) (《國家稅務總局關於營改增後土地增值稅若干徵管規定的公告》(國家稅務總局公告2016年第70號)), which clarifies levy standards such as (i) recognition of taxable income under LAT after the collection of VAT in lieu of business tax; (ii) recognition of taxable income under LAT on acts deemed as sales of real estate after the collection of VAT in lieu of business tax; (iii) deduction of tax relating to transfer of real estate; (iv) calculation for Settlement of LAT before and after the collection of VAT in lieu of business tax; (v) recognition of invoices for expenditure of the construction and installation engineering cost after the collection of VAT in lieu of business tax; and (vi) deduction and calculation relating to transfer of old houses.

Deed tax

Pursuant to the "Interim Regulations of the People's Republic of China on Deed Tax" (Order of the State Council No. 224) (《中華人民共和國契稅暫行條例》(國務院令第224號)) enacted by the State Council on 7 July 1997 and enforced on 1 October 1997, and amended on 2 March 2019, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3 per cent. to 5 per cent. Provincial, regional or municipal governments directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record.

Urban land use tax

Pursuant to the "Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns" (Order of State Council No. 483) (《中華人民共和國城鎮土地使用稅暫行條例》(國務院令第483號)) enacted by the State Council on 27 September 1988 and revised on 31 December 2006, 8 January 2011 and 7 December 2013 and 2 March 2019, respectively, the land use tax in respect of urban land is levied according to the area of the relevant land. The annual tax shall be between RMB0.6 and RMB30.0 per sq.m. for urban land, calculated according to the tax rate determined by local tax authorities.

Buildings tax

Under the "Interim Regulations of the People's Republic of China on Buildings Tax" (Guo Fa [1986] No. 90) (《中華人民共和國房產稅暫行條例》(國發[1986]90號)) enacted by the State Council on 15 September 1986, enforced on 1 October 1986, and amended on 8 January 2011, buildings tax is 1.2 per cent. if it is calculated on the basis of the residual value of a building, and 12 per cent. if it is calculated on the basis of the rental.

Farmland use tax

Pursuant to the "Law of the People's Republic of China on Farmland Occupation Tax" (《中華人民共和國耕地佔用稅法》) enacted by the Standing Committee of the National People's Congress promulgated on 29 December 2018 and effective on 1 September 2019, the enterprises and individuals who build buildings, structures or engage in non-agricultural development on cultivated land are cultivated land occupation tax payers, and must pay cultivated land occupation tax.

Stamp duty

Under the "Interim Regulations of the People's Republic of China on Stamp Duty" (Order of the State Council No. 11) (《中華人民共和國印花稅暫行條例》(國務院令第11號)) enacted by the State Council on 6 August 1988, enforced on 1 October 1988, and amended on 8 January 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty is 0.05 per cent. of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty is levied at RMB5 per item.

Municipal maintenance tax

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" (《中華人民共和國城市維護建設稅暫行條例》) (國務院令第588號) enacted by the State Council on 8 February 1985 and amended on 8 January 2011, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay municipal maintenance tax. The tax rate shall be 7 per cent. for a taxpayer whose domicile is in an urban area, 5 per cent. for a taxpayer whose domicile is in a county or a town, and 1 per cent. for a taxpayer whose domicile is not in any urban area or county or town. Under the "Notice of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Educational Surcharges Paid by Domestic and Foreign-invested Enterprises and Individuals" (Guo Fa [2010] No. 35) (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》(國發[2010]35號)) issued by the State Council, foreign-invested enterprises, foreign enterprises and foreigners shall be subject to the urban maintenance tax as the domestic enterprises from 1 December 2010.

Education surcharge

Under the "Interim Provisions on Imposition of Education Surcharge" (Order of the State Council No. 588) (《徵收教育費附加的暫行規定》) (國務院令第588號) enacted by the State Council on 28 April 1986, revised on 7 June 1990, 20 August 2005 and 8 January 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas" (Guo Fa [1984] No. 174) (《國務院關於籌措農村學校辦學經費的通知》(國發[1984]174號)).

Under the "Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens" (Guo Fa [2010] No. 35) (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》(國發 [2010]35號)), foreign-invested enterprises foreign enterprises and individual foreigners shall be subject to the education surcharge as the domestic enterprises from 1 December 2010.

Measures on adjusting the structure of housing supply and stabilising housing price

The General Office of the State Council enacted the "Circular on Stabilizing Housing Price" (Guo Ban Fa Ming Dian [2005] No. 8) (《國務院辦公廳關於切實穩定住房價格的通知》) (國辦發明電[2005]8號)) on 26 March 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market.

On 9 May 2005, the General Office of State Council issued Guo Ban Fa [2005] No. 26 (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》(國辦發[2005]26號)), which provides the following:

Intensifying the planning and control and improving the supply structure of houses

Where the housing prices are increasing excessively and where the supply of ordinary commodity houses is in the medium or low price range, and economical houses are insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium-or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design, such as the height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions to land grants to ensure an effective supply of medium or small-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not commenced within two years must be examined again, and those that turn out to not be in compliance with the planning permits will be revoked.

Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties increases too rapidly, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses in the medium-or low-price range and economical house should be increased. Land supply for villa construction continues to be suspended, and land supply for high-end housing property construction is strictly restricted.

Rectifying and regulating for an orderly market

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought that is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On 24 May 2006, Guo Ban Fa [2006] No. 37 provides the following:

(a) Adjusting the Housing Supply Structure

- Developers must focus on providing small-to medium-sized ordinary commodity properties at low-to mid-level prices to cater to the demands of local residents.

- As at 1 June 2006, newly approved and newly commenced residential construction projects must have at least 70 per cent. of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the central government, cities specifically designated in the state plans (計劃單列市) or provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

(b) *Further adjustments by tax, loan and land policies*

- From 1 June 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price.

- Commercial banks are not allowed to advance loan facilities to property developers who do not have the required 35 per cent. minimum of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.

- At least 70 per cent. of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction will continue to be suspended, and land supply for low-density and large-area housing property construction will be restricted.

- The relevant authorities will levy a higher land idle fee against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate, without compensation, the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended construction work for one year without an approval, who have invested less than one-fourth of the total proposed investment and who have developed less than one-third of the total proposed construction area.

(c) *Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing*

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt "excessive property growth triggered by passive means" (被動性住房需求的過快增長).

(d) Further Rectifying and Regulating the Order of the Property Market

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no planning permit (規劃許可證), construction permit (施工許可證) or pre-sale permit (商品房預售許可證) are issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of commodity properties (住房) and to confiscate the land in accordance with the law.

- The property administration authority and the administration of industry and commerce will investigate illegal dealings, such as contract fraud cases in accordance with the law. The sale of pre-completion commodity apartments without satisfying all the conditions is prohibited and an administrative penalty will be imposed on offenders in accordance with the law. For property developers who hoard properties for speculation, or maliciously manipulate and drive up housing prices, the relevant authorities will impose substantial administrative penalties, including revoking the business licenses of serious offenders and pursuing personal liability for individuals concerned.

(e) Gradually relieving the housing demands for low-income families

- To expedite the establishment of low-cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

(f) Improving information disclosure system and system for collecting property statistics

- On 6 July 2006, the Ministry of Construction promulgated a "supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings" (Jian Zhu Fang [2006] No. 165) (the "**Supplemental Opinion**") (《關於落實新建住房結構比例要求的若干意見》(建住房[2006]165號)). The Supplemental Opinion provides the following:

- As at 1 June 2006, of the newly approved and newly commenced construction projects in different cities, including town and counties, at least 70 per cent. of the total construction area must be used for building small apartments with unit floor area of sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality.

The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a planning permit. If the property developer has not followed the requirements of the planning permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a construction permit, and the property authority will not issue a permit for pre-sale of the commodity apartments.

In the case of construction projects that were granted approval before 1 June 2006, but that were not granted a construction work permit by that date, the relevant local governments must ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

On 27 September 2007, the PBOC and the CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down payment required before seeking mortgage financing. See "*Regulation — Legal supervision relating to property sector in the PRC — Property financing*".

In January 2010, the General Office of the State Council issued a "Circular on Facilitating the Stable and Healthy Development of Property Market" (Guo Ban Fa [2010] No. 4) (《關於促進房地產市場平穩健康發展的通知》(國辦發[2010]4號)), adopting a series of measures to strengthen and improve the regulation of the property market, stabilise market expectations and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of property, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down payment of 40 per cent. of the purchase price. And it will continue to implement the differential housing tax policy.

In March 2010, the MLR published the Notice on Increasing the Supply of Land for Real Estate Development and the Tightening of Regulation (Guo Tu Zi Fa [2010] No. 34) (《關於加強房地產用地供應和監管有關問題的通知》(國土資發[2010]34號)), which requires: (i) that the minimum land use right grant premium payable shall not be less than 70 per cent. of the benchmark price for land of the same grade as that of the lot to be granted; (ii) that the competitive bid bond shall not be less than 20 per cent. of the minimum land use right grant premium; and (iii) that 50 per cent. of the total land use right grant premium must be paid within one month of the signing of the contract as down payment with the remainder to be paid by the time agreed in the contract, but in any event no later than one year after the signing of the contract. If a real estate developer fails to pay the land use right grant premium when due or is found to be leaving the land idle, hoarding or speculating on land, or to have undertaken land development beyond its capacity or failed to perform its obligations under the land grant contract, the relevant municipal or county administrative authority shall prohibit it from participating in any competitive bidding for land within a certain period of time.

The Guo Fa [2010] No. 10 which was issued In April 2010, provides the following:

- Increased strict differential housing credit policies. For families that purchase the first self-use house with the construction area of over 90 square meters (including the borrower, spouse and underaged children thereof, the same below), the down payment proportion of the loan shall not be lower than 30 per cent.; the down payment proportion of the loan for purchase of the second house shall not be lower than 50 per cent. and the interest rate on the loan shall not be lower than 1.1 times of the benchmark interest rate; the down payment proportion and the interest rate shall be raised substantially for loans to buy a third house or above and the specific proportion and interest rate shall be determined by commercial banks in light of risk management principle.

- In areas where the price of commercial houses is too high and rises too fast and where there is tension in house supply, the commercial banks may suspend granting loans for the purchase of the third house or more in light of risk status; suspend granting house purchase loans for non-residents who cannot provide local tax certificates or certificates on payment of social insurance for more than one year. The local people's government may take provisional measures according to the situation to limit the number of houses that can be purchased within a certain period.

- While adhering to and improving the existing system for land competitive bidding, auction and listing-for-sale, explore other methods for land transfer such as "comprehensive evaluation", "one-time bidding" and "two-way quotations" to restrain the rampant rise in transfer price of residential land.

- The land supply for security housing, shantytown transformation and small and middle-sized ordinary commercial housing shall not be lower than 70 per cent. of the total land supply for residential construction and shall be given priority.

- With regard to real estate development enterprises that having idle land or speculate on land, the commercial bank shall not grant loans to them for new development projects and the securities regulatory departments shall suspend the approval of its listing, refinancing and material asset restructuring.

According to Guo Ban Fa [2011] No. 1 which was issued on 26 January 2011, local governments shall effectively perform their duties of promoting the steady and healthy development of the real estate market, strictly carry out the Guo Fa Document No. 10 and its supporting policies, and effectively keep housing prices at a reasonable level. The business tax policy with respect to housing transfer by individuals shall be adjusted, and the whole amount of the income from transfer of a privately-owned housing unit which was purchased less than 5 years ago shall be taxed. For a household which uses a housing loan to buy the second home, the down payment shall not be less than 60 per cent., and the loan interest rate shall not be lower than 1.1 times of the benchmark interest rate. All regions shall increase the effective supply of land, and strictly implement the requirements that the land supply for the construction of affordable housing, transformation of shanty towns into residential housing, and small and medium-sized ordinary commercial housing is not less than 70 per cent. of the total land supply.

The State Council recently approved on a trial basis the launch of a property tax scheme in selected cities in January 2011. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On 27 January 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on 28 January 2011.

Pursuant to the Guo Tu Zi Dian Fa [2012] No. 87 issued on 19 July 2012, all regions shall do their best to secure the supply of land for affordable housing projects, and further enhance the supply of land for common commercial housing. For any land (including land used for service housing, residences or commercial and residential complexes) the strike price of which is expected to become the highest total price or unit price in history, or the premium rate of which will exceed 50 per cent., the competent departments of land and resources at the municipal and county level shall adjust the land grant program in a timely manner and grant land by "restricting the housing price and bidding on the land price", building auxiliary affordable housing or public infrastructure and other methods. The competent departments of land and resources at provincial level shall pay close attention to land-granting announcements issued by counties and cities, be kept informed of the detailed information on the land plot to be granted in a timely manner, and urge counties and cities to strictly implement the recording system for abnormal transactions of land plots.

The Guo Ban Fa [2013] No. 17 which was issued on 26 February 2013, provides the following:

- Continue to strictly implement the restriction measures for purchasing commercial houses. The municipalities directly under the Central Government, the municipalities specifically designated in the state plan and the provincial capitals in which the restriction measures have been implemented shall improve the existing restriction measures for purchasing houses on the base of the strict implementation of the Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (Guo Ban Fa [2011] No. 1). The areas under purchase restrictions shall cover all the administrative regions of the cities; the housing types under restricted purchase restrictions shall include all the newly-built commercial houses and secondhand houses; the examinations for qualification for purchasing houses shall be conducted before the signing of purchase (subscription) contracts; non-residential households that have one or more sets of houses and non-residential households that fail to provide the local tax-paid vouchers or certifications of social insurance payment for the required period, shall be suspended from purchasing houses in such administrative areas. The cities in which housing demand is high or otherwise facing a heavy rising pressure on housing prices shall take more strict measures for purchasing houses on the basis of the requirements mentioned above; other cities where housing prices rise too fast, the provincial people's governments shall require such cities to promptly take measures including restriction measures for purchasing houses.

- Continue to strictly implement the differentiated housing credit policies. The banking financial institutions shall properly implement the policies of down-payment proportion and interest rates of loans for the first home buyers and strictly implement the housing credit policies for purchasing the second house (and more). With regard to the cities in which the housing prices rise too fast, the local branches of the People's Bank may increase the down-payment proportion and interest rates of loans for the second house purchasers in accordance with the goals to control the prices of newly-built commercial houses and the requirements of the people's governments of the cities.

- The individual income taxes shall be levied on gains generated from selling self-owned houses at the rate of 20 per cent. in accordance with law if the original value of such houses can be verified through historical information such as tax filings and property registration. Building on the experience of the pilot cities on reforming the real estate taxes of individual housing property, accelerate the popularization and expansion of the pilots.

- With regard to the common commercial house projects in which the small- and medium-sized suites reach 70 per cent. of the total number of suites that shall be constructed, the banking financial institutions shall give priority to their requests for loan on the condition that they meet the credit conditions.

On 22 December 2016, the Central Economic Work Conference put forward the standpoint that "house is for people to live in, not for people to speculate in". The meeting first releases a clear signal that housing should be returned to its residential attribute and investment speculation in real estate market should be restrained. According to this policy, the PRC government may strictly limit the flow of funds to speculative investment of house-purchase and it would be more difficult for house buyers to finance for investment purpose.

On 13 February 2017, the Asset Management Association of China issued the "Circular on Issuing the No. 4 Administrative Rules for Filing of Private Asset Management Plans by Securities and Futures Institutions" (《關於發佈《證券期貨經營機構私募資產管理計劃備案管理規範第4號》的通知》), which provides that where securities and futures institutions are to establish private asset management plans, and make investment in common residential real estate projects located in cities where property prices are soaring, such plans shall not be registered. Private asset management plans may not finance real estate developers through, among others, entrusted loan, trust plan and transfer of the right to earnings (the beneficiary right) of assets for paying land acquisition price or replenishing working capital; and not directly or indirectly facilitate any violation or illegality, such as granting loans used as down payments.

On 7 April 2017, the China Banking Regulatory Commission issued the "Guiding Opinions of the China Banking Regulatory Commission on Risk Prevention and Control for the Banking Sector" (《中國銀監會關於銀行業風險防控工作的指導意見》(銀監發[2017]6號)), which requires that all banks and other financial institutions acting in concert should insist on category-based regulation and the implementation of city-based policy, and prevent risks in the real estate field.

On 18 July 2017, NDRC, the China Securities Regulatory Commission, the Ministry of Finance, the Ministry of Housing and Urban-Rural Development, the Ministry of Public Security, MLR, the State Administration of Taxation, SAIC, the PBOC issued the "Notice on speeding up the development of housing rental market in large and medium-sized cities where the population inflows" (Jian Fang [2017] No. 153) (《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》(建房[2017]153號)), it encouraged the development of house leasing business as well as encouraged real estate development enterprises, brokerage agencies, property services companies set up subsidiaries to expand housing rental business. It required local Ministry of Housing and Urban-Rural Development work with the relevant departments to jointly build a government housing rental trading platform to regulate the housing rental information release, transaction and credit management. It also encouraged local government to increase the supply of new rental housing through provide land to construct rental housing, provide rooms to lease in the new commercial housing projects, etc., and make full use of stock rooms for the lease of housing.

On 21 August 2017, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development issued the "Pilot Program of Building Residential Houses on Collectively-owned Construction Land for Rental Purpose" (Guo Tu Zi Fa [2017] No. 100) (《利用集體建設用地建設租賃住房試點方案》(國土資發[2017]100號)), which determined to carry out the pilot program of building residential houses on collectively-owned construction land for rental purpose in the first batch of 13 cities including Beijing, Shanghai, Nanjing, Hangzhou, Hefei and other cities. It intended to build a housing system for both purchase and rent as well as build a construction land market unified urban and rural. It required local government to improve the utilisation of stock land as well as to promote the stable and healthy development of real estate through improving the approval process of the pilot project, building a collective rental housing construction and operation system, improving the service and supervision system as well as exploring the way to protect the tenant to obtain basic public services under the premise of the voluntary implementation of the rural village-level collective economic organisations.

According to the guidelines proposed in the 19th National Congress of the Communist Party of China, the decisions and arrangements made at the Central Economic Work Conference and the 2018 Report on Government Work, it is required to accelerate forming a housing system that ensures supply through multiple sources, provides housing support through multiple channels and encourages both housing purchase and renting.

On 11 January 2019, the Ministry of Natural Resources and the Ministry of Housing and Urban-Rural Development issued the "Letter on Opinions of Pilot Program of Building Residential Houses on Collectively-owned Construction Land for Rental Purpose in Fuzhou and Other Five Cities* (Zi Ran Zi Ban Han [2019] No. 57)《關於福州等5個城市利用集體建設用地建設租賃住房試點實施方案意見的函》(自然資辦函[2019]57號), which approved the pilot program of building residential housed on collectively-owned construction land for rental purposes in five cities including Fuzhou, Nanchang, Qingdao, Haikou and Guiyang. It required the government to supervise the project site selection, project construction and operation management. The pilot cities must standardise the approval and supervision procedures, and financial institutions are strictly prohibited from illegally providing "rental loans".

On 1 March 2018, the Ministry of Finance and the Ministry of Housing and Urban-Rural Development issued the "Circular on Issuing the Administrative Measures for Local Governmental Shantytown Renovation Special Bonds (for Trial Implementation)" (Cai Yu [2018] No. 28) (《試點發行地方政府棚戶區改造專項債券管理辦法》的通知(財預[2018]28號)), which grants local governments the authority to engage in appropriate debt financing to the Shantytown Renovation project.

On 24 April 2018, the China Securities Regulatory Commission and the Ministry of Housing and Urban-rural Development jointly issued the Circular on Promoting the Asset-backed Securitization of House Leasing (Zheng Jian Fa [2018] No. 30) ("**Circular No. 30**") (《中國證監會、住房城鄉建設部關於推進住房租賃資產證券化相關工作的通知》(證監發[2018]30號)). Circular No. 30 outlines basic conditions for the asset-back securitisation (ABS) of house leasing business, one of which reads "the property runs normally and generates continuous and stable cash flow". Further, it is made clear in Circular No. 30 that priority support will be given to the ABS of house leasing projects carried out in core areas supported by state policies, such as large and medium-sized cities and the Xiongan New Area, and in cities where the pilot program to use collective construction land to build houses for leasing purposes is in place. In addition, Circular No. 30 standardises procedures for applying for the ABS of house leasing, accepting and examining these applications and issuing the ABS products, and it also optimises formalities concerning the completion acceptance, record-filing and transactions of rental-oriented residential houses involved in the securitisation of house rental business. Furthermore, Circular No. 30 calls for tightening supervision and administration of house leasing securitisation and sets out concrete requirements in respect of reasonably valuating the property used for house leasing business and intensifying intermediary agencies' and initiators' responsibilities.

Policies of taxation on residential property

On 22 October 2008, the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Adjustments to Taxation on Real Property Transactions" (Cai Shui [2008] No. 137) (《關於調整房地產交易環節稅收政策的通知》(財稅[2008]137號)), pursuant to which, from 1 November 2008, individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from land value added tax.

On 29 September 2010, the Ministry of Finance, State Administration of Taxation Bureau and the Ministry of Housing and Urban-Rural Development issued the "Notice on Adjustment of Preferential Policies for Deed Tax and Individual Income Tax for Real Estate Transaction" (Cai Shui [2010] No. 94) (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》(財稅[2010]94號)), ruling that, (i) where an individual purchases an ordinary residential property being the only residential property for the family (including the purchaser, his/her spouse, and their minor children), a 50 per cent. reduction of deed tax is allowed; (ii) where an individual purchases an ordinary residential property with a total GFA under 90 sq.m (including a total GFA of 90 sq.m.) and being the only residential property for the family, the deed tax will be levied at the rate of 1 per cent.

On 20 December 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (Guo Ban Fa [2008] No. 131) (《關於促進房地產市場健康發展的若干意見》(國辦發[2008]131號)) which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from 20 December 2008 to 31 December 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and a ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favourable loan terms similar to first-time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to "low-to medium-level price" or "small- to medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On 26 January 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (Guo Ban Fa [2011] No. 1) (《關於進一步做好房地產市場調控工作有關問題的通知》(國辦發[2011]1號)), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

According to the "Circular on Adjusting Policies of Business Tax on Individual Transfer of Houses" (Cai Shui [2015] No. 39) (《關於調整個人住房轉讓營業税政策的通知》(財税[2015]39號)) issued by the State Administration of Taxation and Ministry of Finance on 30 March 2015, (i) business tax is to be levied on the entire sales proceeds upon the transfer of a residence by an individual within two years from the date of purchase; (ii) in the case of an non-ordinary residence, the business tax is to be levied on the difference between the sale income and the purchase price if that transfer occurs no less than two years after the purchase date and (iii) for the transfer of a ordinary residence no less than two years from the date of purchase, the business tax is exempted.

On 29 September 2010, the Ministry of Finance, State Administration of Taxation Bureau and the Ministry of Housing and Urban-Rural Development issued the "Notice on Adjustment of Preferential Policies for Deed Tax and Individual Income Tax for Real Estate Transaction" (Cai Shui [2010] No. 94) (《關於調整房地產交易環節契税個人所得税優惠政策的通知》(財税[2010]94號)), ruling that where an individual sells his/her residential property and purchases another residential property within one year, the individual income tax will not be reduced or exempted.

On 26 February 2013, the General Office of the State Council issued the "Notice of the General Office of the State Council on Further Improving Regulation of the Real Estate Market" (Guo Ban Fa [2013] No.17) (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號), which among others, provides that the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20 per cent., if the original value of such property can be verified through historical information such as tax filings and property registration.

LEGAL OVERVIEW OF THE HOTEL SECTOR IN THE PRC

(A) Foreign-invested hotel project

According to the Guidance Catalogue, a special control measure of admittance of foreign investment industry, which is the Negative List of Admittance of Foreign Investment Industry (the "**Negative List**"), has been implemented on the effective date of the Guidance Catalogue. According to the Negative List, provided that a restrictive measure shall be equally implemented on the domestic and foreign enterprise, or the category does not fall into the category of "Restricted Foreign Investment Industry" thereunder, there will be no special control measure of admittance of foreign investment industry on the aforesaid category for a foreign-invested enterprise. According to the Negative List, the property development business, the construction and operations of common and economic hotels and high-end hotels, premium office buildings, large theme parks and international conference centers, property transactions in the secondary market and property intermediaries, large theme parks, golf courses and villas have not fallen within the category of "Restricted Foreign Investment Industry" nor the "Prohibited Foreign Investment Industry". A foreign-invested enterprise in the hotel business should fill and submit the establishment filling application form for foreign-invested enterprise online, before the issuance of the business license, or within 30 days after the issuance of the business license, after the receipt of pre-approval of name of the foreign-invested enterprise from the administration of industry and commerce.

Hotel management

The procedures involved in hotel construction in China, including obtaining approval for land use, project planning and project construction, shall also be subject to the aforementioned regulations relating to property project development. There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

Legal supervision on security and fire control

Pursuant to the "Measures for the Control of Security in the Hotel Industry" (《旅館業治安管理辦法》) issued by the Ministry of Public Security on 10 November 1987, and amended on 8 January 2011 and then on 29 November 2020, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should make a filing with the local public security bureau and its branches in the county or city if the hotel enterprise wants to make any change including closing, transferring or merging of business, changing the place of business and name, etc. Pursuant to the "Provisions on the Administration of Fire Control Safety of State Organs, Organisations, Enterprises and Institutions" (Order of the Ministry of Public Security No. 61) (《機關、團體、企業、事業單位消防安全管理規定》) (公安部令第61號) enacted by the Ministry of Public Security on 14 November and enforced on 1 May 2002, the "Fire Prevention Law of the PRC" (《中華人民共和國消防法》) enacted by the Standing Committee of National People's Congress on 28 October 2008 and amended on 23 April 2019, hotels (or motels) are units which require special supervision on fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required, and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

Supervision on public health

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should gain a sanitation license. The measures for granting and managing a sanitation license are formulated by the public health authority of the province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions granting the license. The sanitation license should be reviewed once every two years.

Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain catering service licenses. Catering service licenses are granted by food hygiene supervision administrative bodies above county level. The purchasing, reserving and processing of food, tableware, and service should meet the relevant requirements and standards of food hygiene.

Supervision on entertainment

According to the "Regulation on the Administration of Entertainment Venues" (Order of the State Council No. 458) (《娛樂場所管理條例》(國務院令第458號)) enacted by the State Council on 29 January 2006 and enforced on 1 March 2006 and amended on 6 February 2016 and then on 29 November 2020, hotels that operate singing, dancing and game places for profits should apply to the relevant local competent departments for culture administration for entertainment commercial operation approval. The relevant local competent departments for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions set down by the competent department governing entertainment administration under the State Council if it approves the relevant local application. According to the regulations concerning broadcast, movies and TV, hotels allowed to provide service to foreigners above two-star or the second rank of the national standards may apply to the local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government, the permit of receiving foreign television program from satellite is issued and the issuance of the permit should be filed with the state security administration.

Supervision on disposition of sewage and pollutants

According to the "Measures for the Administration of City and Town's Sewage discharging and Permit", (Order of the Ministry of Housing and Urban-Rural Development No. 21) (《城鎮污水排入排水管網許可管理辦法》(住房和城鄉建設部令第21號)) issued by the Ministry of Housing and Urban-Rural Development on 22 January 2015 and effective on 1 March 2015, hotels that have been using the city sewage system for water drainage should apply for a city water-draining permit.

Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers and so on are special equipment. According to the "Regulations on Security Supervisal of Special Equipment" (Order of the State Council No. 373) (《特種設備安全監察條例》(國務院令第373號) enacted by the State Council on 11 March 2003 and enforced on 1 June 2003, as amended on 24 January 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard. On 29 June 2013, the Standing Committee of the National People's Congress issued the "Special Equipment Safety Law of the People's Republic of China" (《中華人民共和國特種設備安全法》). Hotels using special equipment shall (i) before or within 30 days after such special equipment is put into use, handle registration with the department in charge of the supervision and administration of special equipment safety, and obtain the registration certificate for use; and (ii) establish a safety administration system covering work post responsibilities, handling of potential hazards and emergency rescue, and formulate operating procedures to ensure the safe operation of special equipment.

Supervision on the sale of tobacco

According to laws and regulations in relation to the sale of tobacco, hotels that sell tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License (煙草零售專營許可證).

LEGAL OVERVIEW OF THE PROPERTY MANAGEMENT SECTOR IN THE PRC

(A) Foreign-invested real estate management enterprises

According to the Guidance Catalogue, property management falls within the category of permitted foreign-invested industries. According to the Guidance Catalogue and the relevant requirements set out under the laws and the administrative regulations on foreign-invested enterprises, the registration of foreign-invested real estate management enterprises shall be legally handled by the department for market regulation under the State Council or departments for market regulation under local people's governments authorized thereby. A foreign investor or foreign-invested enterprise shall submit its investment information to the competent department of commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System.

Joint mechanism for stimulating honesty and punishing dishonesty of real estate management industry

According to the "Regulation on Real Estate Management" (Order of State Council No. 307) (《物業管理條例》(國務院令第307號)) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, as amended on 26 August 2007 and effective on 1 October 2007 and amended on 6 February 2016 and further amended on 19 March 2018, the state implements a joint mechanism for stipulating honesty and punishing dishonesty of real estate management industry. According to the "Circular of the General Office of the Ministry of Housing and Urban-Rural Development on cancellation of the qualifications of real estate management enterprises" (Jian Fang Ban [2017] No. 75)《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》(建辦房[2017]75號), the state will by establishing a credit information sharing platform and regularly release credit status of real estate management enterprises to the public to establish a joint mechanism for stimulating honesty and punishing dishonesty and to build a supervision system on real estate management market based on credit.

Employment of a real estate service enterprise

According to the Regulation on Real Estate Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who, in aggregate, hold more than 50 per cent. of the total non-communal area of the building. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a real estate management enterprise, it shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

LEGAL OVERVIEW OF THE CONSTRUCTION SECTOR IN THE PRC

(A) Foreign-invested construction enterprise

According to the Guidance Catalogue, construction business falls within the category of permitted foreign investment industries. According to the Foreign Investment Law of the People's Republic of China (No. 26 Order of the President of the PRC) (the "**Foreign Investment Law**") (《中華人民共和國外商投資法》, 主席令第26號) issued by the National People's Congress on 15 March 2019 and became effective on 1 January 2020, fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly. According to the Implementing Regulations of the Foreign Investment Law of the People's Republic of China (No. 723 Order of the State Council)(《中華人民共和國外商投資法實施條例》, 國務院令第723號) issued by the State Council on 26 December 2019 and became effective on 1 January 2020, the registration of foreign-invested enterprises shall be legally handled by the department for market regulation under the State Council or departments for market regulation under local people's governments authorized thereby. A foreign investor or foreign-invested enterprise shall submit its investment information to the competent department of commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System.

Qualification of a construction enterprise

According to "Construction Law of the People's Republic of China" and the "Provisions on the Administration of Qualifications of Enterprises in Construction Industry" (Order of the Ministry of Construction No. 22) (《建築業企業資質管理規定》(住房和城鄉建設部令第22號)) enacted by the Ministry of Housing and Urban-Rural Development on 22 January 2015 and amended on 13 September 2016 and 22 December 2018, the enterprises in the construction industry shall be classified into different qualification classes pursuant to, amongst other things, the amount of its registered capital, professional personnel, technical equipment and performance records of completed construction works. A construction enterprise can engage in construction activities within its approved scope after obtaining the construction qualification certificate.

According to the above-mentioned provisions, the qualifications will be divided into three categories, namely that for undertaking the whole of a construction project, that for undertaking a specialised contract and that for undertaking a labour service by subcontract. The categories of qualifications for undertaking the whole of a construction project, undertaking a specialised contract and undertaking a labour service by subcontract are divided into several qualification types according to the nature of the project and technical features. Each qualification type is further divided into several classes according to the prescribed conditions.

The following qualifications of construction enterprises shall be licensed by the administrative department in charge of housing and urban-rural development under the State Council: (i) the extra grade and first grade qualifications of sequence for general contracting for construction as well as second grade qualification for general contracting for railway projects; (ii) the first grade qualification of sequence for professional contracting in respect of highways, water carriage, water resources, railways and civil aviation as well as the second grade qualification for professional contracting in respect of railways and civil aviation; the first grade qualification for professional contracting involving several specialties. Other kinds of qualifications of construction enterprises shall be licensed by the administrative departments in charge of housing and urban-rural development of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government, and the cities where industrial and commercial registration of the enterprises are handled.

The term of validity of certificate for the qualification of enterprise in construction industry is five years.

Legal supervision relating to real estate brokerage in the PRC

On 20 January 2011, Ministry of Housing and Urban-Rural Development, the NDRC and the Ministry of Human Resources and Social Security collectively jointly issued the "Measures for the Administration of Real Estate Brokerage" (Order of the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission and the Ministry of Human Resources and Social Security No. 8) (《房地產經紀管理辦法》(住房和城鄉建設部、國家發展和改革委員會、人力資源和社會保障部令第8 號)), which came into effect on of 1 April 2011, amended on 1 March 2016, according to which, the State shall implement a professional qualification system for real estate brokers, and real estate brokerage institutions and their branches shall, within 30 days from the date of receipt of the business license, complete the filing in front of the competent construction (real estate) departments of the municipalities directly under the central government, cities and counties where the institution is located.

On 11 May 2011, Ministry of Housing and Urban-Rural Development and the NDRC jointly issued the "Notice of Strengthening the Administration of Real Estate Brokerage and Further Standardize the Order of Real Estate Transactions" (Jian Fang [2011] No. 68) (《關於加強房地產經紀管理進一步規範房地產交易秩序的通知》(建房[2011]68 號)), to strength the administration of the real estate brokerage institutions and the brokers. The Notice also requires property developers and real estate brokerage institutions to sell or pre-sell commodity houses strictly in compliance with sales programs and the declared prices.

Regulation on foreign exchange registration of offshore investment by PRC residents

Pursuant to Circular No. 75, (a) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle ("**SPV**"), for the purpose of overseas equity financing with domestic enterprises assets or equity held by it (including convertible debt financing); (b) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an SPV, or engages in overseas financing after contributing assets or equity interests into an SPV, such PRC resident shall register his or her interest in the SPV and the change thereof with the local branch of SAFE; and (c) when the SPV undergoes a material event which is not related to "round-trip" investment outside the PRC, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days of the occurrence of such event, register such change with the local branch of SAFE.

On 4 July 2014, SAFE issued the "State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Investment Overseas and Inbound Investment via Special Purpose Vehicles" (Hui Fa [2014] No. 37) ("**Circular No. 37**") (《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》(匯發[2014]37)), which repealed the Circular No. 75. Pursuant to the Circular No. 37, (i) "Special Purpose Vehicles" (the "**SPV**") stipulated in Circular No. 37 is defined as an offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institutions and domestic resident individuals) for the purpose of financing or investment using the assets or equity interests in domestic enterprises they legally hold or the assets or equity interests they legally hold overseas; (ii) "Round-trip Investment" stipulated in Circular No. 37 is defined as direct investment activities carried out in the PRC by domestic residents via SPVs directly or indirectly, i.e. establish a foreign-invested enterprise or project (hereafter referred to as "**foreign-invested enterprise**") by such means as new establishment, acquisition etc., and obtain the interest such as ownership, right of control, right of management and operation of the foreign-invested enterprise, etc.; (iii) prior to making capital contributions to an SPV with assets or equity interests legally hold in the PRC or abroad, a domestic resident shall go through the procedures for registration of offshore investment with SAFE or a local branch of SAFE (the "**Foreign Exchange Bureau**"), and the domestic resident cannot conduct the follow-up matters until the offshore investment registration has completed; (iv) after a registered offshore SPV becomes the subject of basic information changes such as changes in domestic resident individual shareholders, name, term of operation or material changes such as capital increase, capital reduction, equity transfer, equity swap involving domestic resident individual, or merger, division, a domestic resident shall timely go through the procedures for amendment registration of the offshore investment with the Foreign Exchange Bureau, and the domestic resident cannot conduct the follow-up matters (including the repatriation of profits and dividends) until the amendment registration of offshore investment has completed; (v) when an unlisted SPV carries out equity interests incentive plans with its shares or share options etc. for directors, supervisors, senior management and other employees who were employed by or have a labour relationship with a domestic enterprise directly or indirectly controlled by the SPV, related domestic resident individuals can go through the procedures for registration of the SPV with the Foreign Exchange Bureau before exercising their option or other rights; (vi) a domestic enterprise directly or indirectly controlled by a domestic resident can make loans to a registered SPV in accordance with current laws and regulations if there is a real and reasonable demand; (vii) a domestic resident can convert Renminbi into foreign currency and remit the same out of China for the purpose of the establishment, stock buyback and delisting of the SPV etc. if there is a real and reasonable demand.

Under Circular No. 37, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on the PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPV.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposal of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

You should consult your professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of your country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

Payments of interest and principal on the Notes will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes or on an instrument of transfer in respect of the 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).

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 of 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.

PRC TAXATION

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Under the PRC EIT Law and implementation regulations issued by the State Council, if we are treated as a PRC "resident enterprise" (as described under "Risk Factors – Risks relating to the PRC – We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on distributions we pay on the Notes"), PRC income tax at the rate of 10 per cent. (or a lower treaty rate, if any) may be withheld from interest payments to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, if such interest would be treated as derived from sources within the PRC. Any gain realised on the transfer of the Notes by such investors may be subject to a 10 per cent. (or a lower treaty rate, if any) PRC income tax if we were treated as a PRC resident enterprise and such gain would be regarded as income derived from sources within the PRC.

If we were treated as a PRC resident enterprise, and if consequently interest income or gain from the transfer of Notes would be regarded as derived from sources within the PRC, the tax and withholding tax rates applicable to non-resident individuals might be up to 10 per cent. (or a lower treaty rate, if any).

We currently do not intend to withhold PRC taxes from interest payments. However, as advised by our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we were treated as a PRC "resident enterprise", the interest we pay in respect of the Notes, and the gain any investor may realise from the transfer of the Notes, might be treated as income derived from sources within the PRC and subject to PRC tax as described above.

No PRC stamp tax will be chargeable upon the issue or transfer of a Security (if the documents in respect of the issue and the transfer (a) will not be executed within the PRC; and (b) will not be governed or interpreted under PRC law).

If the LC Bank makes any payments in respect of interest on the Notes under the Irrevocable Standby Letter of Credit, the LC Bank may be obliged to withhold PRC enterprise income tax at the rate of up to 10 per cent. on such payments to non-PRC resident enterprise Noteholders as such payments will be regarded as being derived from sources within the PRC, and VAT and surcharges at a rate around 6.72 per cent. may also be applicable.

THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A party may be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is the subject of the transaction is issued in a participating Member State.

However, the Commission's Proposal remains subject to negotiation between the participating Member States and the legality and scope of the tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SALE AND SUBSCRIPTION

The Issuer and the Company have entered into a subscription agreement with The Hongkong and Shanghai Banking Corporation Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), China Minsheng Banking Corp., Ltd., Hong Kong Branch and ABCI Capital Limited as the Joint Lead Managers dated 20 April 2022 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and each of the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Notes set forth opposite its name below:

Joint Lead Managers	Principal amount
The Hongkong and Shanghai Banking Corporation Limited	U.S.$60,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	U.S.$60,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	U.S.$60,000,000
ABCI Capital Limited	U.S.$20,000,000
Total	U.S.$200,000,000

The Subscription Agreement provides that the Issuer and the Company will jointly and severally indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer, the Company and/or their affiliates for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Company, may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Company, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being 'offered' should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "*Risk Factors — Risks Relating to the Notes, the Guarantee and the Irrevocable Standby Letter of Credit — There may not be an active and liquid trading market for the Notes*"). The Issuer, the Company and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Company and/or their affiliates. The Joint Lead Managers have received, or may in the future receive, customary fees and commissions for these transactions.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Company, including the Notes. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and/or the Company routinely hedge their credit exposure to the Issuer and/or the Company consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Company's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Company, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

In connection with the issue of the Notes, any of the Joint Lead Managers as Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Company. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilising Manager will undertake any stabilisation action. Any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained by the Joint Lead Managers in the manner agreed among them.

SELLING RESTRICTIONS APPLICABLE TO THE OFFERING

GENERAL

The distribution of this Offering Circular and the offering and sales of the Notes in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

No action has been or will be taken in any jurisdiction by the Issuer, the Company or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Company and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

UNITED STATES

The Notes, the Guarantee and the Irrevocable Standby Letter of Credit have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes and the Guarantee are being offered and sold only outside of the United States in offshore transactions in accordance with Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee, an offer or sale of the Notes or Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) 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.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. 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 European Union (Withdrawal) Act 2018 (the "**EUWA**"); or

(b) 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.

UNITED KINGDOM

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (2) 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 (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(2) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined the classification of the Notes as 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).

BRITISH VIRGIN ISLANDS

Each Joint Lead Manager has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to subscribe for any of the Notes.

GENERAL INFORMATION

CLEARING SYSTEMS

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Only Notes evidenced by the Global Certificate have been accepted for clearance through Euroclear and Clearstream. The Legal Entity Identifier (LEI) code of the Issuer is 213800EAGXDYG9QWS896. Certain trading information with respect to the Notes is set forth below:

ISIN: XS2432500309

Common Code: 243250030

AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes was authorised by the resolutions of the board of directors of the Issuer on 6 April 2022. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a corporate resolution of the Guarantor dated 6 April 2022.

NDRC REGISTRATION

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the NDRC on 14 September 2015 which came into effect immediately, the Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate on 8 October 2021.

LISTING OF THE NOTES

Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt securities issues to Professional Investors only. It is expected that dealing in, and listing of, the Notes on the SEHK will commence on or about 27 April 2022. Listing of the Notes on the SEHK is conditional upon satisfaction of the requirements of the SEHK.

AVAILABLE DOCUMENTS

Copies of the latest annual and interim reports and accounts of the Company and our Green Finance Framework may be obtained free of charge, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the office of the Company at Suite 601, One Pacific Place, 88 Queensway, Hong Kong during normal business hours, so long as any of the Notes are outstanding.

Copies of the Irrevocable Standby Letter of Credit, the Trust Deed and the Agency Agreement will be available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m.) from Monday to Friday (excluding public holidays) from the Issue Date following prior written request and proof of holding and identity satisfactory to the Trustee or the Principal Agent, as the case may be, at the principal place of business of the Trustee (being at the date of this Offering Circular at One Canada Square, London E14 SAL, United Kingdom) or at the specified office of the Principal Paying Agent, so long as any of the Notes is outstanding.

RELIANCE ON CERTIFICATES, ETC.

The Trustee may rely without liability to Holders, the Issuer, the Guarantor or any other person on any certificate signed by any Authorised Signatory (as defined in the Trust Deed) of the Guarantor or the Issuer and on any report, information, confirmation or certificate from or any opinion or advice of any accountants, auditors, legal advisers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to the Trustee and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise limited or excluded. The Trustee may accept and shall be entitled to rely on any such report, information, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be conclusive and binding on the Issuer, the Guarantor and the Holders.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for each of the fiscal years ended 31 December 2019, 2020 and 2021 included in this Offering Circular have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports dated 24 March 2020, 23 March 2021 and 23 March 2022.

LITIGATION

Except as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any proceedings or threatened proceedings, which are or might be material in the context of this issue of the Notes, the Guarantee or the Irrevocable Standby Letter of Credit.

NO MATERIAL ADVERSE CHANGE

There have been no adverse changes, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs or the financial or trading position of the Issuer, the Guarantor or the Group since 31 December 2021, other than as disclosed in this Offering Circular, that is material in the context of the issue of the Notes, the Guarantee or the Irrevocable Standby Letter of Credit.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Note:

(1) Our audited consolidated financial statements set out herein have been reproduced from our annual reports as at and for the years ended 31 December 2019, 2020 and 2021 and page references are references to pages set forth in such annual reports. The audited consolidated financial statements have not been prepared for the inclusion in this Offering Circular.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sino-Ocean Group Holding Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Sino-Ocean Group Holding Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 124 to 255, comprise:

* the consolidated balance sheet as at 31 December 2021;
* the consolidated income statement for the year then ended;
* the consolidated statement of comprehensive income for the year then ended;
* the consolidated statement of changes in equity for the year then ended;
* the consolidated cash flow statement for the year then ended; and
* the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

* Recoverability of entrusted loans and amounts due from third parties, joint ventures, associates and non-controlling interests

* Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of entrusted loans and amounts due from third parties, joint ventures, associates and non-controlling interests (collectively, the "Counterparties")	
Refer to Note 21 to the consolidated financial statements As at 31 December 2021, the balance of entrusted loans and amounts due from the Counterparties is approximately RMB62,430 million, and the accumulated allowance amounted to approximately RMB224 million has been recognised. Such amounts were provided to the Counterparties for the launch and development of the projects of real estate. The Group took into account reasonable and substantiated historical data such as principal and interest payment schedule, ageing of the balance, repayment history, subsequent repayment and financial information of the Counterparties, and available forward-looking information to determine whether or not the credit risk has significantly increased since initial recognition and to calculate expected credit losses. We focus on this area due to the assessment of the recoverability of entrusted loans and amounts due from the Counterparties involves significant management judgements and estimates as it involves the consideration of a number of factors including financial position of the Counterparties, historical data and forward-looking information.	We obtained an understanding of the management's internal control and assessment process of recoverability of entrusted loans and amounts due from the Counterparties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and changes. We evaluated the outcome of prior period assessment of the recoverability of entrusted loans and amounts due from the Counterparties to assess the effectiveness of management's estimation process. We evaluated and tested, on a sample basis, the key management controls over the assessment on recoverability of entrusted loans and amounts due from the Counterparties. We had interviews with the management to get knowledge of each of the Counterparties and the development status of the projects as cooperated with the Counterparties. We performed site visits to the projects of real estate, on a sample basis, to collaborate with the understanding from management.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We evaluated and tested the historical data used by the management to determine whether or not the credit risk has significantly increased since initial recognition and to calculate expected credit losses. We inquired with management and challenged the reasonableness of their judgements and estimations on the recoverability of amounts due from the Counterparties, the adequacy of the impairment provision and adjustment due to the current and forward-looking information on macroeconomic factors. We evaluated and tested on the information and evidence collected by management for the purpose of their assessment. We assessed the adequacy of the disclosures related to recoverability of entrusted loans and amounts due from the Counterparties in the context of the applicable financial reporting framework. We found the judgements and estimates made by the management in the assessment of recoverability of entrusted loans and amounts due from the Counterparties were supportable by the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 12 to the consolidated financial statements The Group's investment properties were measured at fair value and carried at approximately RMB6,441 million as at 31 December 2021 with a fair value loss of approximately RMB64 million for the year then ended. The fair values of investment properties were determined by the management based on the valuations performed by independent professional valuers (the "Valuers") engaged by the Group. The Group's investment properties as at 31 December 2021 are all completed investment properties in Mainland China and the United States. The valuation of these investment properties was derived using the income capitalization method and the relevant key assumptions as adopted in the valuation primarily included capitalization rates and prevailing market rents. All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum to the consolidated financial statements, and the relevant key assumptions in valuation involved significant judgements and estimates.	We obtained an understanding of the management's internal control and assessment process of the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and changes. We evaluated and tested, on a sample basis, the key management controls over the valuation of investment properties. We assessed the competence, capabilities and objectivity of the Valuers. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied. We assessed the reasonableness of relevant key assumptions used in valuation (including capitalization rates and prevailing market rents) by gathering and analysing the data of comparable properties in the market and characteristics of the Group's properties such as location, size, occupancy rate, current rental and age. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuers and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. In light of the above, we found the significant judgements and estimates made by management on the valuation of investment properties were in the acceptable range.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Company is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

* Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

* Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Company 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 of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Cheuk Kay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2022

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,204,097**	2,475,703
Right-of-use assets	8	**406,749**	140,286
Land use rights	9	**197,949**	177,320
Intangible assets	10	**219,074**	108,746
Goodwill	11	**378,198**	147,415
Investment properties	12	**6,441,213**	12,055,798
Investments in joint ventures	14	**25,290,806**	21,218,447
Investments in associates	15	**6,730,935**	6,696,748
Financial assets at fair value through other comprehensive income	17	**6,234,811**	6,751,919
Financial assets at fair value through profit or loss	18	**4,924,143**	5,063,770
Trade and other receivables and prepayments	21	**12,506,992**	12,289,424
Deferred income tax assets	32	**1,983,856**	1,772,655
Total non-current assets		**68,518,823**	68,898,231
Current assets			
Properties under development	19	**81,334,265**	74,718,502
Inventories, at cost		**779,431**	667,794
Land development cost recoverable	20	**1,283,191**	1,268,872
Completed properties held for sale	22	**23,498,303**	18,074,742
Financial assets at fair value through profit or loss	18	**563,118**	11,160
Trade and other receivables and prepayments	21	**77,969,815**	51,197,152
Contract assets		**226,052**	923,600
Restricted bank deposits	23	**5,423,573**	4,799,837
Cash and cash equivalents	24	**21,655,471**	39,129,442
Total current assets		**212,733,219**	190,791,101
Total assets		**281,252,042**	259,689,332

	Note	As at 31 December 2021 RMB'000	 2020 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Capital	25	**27,329,232**	27,329,232
Shares held for Restricted Share Award Scheme	25	**(52,317)**	(179,840)
Reserves	27	**(87,891)**	400,974
Retained earnings	26	**27,884,787**	26,098,570
		55,073,811	53,648,936
Non-controlling interests		**21,373,558**	16,256,391
Total equity		**76,447,369**	69,905,327
LIABILITIES			
Non-current liabilities			
Borrowings	31	**73,556,834**	56,269,855
Lease liabilities	8	**361,241**	97,418
Trade and other payables	33	**19,167**	18,269
Deferred income tax liabilities	32	**2,201,998**	3,312,966
Total non-current liabilities		**76,139,240**	59,698,508
Current liabilities			
Borrowings	31	**18,667,628**	25,933,873
Lease liabilities	8	**65,832**	50,513
Trade and other payables	33	**55,235,731**	57,527,155
Contract liabilities	34	**42,348,003**	34,318,360
Income tax payable		**11,964,046**	12,065,543
Financial liabilities at fair value through profit or loss	35	**384,193**	190,053
Total current liabilities		**128,665,433**	130,085,497
Total liabilities		**204,804,673**	189,784,005
Total equity and liabilities		**281,252,042**	259,689,332

Approved by the Board of Directors of the Company on 23 March 2022 and signed on its behalf by:

LI Ming
Executive Director

WANG Honghui
Executive Director

The notes on pages 132 to 255 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	6	**64,247,332**	56,510,626
Cost of sales	38	**(52,989,257)**	(46,053,384)
Gross profit		**11,258,075**	10,457,242
Interest and other income	36	**2,249,551**	2,393,988
Other gains — net	37	**76,267**	1,334,593
Fair value losses on investment properties	12	**(63,862)**	(156,045)
Selling and marketing expenses	38	**(1,664,606)**	(1,293,120)
Administrative expenses	38	**(1,954,854)**	(1,815,995)
Operating profit		**9,900,571**	10,920,663
Finance costs	40	**(2,238,690)**	(2,110,906)
Share of results of joint ventures		**1,572,808**	982,999
Share of results of associates		**562,425**	257,558
Profit before income tax		**9,797,114**	10,050,314
Income tax expense	41	**(4,705,828)**	(5,367,439)
Profit for the year		**5,091,286**	4,682,875
Attributable to:			
Owners of the Company		**2,729,143**	2,866,283
Non-controlling interests		**2,362,143**	1,816,592
		5,091,286	4,682,875
Earnings per share attributable to owners of the Company during the year (expressed in RMB)			
Basic earnings per share	42	**0.358**	0.376
Diluted earnings per share	42	**0.358**	0.376

The notes on pages 132 to 255 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**5,091,286**	4,682,875
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value losses on financial assets at fair value through other comprehensive income, net of tax	**(307,251)**	(20,609)
Items that may be reclassified to profit or loss		
Currency translation differences	**254,949**	760,361
Deferred hedging gains and losses	**5,171**	(62,017)
Share of other comprehensive income of investments accounted for using the equity method	**12,545**	–
Other comprehensive (loss)/income for the year	**(34,586)**	677,735
Total comprehensive income for the year, net of tax	**5,056,700**	5,360,610
Total comprehensive income attributable to:		
— Owners of the Company	**2,825,695**	3,552,705
— Non-controlling interests	**2,231,005**	1,807,905
	5,056,700	5,360,610

The notes on pages 132 to 255 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company					Non-controlling interests			
	Note	Share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Capital instrument RMB'000	Perpetual subordinated guaranteed capital securities RMB'000	Others RMB'000	Total equity RMB'000
Balance at 31 December 2020		27,329,232	(179,840)	400,974	26,098,570	53,648,936	4,359,000	4,144,189	7,753,202	69,905,327
Profit for the year		–	–	–	2,729,143	2,729,143	339,850	197,643	1,824,650	5,091,286
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	–	(307,251)	–	(307,251)	–	–	–	(307,251)
Deferred hedging gains and losses		–	–	5,171	–	5,171	–	–	–	5,171
Currency translation differences		–	–	386,087	–	386,087	–	(131,138)	–	254,949
Share of other comprehensive income of investments accounted for using the equity method		–	–	12,545	–	12,545	–	–	–	12,545
Total comprehensive income, net of tax		–	–	96,552	2,729,143	2,825,695	339,850	66,505	1,824,650	5,056,700
Transactions with owners of the company										
Dividends relating to 2020	43	–	–	–	(571,239)	(571,239)	–	–	–	(571,239)
Dividends relating to 2021	43	–	–	–	(347,595)	(347,595)	–	–	–	(347,595)
Expenses on share-based payment	27	–	–	72,160	–	72,160	–	–	–	72,160
Transfer from retained earnings	27	–	–	24,092	(24,092)	–	–	–	–	–
Vesting of shares under Restricted Share Award Scheme	25	–	137,176	(137,176)	–	–	–	–	–	–
Purchase of shares for Restricted Share Award Scheme	25	–	(9,653)	–	–	(9,653)	–	–	–	(9,653)
Distribution relating to capital instrument		–	–	–	–	–	(339,850)	–	–	(339,850)
Distribution relating to non-controlling interest		–	–	–	–	–	–	–	(380,066)	(380,066)
Distribution relating to capital securities		–	–	–	–	–	–	(197,643)	–	(197,643)
Capital injection from non-controlling interests		–	–	–	–	–	–	–	3,098,679	3,098,679
Total contributions by and distributions to owners of the company		–	127,523	(40,924)	(942,926)	(856,327)	(339,850)	(197,643)	2,718,613	1,324,793
Acquisition of subsidiaries		–	–	–	–	–	–	–	899,978	899,978
Disposal of subsidiaries		–	–	–	–	–	–	–	(285,927)	(285,927)
Acquisition and disposal of partial interests in subsidiaries		–	–	(544,493)	–	(544,493)	–	–	90,991	(453,502)
Total transactions with owners of the company		–	127,523	(585,417)	(942,926)	(1,400,820)	(339,850)	(197,643)	3,423,655	1,485,342
Balance at 31 December 2021		27,329,232	(52,317)	(87,891)	27,884,787	55,073,811	4,359,000	4,013,051	13,001,507	76,447,369

		Attributable to owners of the Company					Non-controlling interests			
	Note	Share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Capital instrument RMB'000	Perpetual subordinated guaranteed capital securities RMB'000	Others RMB'000	Total equity RMB'000
Balance at 31 December 2019		27,329,232	(167,227)	(1,132,536)	23,877,717	49,907,186	981,000	4,364,526	10,358,383	65,611,095
Profit for the year		–	–	–	2,866,283	2,866,283	266,554	206,286	1,343,752	4,682,875
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	–	(20,609)	–	(20,609)	–	–	–	(20,609)
Deferred hedging gains and losses		–	–	(62,017)	–	(62,017)	–	–	–	(62,017)
Currency translation differences		–	–	769,048	–	769,048	–	(220,337)	211,650	760,361
Total other comprehensive income, net of tax		–	–	686,422	2,866,283	3,552,705	266,554	(14,051)	1,555,402	5,360,610
Transactions with owners of the company										
Dividends relating to 2019		–	–	–	(181,298)	(181,298)	–	–	–	(181,298)
Dividends relating to 2020	43	–	–	–	(416,333)	(416,333)	–	–	–	(416,333)
Expenses on share-based payment	27	–	–	223,719	–	223,719	–	–	–	223,719
Transfer from retained earnings	27	–	–	47,799	(47,799)	–	–	–	–	–
Vesting of shares under Restricted Share Award Scheme	25	–	2,218	(2,218)	–	–	–	–	–	–
Purchase of shares for Restricted Share Award Scheme	25	–	(14,831)	–	–	(14,831)	–	–	–	(14,831)
Distribution relating to capital instrument		–	–	–	–	–	(266,554)	–	–	(266,554)
Distribution relating to non-controlling interest		–	–	–	–	–	–	–	(626,012)	(626,012)
Distribution relating to capital securities		–	–	–	–	–	–	(206,286)	–	(206,286)
Issue of capital instrument		–	–	–	–	–	3,378,000	–	–	3,378,000
Contribution from non-controlling interests		–	–	627,755	–	627,755	–	–	1,266,964	1,894,719
Capital reduction of subsidiaries		–	–	–	–	–	–	–	(3,460,000)	(3,460,000)
Cancellation of convertible preferred shares issued by the subsidiary		–	–	(44,001)	–	(44,001)	–	–	44,001	–
Total contributions by and distributions to owners of the company		–	(12,613)	853,054	(645,430)	195,011	3,111,446	(206,286)	(2,775,047)	325,124
Acquisition of subsidiaries		–	–	–	–	–	–	–	606,411	606,411
Partial disposal of subsidiaries		–	–	(12,328)	–	(12,328)	–	–	(1,738,711)	(1,751,039)
Acquisition of additional interests in subsidiaries		–	–	6,362	–	6,362	–	–	(253,236)	(246,874)
Total transactions with owners of the company		–	(12,613)	847,088	(645,430)	189,045	3,111,446	(206,286)	(4,160,583)	(1,066,378)
Balance at 31 December 2020		27,329,232	(179,840)	400,974	26,098,570	53,648,936	4,359,000	4,144,189	7,753,202	69,905,327

The notes on pages 132 to 255 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	44	**1,949,378**	20,296,875
Interest paid		**(4,622,495)**	(4,615,849)
Income tax paid		**(5,270,388)**	(4,264,467)
Net cash (used in)/generated from operating activities		**(7,943,505)**	11,416,559
Cash flows from investing activities			
Purchases of property, plant and equipment		**(265,638)**	(596,681)
Proceeds from sale of property, plant and equipment		**10,959**	17,463
Purchases of investment properties		**(55,725)**	(26,442)
Purchases of intangible assets		**(31,844)**	(46,148)
Purchases of financial assets at fair value through profit or loss		**(636,197)**	(615,314)
Proceeds from disposal of financial assets at fair value through profit or loss		**362,096**	579,296
Dividends received from financial instruments	36	**175,637**	226,121
Acquisition of subsidiaries, net of cash acquired		**(19,277)**	(8,933)
Increase/(decrease) due to disposal of interests in subsidiaries, net of cash disposed		**1,659,200**	(1,291,165)
Capital injection to joint ventures		**(2,854,280)**	(6,597,645)
Proceeds from disposal of joint ventures		**315,017**	338,088
Capital injection to associates	15	**(575,681)**	(822,584)
Proceeds from disposal of interests in associates		**7,159**	813,584
Dividends received from joint ventures and associates		**1,969,757**	230,492
Entrusted loans to third parties and related parties		**(25,325,561)**	(14,189,181)
Repayment of entrusted loans to third parties and related parties		**20,394,999**	12,918,342
The amounts advanced to related parties	50	**(85,693,914)**	(104,290,411)
The amounts repaid from related parties	50	**75,758,809**	113,685,716
Interest received		**2,121,388**	1,949,422
Net cash (used in)/generated from investing activities		**(12,683,096)**	2,274,020

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**53,770,649**	39,553,849
Repayments of borrowings		**(51,357,619)**	(44,955,093)
Capital reduction from non-controlling interests		**–**	(3,460,000)
Capital injection from non-controlling interests		**3,098,679**	1,744,719
Dividends paid to non-controlling interests		**(380,066)**	(626,012)
Dividends paid to the shareholders of the Company		**(918,834)**	(181,298)
Distribution relating to capital securities		**(197,643)**	(206,286)
Purchase of shares for Restricted Share Award Scheme		**(9,653)**	(14,831)
Issue of capital instruments	30	**–**	3,378,000
Consideration paid for transaction with non-controlling interests		**(333,174)**	(246,874)
Distribution relating to capital instrument		**(339,850)**	(266,554)
Payments of lease liabilities		**(109,660)**	(85,846)
Net cash generated from/(used in) financing activities		**3,222,829**	(5,366,226)
(Decrease)/increase in cash and cash equivalents		**(17,403,772)**	8,324,353
Cash and cash equivalents at beginning of the year	24	**39,129,442**	31,054,201
Exchange losses on cash and cash equivalents		**(70,199)**	(249,112)
Cash and cash equivalents at end of the year	24	**21,655,471**	39,129,442

The notes on pages 132 to 255 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Sino-Ocean Group Holding Limited (the "Company") is a limited liability company incorporated in Hong Kong on 12 March 2007. The address of its registered office is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the "Group") are principally engaged in investment holding, property development and property investment in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2022.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3.2 Subsidiaries

3.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income (OCI). Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of interests in subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates (Continued)

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

When the Group begins to have significant influence but not control over another entity as a result of increasing its stake or having representation on the board, an existing investment becomes an associate for the first time, the investment in the associate is initially recognised at the cost of each purchase plus a share of investee's profits or losses which is recognised in the consolidated income statement and other comprehensive income which is recognised in other comprehensive income, and acquisition-related costs are deemed as part of the cost of investment. Any existing gains or losses recognised in respect of the previously held the investment are reversed to restate the investment to cost.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

3.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the functional currency of the Company and its subsidiaries and the presentation currency of the Group.

The Group identifies the functional currency of each subsidiary for the purpose of defining that entity's foreign currency exposure. Different entities within the Group may have different functional currencies. Judgement is required in determining an entity's functional currency based on individual facts and circumstances.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. All the foreign exchange gains and losses are presented in the income statement within "other gains — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

3.7 Properties

(a) Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under leases are classified and accounted for as investment property when the rest of the definition of investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Properties (Continued)

(a) Investment properties (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

(b) Land use rights

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.13.

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings and leasehold improvements	5–50 years
Machinery	5–15 years
Vehicles	4–10 years
Office equipment	3–5 years
Electronic equipment	3–20 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Property, plant and equipment (Continued)

Leasehold improvements' estimated useful life is shorter of remaining lease term of or useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised within "other gains — net", in the consolidated income statement.

Construction-in-progress represents buildings, machinery under construction and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

3.9 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generated units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generated units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets

3.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.11.3 Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

3.11.3 Measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5(h) for further details.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, The Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Derivatives and hedging activities (Continued)

(i) Cash flow hedges that qualify for hedge accounting (Continued)

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

3.13 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprise land use rights, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Inventories (Continued)

(b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold or undelivered at the balance sheet date and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold or undelivered properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories mainly comprise raw materials for construction. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.14 Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.11 for further information about the Group's accounting policies.

3.15 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

3.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.17 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Capital securities and capital instrument

Capital securities and capital instrument with no contracted obligation to repay its principal nor to pay any distribution are classified as part of equity.

3.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.20 Borrowings and Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.21 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.21.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/territories where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Current and deferred income tax (Continued)

3.21.2 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

3.21.3 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.22 Employee benefits

(a) **Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) **Bonus entitlements**

Expected costs of bonus payments are recognised as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Employee benefits (Continued)

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,500. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

3.23 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, including "share option scheme" and Restricted Share Award Scheme, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the Group.

- Share option scheme

  The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

  - including any market performance conditions (e.g. the entity's share price)
  - excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
  - including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

  The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The impact of the revision to original estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to equity.

  The cash subscribed for the shares issued when the options are exercised is credited to share capital, net of any directly attributable transaction costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Share-based payments (Continued)

- Restricted Shares Award Scheme

  The fair value of the employee services received in exchange for the grant of these share-based awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares awarded at the grant date.

  When Trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Restricted Share Award Scheme" in the consolidated statement of changes in equity and deducted from total equity. When the Trustee transfers the Company's shares to grantees upon vesting, the related costs of the awarded shares are credited to "Shares held for Restricted Share Award Scheme".

  At the end of each reporting period, the Group revises its estimates of the number of these share-based awards that are expected to become vested. The impact of the revision to original estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to equity.

3.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and the amount initially recognised loss, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers. Any increase in the liability relating to guarantees is reported in the income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties and construction services

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over time of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(b) Property management and agency fee income

Property management and agency fee income is recognised in the accounting period in which the services are rendered.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the income statement as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

3.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Board of directors reviews and approves policies for managing each of these risks and they are summarized below.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are not denominated in the Group's functional currency. Majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

As at 31 December 2021, if RMB had weakened/strengthened by 5% against HKD and USD with all other variable held constant, post-tax profit for the year of the Group would have been approximately RMB582,851,000 lower/higher (2020: RMB620,176,000 lower/higher), mainly as the result of the foreign exchange losses/gains on translation of HKD/USD dominated borrowings, net of foreign exchange gains/losses on translation of HKD/USD dominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2021 and 2020, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowing and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2021, if interest rates have increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB28,815,000 (2020: RMB24,494,000).

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as financial assets at FVOCI and FVPL. The Group monitors the pricing change of these equity securities during each reporting period to manage the price risk.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there's a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors and changes in the operating results of the debtor.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward-looking information.

As at 31 December 2021, the loss allowance was determined as follows for trade receivables and contract assets:

	Within 6 months RMB'000	Between 6 months to 1 year RMB'000	Between 1 year to 2 years RMB'000	Between 2 years to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	**1.0%**	**1.7%**	**2.9%**	**7.7%**	**49.1%**	**2.4%**
Gross carrying amount — trade receivables	**3,747,552**	**980,880**	**1,144,667**	**214,573**	**99,186**	**6,186,858**
Gross carrying amount — contract assets	**229,013**	**–**	**–**	**–**	**–**	**229,013**
Loss allowance — trade receivables and contract assets	**38,570**	**17,033**	**32,683**	**16,526**	**48,729**	**153,541**

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables and contract assets (Continued)

As at 31 December 2020, the loss allowance was determined as follows for trade receivables and contract assets:

	Within 6 months RMB'000	Between 6 months to 1 year RMB'000	Between 1 year to 2 years RMB'000	Between 2 years to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	1.3%	1.9%	5.3%	20.3%	88.9%	3.0%
Gross carrying amount — trade receivables	2,765,858	865,767	606,844	80,743	54,328	4,373,540
Gross carrying amount — contract assets	935,689	–	–	–	–	935,689
Loss allowance — trade receivables and contract assets	47,371	16,877	32,383	16,374	48,282	161,287

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made written-off of approximately RMB56,024,000 for trade receivables and contract assets during the year ended 31 December 2021.

(iii) Other receivables

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	**Company definition of category**	**Basis for recognition of expected credit loss provision**
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition.	Lifetime expected losses.
Stage three	Receivables for which there is a credit loss since initial recognition.	Lifetime expected losses.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables (Continued)

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

As at 31 December 2021, the loss allowance was determined as follows for other receivables:

	Entrusted loans to and amount due from third parties, joint ventures, associates and non-controlling interests RMB'000	**Receivables from other third parties excluding prepayments RMB'000**	**Total RMB'000**
Carrying amount of other receivables	**62,430,346**	**11,455,090**	**73,885,436**
Expected credit loss rate	**0.36%**	**1.03%**	**0.46%**
Loss allowance	**224,234**	**118,104**	**342,338**
Other receivables, net	**62,206,112**	**11,336,986**	**73,543,098**

As at 31 December 2020, the loss allowance was determined as follows for other receivables:

	Entrusted loans to and amount due from third parties, joint ventures, associates and non-controlling interests RMB'000	Receivables from other third parties excluding prepayments RMB'000	Total RMB'000
Carrying amount of other receivables	40,866,247	10,297,810	51,164,057
Expected credit loss rate	0.32%	0.90%	0.43%
Loss allowance	129,838	92,499	222,337
Other receivables, net	40,736,409	10,205,311	50,941,720

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made written-off of approximately RMB69,000 for other receivables during the year ended 31 December 2021.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Financial guarantee

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group also provides guarantees to certain related parties of the Group to obtain borrowings after assessing the credit history of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by the finance department of the Group. The finance department of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021					
Borrowings	**22,330,160**	**19,493,006**	**52,242,641**	**11,301,374**	**105,367,181**
Lease liabilities	**84,154**	**69,042**	**109,896**	**338,496**	**601,588**
Trade and other payables excluding statutory liabilities	**48,752,423**	**–**	**19,167**	**–**	**48,771,590**
	71,166,737	**19,562,048**	**52,371,704**	**11,639,870**	**154,740,359**

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020					
Borrowings	29,413,230	19,752,537	30,862,855	13,468,844	93,497,466
Lease liabilities	51,769	39,075	44,337	37,885	173,066
Trade and other payables excluding statutory liabilities	54,341,506	–	18,269	–	54,359,775
	83,806,505	19,791,612	30,925,461	13,506,729	148,030,307

The amounts have not included financial guarantee contracts:

— which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (Note 45). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

— which the Group make for its cooperation parties' bank borrowings (Note 31). Such guarantees terminate upon the repayment of relevant bank borrowings.

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management (Continued)

The gearing ratios at 31 December 2021 and 2020 were as follows.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total borrowings (Note 31)	**92,224,462**	82,203,728
Less: cash and cash equivalents (Note 24)	**(21,655,471)**	(39,129,442)
Net debt	**70,568,991**	43,074,286
Total equity	**76,447,369**	69,905,327
Total capital	**147,016,360**	112,979,613
Gearing ratio	**48%**	38%

The increase in gearing ratio in 2021 is primarily due to the increase in borrowings and decrease in cash and cash equivalents which is mainly attributed to the net cash used in operating activities and investing activities.

4.3 Fair value estimation

The table below analyses financial instatements carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets or liabilities that are measured at fair value at 31 December 2021 and 2020. See Note 12 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
At 31 December 2021				
Assets				
Financial assets at fair value through profit or loss (Note 18)	**174,145**	**423,863**	**4,889,253**	**5,487,261**
Financial assets at fair value through other comprehensive income (Note 17)	**290,823**	**–**	**5,943,988**	**6,234,811**
	464,968	**423,863**	**10,833,241**	**11,722,072**
Liabilities				
Financial liabilities at fair value through profit or loss (Note 35)	**–**	**(384,193)**	**–**	**(384,193)**

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2020				
Assets				
Financial assets at fair value through profit or loss (Note 18)	11,160	889,956	4,173,814	5,074,930
Financial assets at fair value through other comprehensive income (Note 17)	488,890	573,004	5,690,025	6,751,919
	500,050	1,462,960	9,863,839	11,826,849
Liabilities				
Financial liabilities at fair value through profit or loss (Note 35)	–	(190,053)	–	(190,053)

During the period, there were no significant changes in the business or economic circumstances that may affect the fair value of the Group's financial assets and financial liabilities.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily the listed United States and HKSE equity investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise primarily equity fund, the underlying portfolio invested by equity fund are all listed equity shares, the valuation of equity fund is determined based on the quoted market price of listed equity shares.

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy Levels as of the date of the event or change in circumstances that caused the transfer.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(c) Financial instruments in Level 3 (Continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2021.

	Financial asset at fair value through other comprehensive income and through profit or loss RMB'000
Financial assets in Level 3	
Opening balance	**9,863,839**
Addition	**1,045,530**
Increase due to disposal of a subsidiary (Note 17)	**346,649**
Increase due to acquisition of a subsidiary	**39,000**
Fair value losses	**(315,852)**
Currency translation difference	**(96,921)**
Disposal	**(49,004)**
Closing balance	**10,833,241**

The following table presents the changes in Level 3 instruments for the year ended 31 December 2020.

	Financial asset at fair value through other comprehensive income and through profit or loss RMB'000
Financial assets in Level 3	
Opening balance	7,261,978
Addition	616,000
Increase due to disposal of a subsidiary (Note 17)	3,643,025
Fair value gains	127,017
Decrease due to disposal of a subsidiary	(1,169,231)
Currency translation difference	(92,088)
Disposal	(522,862)
Closing balance	9,863,839

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(d) Information about Level 3 fair value measurements

The following tables summarise the quantitative information about the significant unobservable inputs used in Level 3 fair value measurement of equity fund investments and unlisted equity investments.

As at 31 December 2021 and 2020, the underlying portfolio invested by equity fund are all properties located in Mainland China, United States and Hong Kong, the valuation of equity fund investment is determined based on the valuation of properties.

Description	Valuation technique	Significance unobservable inputs	Range/ value	Relationship of unobservable inputs to fair value
Unlisted fund investments which principally invests in residential and commercial real estate	Market Approach	Premium or discount for quality of properties (e.g. location, view, size, condition and time of the properties)	-10% to 10%	The higher discount rate, the lower fair value
		Lack of marketability discount	9% to 25%	The higher discount rate, the lower fair value
	Income Approach	Discount rate	9.11%	The higher discount rate, the lower fair value
Unlisted fund investments which invests in real estate related project	Market Approach	Premium or discount for quality of properties (e.g. location, view, size, condition and time of the properties)	-3% to 20%	The higher discount rate, the lower fair value
	Income Approach	Discount rate	9.11%	The higher discount rate, the lower fair value

As at 31 December 2021 and 2020, the significant unlisted equity investments are mainly include perpetual and preferred equity instruments issued by Associates of the Group.

Description	Valuation technique	Significance unobservable inputs	Range/ value	Relationship of unobservable inputs to fair value
Unlisted equity investments	Income Approach	Discount rate	1.16%–7.46%	The higher discount rate, the lower fair value

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(e) Valuation process

The finance department of the Group includes a team that performs the valuations of Level 3 financial instruments required for financial reporting purposes. The finance department of the Group reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

The components of the Level 3 instruments mainly include investments in private investment funds, listed and unlisted companies. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows and comparable transactions approaches. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of discount rate and recent market transactions etc. The fair values of these instruments determined by the Group requires significant judgement, including the financial performance of the investee company, market value of comparable properties as well as discount rate, etc.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 12.

(b) Income taxes and land appreciation tax ("LAT")

The Group is primarily subject to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Deferred income tax

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

(d) Estimations for total properties construction cost

The Group estimates properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognised.

(e) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

(f) Estimated impairment of non-financial assets

Non-financial assets are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts of the assets to exceed their recoverable amounts. The recoverable amount of an asset or a cash generating unit is determined as the higher of cash generating unit's fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Estimate impairment of properties under development and completed properties held for sale

Property under development and completed properties held for sale is reviewed by management for impairment, whenever events or changes in circumstances indicate that the carrying amount may be higher than net realisable value. The net realisable value is the higher of estimated selling price of the properties in the ordinary course of business, less estimated costs to complete the development of properties (applicable to properties under development) and applicable variable selling expenses and carrying amount of the properties under development and completed properties held for sale. Management makes judgments on whether such events or changes in circumstances have occurred, and makes estimates mainly for selling price and cost to complete the development of the properties (applicable to properties under development) in determining the net realisable value.

(h) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 4.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company who make strategic decisions.

The executive directors of the Company considers the business from both a geographic and product perspective. From the product perspective, the management considers the performance of property development, property management and property investment. Property development businesses are further segregated geographically.

Other operations as carried out by the Group mainly are property sales agency services and upfitting services. These are not included within the reportable operating segments, as they are not included in the reports provided to the executive directors of the Company. The results of these operations are included in the "All other segments" column.

The executive directors of the Company assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of other gains/losses from the operating segments. Finance costs and corporate finance income are not included in the result for each operating segment that is reviewed by the executive directors of the Company, as they are driven by activities of the central treasury function, which manages the cash position of the Group. The measure also excludes the effects of any share of profits/losses from investments in joint ventures and associates as well as fair value gains/losses from investment properties and corporate overheads. Other information provided to the executive directors of the Company, except as noted below, is measured in a manner consistent with that in the financial statements.

Total segment assets exclude corporate cash and cash equivalents, investments in joint ventures and associates, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and deferred income tax assets, all of which are managed on a central basis. Total segment liabilities exclude borrowings, deferred income tax liabilities and financial liabilities at fair value through profit or loss, all of which are managed on a central basis as well. These are part of the reconciliation to total balance sheet assets and liabilities.

6 SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the years ended 31 December 2021 and 2020 is as follows:

	Property development									
	Beijing RMB'000	Bohai Rim Region RMB'000	Eastern China RMB'000	Southern China RMB'000	Central China RMB'000	Western China RMB'000	Property investment RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2021										
Total revenue	**10,661,357**	**8,463,618**	**11,857,705**	**11,571,912**	**9,370,075**	**3,237,363**	**419,035**	**2,965,559**	**11,095,095**	**69,641,719**
Inter-segment revenue	**–**	**–**	**–**	**(32,080)**	**–**	**–**	**(9,405)**	**(435,410)**	**(4,917,492)**	**(5,394,387)**
Revenue (from external customers)	**10,661,357**	**8,463,618**	**11,857,705**	**11,539,832**	**9,370,075**	**3,237,363**	**409,630**	**2,530,149**	**6,177,603**	**64,247,332**
Segment operating profit	**544,926**	**2,457,322**	**2,273,764**	**1,214,294**	**1,044,032**	**261,555**	**233,705**	**153,944**	**2,245,009**	**10,428,551**
Depreciation and amortization (Note 38)	**(13,214)**	**(1,531)**	**(6,955)**	**(9,524)**	**(1,213)**	**(2,118)**	**(48)**	**(29,272)**	**(218,833)**	**(282,708)**
Year ended 31 December 2020										
Total revenue	5,498,635	7,537,069	16,055,887	8,850,958	8,031,296	3,673,354	503,070	2,023,319	8,309,781	60,483,369
Inter-segment revenue	–	(29,762)	–	–	–	–	(9,374)	(259,805)	(3,673,802)	(3,972,743)
Revenue (from external customers)	5,498,635	7,507,307	16,055,887	8,850,958	8,031,296	3,673,354	493,696	1,763,514	4,635,979	56,510,626
Segment operating profit	655,830	2,300,445	2,712,843	1,342,111	957,140	243,170	312,774	125,946	1,907,091	10,557,350
Depreciation and amortization (Note 38)	(15,696)	(528)	(282)	(6,758)	(1,550)	(3,585)	(438)	(27,521)	(92,591)	(148,949)

6 SEGMENT INFORMATION (Continued)

	Property development									
	Beijing RMB'000	Bohai Rim Region RMB'000	Eastern China RMB'000	Southern China RMB'000	Central China RMB'000	Western China RMB'000	Property investment RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
As at 31 December 2021										
Total segment assets	**14,193,182**	**28,698,044**	**23,095,005**	**31,067,543**	**33,984,311**	**5,343,727**	**7,153,348**	**3,505,593**	**88,406,107**	**235,446,860**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**1,097**	**4,621**	**7,189**	**9,150**	**4,111**	**2,353**	**16,172**	**78,378**	**2,216,713**	**2,339,784**
Total segment liabilities	**6,446,310**	**19,822,624**	**16,555,536**	**17,822,890**	**20,004,168**	**3,729,717**	**358,291**	**1,335,528**	**23,918,956**	**109,994,020**
As at 31 December 2020										
Total segment assets	23,829,030	25,071,789	26,666,760	29,019,396	16,134,961	5,288,440	11,725,479	2,892,049	77,108,873	217,736,777
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,169	1,006	41	1,456	1,256	1,060	271,081	9,638	875,990	1,162,697
Total segment liabilities	13,415,767	20,901,800	15,995,054	16,635,162	8,117,380	3,271,978	1,439,601	997,900	23,302,616	104,077,258

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Segment operating profit	**10,428,551**	10,557,350
Corporate finance income	**2,649**	59,663
Corporate overheads	**(543,034)**	(874,898)
Fair value losses on investment properties (Note 12)	**(63,862)**	(156,045)
Other gains — net (Note 37)	**76,267**	1,334,593
Finance costs (Note 40)	**(2,238,690)**	(2,110,906)
Share of results of joint ventures	**1,572,808**	982,999
Share of results of associates	**562,425**	257,558
Profit before income tax	**9,797,114**	10,050,314

6 SEGMENT INFORMATION (Continued)

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total segment assets	**235,446,860**	217,736,777
Corporate cash and cash equivalents	**77,513**	437,856
Investments in joint ventures (Note 14)	**25,290,806**	21,218,447
Investments in associates (Note 15)	**6,730,935**	6,696,748
Financial assets at fair value through other comprehensive income (Note 17)	**6,234,811**	6,751,919
Financial assets at fair value through profit or loss (Note 18)	**5,487,261**	5,074,930
Deferred income tax assets (Note 32)	**1,983,856**	1,772,655
Total assets per consolidated balance sheet	**281,252,042**	259,689,332
Total segment liabilities	**109,994,020**	104,077,258
Current borrowings (Note 31)	**18,667,628**	25,933,873
Non-current borrowings (Note 31)	**73,556,834**	56,269,855
Deferred income tax liabilities (Note 32)	**2,201,998**	3,312,966
Financial liabilities at fair value through profit or loss (Note 35)	**384,193**	190,053
Total liabilities per consolidated balance sheet	**204,804,673**	189,784,005

For the year ended 31 December 2021, included in the revenue of sales of properties, approximately RMB54,210,558,000 (2020: RMB44,378,836,000) was recognised as a point in time, approximately RMB919,392,000 (2020: RMB5,238,601,000) was recognised over time.

The Company is incorporated in Hong Kong, with most of its major subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the years ended 31 December 2021 and 2020.

As at 31 December 2021, total non-current assets (other than financial instruments and deferred income tax assets) located in the PRC amounted to approximately RMB42,622,070,000 (2020: RMB42,772,506,000), total non-current assets located in Hong Kong and in the United States amounted to approximately RMB4,675,000 (2020: RMB6,536,000) and approximately RMB242,276,000 (2020: RMB241,421,000), respectively.

For the years ended 31 December 2021 and 2020, the Group does not have any single customer with the transaction value over 10% of the total external sales.

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2021							
Opening net book amount	**885,056**	**2,990**	**9,129**	**28,013**	**41,521**	**1,508,994**	**2,475,703**
Additions	**68,513**	**3,085**	**1,592**	**9,594**	**11,240**	**171,614**	**265,638**
Acquisition of subsidiaries	**670,915**	**–**	**588**	**1,763**	**509,048**	**13,025**	**1,195,339**
Transfer	**138,377**	**–**	**–**	**–**	**–**	**(138,377)**	**–**
Transfer from investment properties (Note 12)	**48,943**	**–**	**–**	**–**	**–**	**–**	**48,943**
Transfer to properties under development (Note 19)	**(92,380)**	**–**	**–**	**–**	**–**	**(520,911)**	**(613,291)**
Disposals	**–**	**–**	**(294)**	**(13,115)**	**(120)**	**–**	**(13,529)**
Depreciation charge (Note 38)	**(60,580)**	**(811)**	**(4,086)**	**(22,164)**	**(60,847)**	**–**	**(148,488)**
Disposal of interests in subsidiaries	**(2,437)**	**–**	**–**	**(81)**	**(3,700)**	**–**	**(6,218)**
Closing net book amount	**1,656,407**	**5,264**	**6,929**	**4,010**	**497,142**	**1,034,345**	**3,204,097**
At 31 December 2021							
Cost	**1,867,259**	**9,749**	**54,625**	**120,047**	**614,916**	**1,034,345**	**3,700,941**
Accumulated depreciation	**(210,852)**	**(4,485)**	**(47,696)**	**(116,037)**	**(117,774)**	**–**	**(496,844)**
Net book amount	**1,656,407**	**5,264**	**6,929**	**4,010**	**497,142**	**1,034,345**	**3,204,097**
Year ended 31 December 2020							
Opening net book amount	713,872	2,425	12,692	35,978	46,373	963,980	1,775,320
Additions	3,844	959	2,982	8,306	10,490	570,100	596,681
Acquisition of subsidiaries	–	82	39	54	811	–	986
Transfer	211,360	–	–	–	–	(211,360)	–
Transfer from properties under development (Note 19)	–	–	–	–	–	211,360	211,360
Transfer to properties under development (Note 19)	–	–	–	–	–	(23,948)	(23,948)
Disposals	(8,701)	(96)	(2,214)	(1,530)	(1,561)	(1,138)	(15,240)
Depreciation charge (Note 38)	(29,950)	(380)	(4,313)	(14,514)	(12,317)	–	(61,474)
Disposal of interests in subsidiaries	(5,369)	–	(57)	(281)	(2,275)	–	(7,982)
Closing net book amount	885,056	2,990	9,129	28,013	41,521	1,508,994	2,475,703
At 31 December 2020							
Cost	1,035,337	6,664	55,305	122,813	115,846	1,508,994	2,844,959
Accumulated depreciation	(150,281)	(3,674)	(46,176)	(94,800)	(74,325)	–	(369,256)
Net book amount	885,056	2,990	9,129	28,013	41,521	1,508,994	2,475,703

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expenses of approximately RMB130,198,000 (2020: RMB51,232,000) and approximately RMB18,290,000 (2020: RMB10,242,000) have been charged in "cost of sales" and in "administrative expenses", respectively.

Construction in progress as at 31 December 2021 represents buildings and data centers under construction mainly in Beijing, Shijiazhuang, Dalian, Hangzhou, and Suzhou with intented use for senior housing or health care related services and operation of data centers.

As at 31 December 2021, property, plant and equipment of the Group with carrying values of approximately RMB131,897,000 (2020: RMB80,027,000) were pledged as collateral for the Group's borrowings.

8 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Right-of-use assets		
Leased buildings	**403,550**	140,210
Other	**3,199**	76
Total right-of-use assets per consolidated balance sheet	**406,749**	140,286
Lease liabilities		
Current	**65,832**	50,513
Non-current	**361,241**	97,418
Total lease liabilities per consolidated balance sheet	**427,073**	147,931

Increase of the right-of-use assets during this financial year is approximately RMB372,735,000, mainly due to the business combination.

8 LEASES (Continued)

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Leased buildings	**(101,960)**	(77,660)
Other	**(1,691)**	(320)
Total	**(103,651)**	(77,980)
Interest expense (Note 40)	**27,712**	11,117

(c) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices. Rental contracts are typically made for fixed periods of 15 months to 20 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

9 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of less than 50 years (including 50 years). The movements are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**177,320**	180,566
Addition	**24,729**	–
Amortization charge (Note 38)	**(4,100)**	(3,246)
At end of the year	**197,949**	177,320

As at 31 December 2021, the land use rights of the Group with carrying values of approximately RMB4,846,000 (2020:RMB4,979,000) were pledged as collateral for the Group's borrowings.

10 INTANGIBLE ASSETS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**108,746**	29,582
Addition	**7,115**	46,148
Acquisition of subsidiaries	**157,337**	39,265
Disposal of interests in subsidiaries	**(27,655)**	–
Amortization charge (Note 38)	**(26,469)**	(6,249)
At end of the year	**219,074**	108,746

11 GOODWILL

	RMB'000
Year ended 31 December 2021	
Opening net book amount	**147,415**
Acquisition of subsidiaries	**251,776**
Derecognition of goodwill (Note 38)	**(20,993)**
Closing net book amount	**378,198**

	RMB'000
Year ended 31 December 2020	
Opening net book amount	195,708
Acquisition of subsidiaries	29,744
Derecognition of goodwill (Note 38)	(78,037)
Closing net book amount	147,415

11 GOODWILL (Continued)

Goodwill was generated from business combination and allocated to a cash generated unit or a group of cash generated units, from the acquisition date, that is expected to benefit from the synergies of the combination. Derecognition of goodwill allocated to a cash generated unit or a group of cash generated units was recognised due to disposal of the relevant properties.

Goodwill is allocated to the Group's cash generated units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Internet digital center related business (i)	**213,948**	–
Property management contracts and customer relationship (ii)	**92,632**	54,804
Property development (iii)	**6,314**	27,307
Other (iv)	**65,304**	65,304
	378,198	147,415

(i) Goodwill relating to internet digital center service contracts and customer relationship arose from the acquisition of internet digital center service companies.

(ii) Goodwill relating to property management contracts and customer relationship arose from the acquisition of property management companies.

(iii) Goodwill relating to property development arose from the acquisition of properties development companies, the impairment of such goodwill is considered together with the impairment of the inventories of the Group.

(iv) Such goodwill raised from the acquisition of companies engaged in other fields, including landscaping and other construction companies, the impairment of such goodwill is considered together with the impairment of the inventories and intangible assets of the Group.

As of 31 December 2021 and 2020, the management performed impairment assessment on the goodwill. The recoverable amount of goodwill is determined based on value-in-use calculations, these calculations use cash flow projections based on management's financial budgets covering periods of no more than 5 years. The Group expects cash flows beyond such periods will be similar to that of the respective final forecast years on existing scale.

Key assumptions applied in the impairment test for the goodwill include the expected growth in revenue and gross margin, operating costs, selling and administrative expenses and discount rates and so on. Management determined these key assumptions based on past performance and its expectation on market development. Management believes that any reasonably possible change in any of these key assumption on which recoverable amounts are based may not cause the carrying amounts of goodwill to exceed their recoverable amounts. The results of the tests undertaken as at 31 December 2021 indicated no impairment charge was necessary.

12 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
Year ended 31 December 2021			
At beginning of the year	**6,976,798**	**5,079,000**	**12,055,798**
Additions	**16,172**	**39,553**	**55,725**
Transfer to property, plant and equipment	**(48,943)**	**–**	**(48,943)**
Transfer to properties under development	**(95,476)**	**–**	**(95,476)**
Disposal of interests in subsidiaries	**(331,000)**	**(5,112,000)**	**(5,443,000)**
Currency translation differences	**(19,029)**	**–**	**(19,029)**
Fair value losses recognised in profit or loss	**(57,309)**	**(6,553)**	**(63,862)**
At end of the year	**6,441,213**	**–**	**6,441,213**
At fair value			
Year ended 31 December 2020			
At beginning of the year	8,271,198	5,057,000	13,328,198
Additions	6,390	20,052	26,442
Transfer from completed properties held for sale	241,815	–	241,815
Disposal of interests in subsidiaries	(1,366,572)	–	(1,366,572)
Currency translation differences	(18,040)	–	(18,040)
Fair value (losses)/gains recognised in profit or loss	(157,993)	1,948	(156,045)
At end of the year	6,976,798	5,079,000	12,055,798

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Rental income	**409,630**	493,696
Direct operating expenses arising from investment properties that generate rental income	**(132,768)**	(53,968)
Direct operating expenses that did not generate rental income	**(29,865)**	(17,235)
	246,997	422,493

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis

Fair value measurements using significant unobservable inputs

	31 December 2021						
	Completed investment properties					Investment properties under development	
	Beijing RMB'000	Tianjin RMB'000	Dalian RMB'000	United States RMB'000	Sub total RMB'000	Beijing RMB'000	Total RMB'000
Opening balance as at 1 January	**5,949,181**	**331,000**	**455,196**	**241,421**	**6,976,798**	**5,079,000**	**12,055,798**
Additions	**11,160**	**–**	**5,012**	**–**	**16,172**	**39,553**	**55,725**
Transfer to property, plant and equipment	**(48,943)**	**–**	**–**	**–**	**(48,943)**	**–**	**(48,943)**
Transfer to properties under development	**(78,268)**	**–**	**(17,208)**	**–**	**(95,476)**	**–**	**(95,476)**
Disposal of interests in subsidiaries	**–**	**(331,000)**	**–**	**–**	**(331,000)**	**(5,112,000)**	**(5,443,000)**
Currency translation differences	**–**	**–**	**–**	**(19,029)**	**(19,029)**	**–**	**(19,029)**
Net (losses)/gains from fair value adjustment	**(77,193)**	**–**	**–**	**19,884**	**(57,309)**	**(6,553)**	**(63,862)**
Closing balance as at 31 December	**5,755,937**	**–**	**443,000**	**242,276**	**6,441,213**	**–**	**6,441,213**

Fair value measurements using significant unobservable inputs

	31 December 2020							
	Completed investment properties						Investment properties under development	
	Beijing RMB'000	Tianjin RMB'000	Dalian RMB'000	Hong Kong RMB'000	United States RMB'000	Sub total RMB'000	Beijing RMB'000	Total RMB'000
Opening balance as at 1 January	5,754,689	346,000	466,000	412,238	1,292,271	8,271,198	5,057,000	13,328,198
Additions	463	–	5,927	–	–	6,390	20,052	26,442
Disposal of interests in subsidiaries	–	–	–	(403,458)	(963,114)	(1,366,572)	–	(1,366,572)
Transfer from completed properties held for sale	239,455	–	–	–	–	239,455	–	239,455
Currency translation differences	–	–	–	7,964	(23,644)	(15,680)	–	(15,680)
Net (losses)/gains from fair value adjustment	(45,426)	(15,000)	(16,731)	(16,744)	(64,092)	(157,993)	1,948	(156,045)
Closing balance as at 31 December	5,949,181	331,000	455,196	–	241,421	6,976,798	5,079,000	12,055,798

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were mainly revalued by Cushman & Wakefield Limited, Graval Consulting Limited and Colliers International, independent qualified valuers not related to the Group, who hold recognised relevant professional qualifications and have recent experiences in the location and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The finance department of the Group reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department of the Group:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent qualified valuers.

Valuation techniques

Fair values of completed commercial properties in Beijing, Tianjin, Dalian and the United States are generally derived using the income capitalization method. These valuation methods are based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the year and there were no transfers between fair value hierarchy during the year.

Significant unobservable inputs used to determine fair value

- Completed investment properties

			Range of significant unobservable inputs		
Description	Fair value at 31 December 2021 (RMB'000)	Valuation technique(s)	Prevailing market rents	Capitalization rates (%)	Premium or discount for quality of properties (%)
Completed investment properties — Beijing	**5,755,937**	Income capitalization	RMB30 to RMB593 per month per square meter	5.75 to 7.00	N/A
Completed investment properties — Dalian	**443,000**	Income capitalization	RMB64 to RMB111 per month per square meter	6.00	N/A
Completed investment properties — United States	**242,276**	Income capitalization	USD5 per month per square feet	6.00	N/A

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Significant unobservable inputs used to determine fair value (Continued)

- Completed investment properties (Continued)

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs: Prevailing market rents	Capitalization rates (%)	Premium or discount for quality of properties (%)
Completed investment properties — Beijing	5,949,181	Income capitalization	RMB35 to RMB575 per month per square meter	6.25 to 7.00	N/A
Completed investment properties — Tianjin	331,000	Income capitalization	RMB62 to RMB291 per month per square meter	3.50 to 7.00	N/A
Completed investment properties — Dalian	455,196	Income capitalization	RMB67 to RMB112 per month per square meter	4.50 to 6.00	N/A
Completed investment properties — United States	241,421	Income capitalization	USD5 per month per square feet	6.00	N/A

- Investment properties under development

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs: Prevailing market rents	Capitalization rates (%)	Cost to completion	Premium or discount for quality of properties (%)
Investment properties under development — Beijing	5,079,000	Residual method taking reference to comparison approach	RMB421 to RMB702 per month per square meter	4.00 to 6.50	RMB13,804 per square meter	N/A

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalization rates are estimated by valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Premium or discount for quality of properties are estimated by valuers based on quality of properties, such as location, size, view, level and condition of the properties.

(c) Non-current assets pledged as security

As at 31 December 2021 and 2020, investment properties of the Group with carrying values of approximately RMB3,145,057,000 and RMB3,505,421,000, respectively, were pledged as collateral for the Group's borrowings.

13 SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2021 which, in the opinion of the directors, materially affect the results or assets of the Group:

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2021	2020	**2021**	2020
(1)	Sino-Ocean Holding Group (China) Limited 遠洋控股集團（中國）有限公司	PRC, Limited liability company	Investment holding	RMB7,064,870	**100%**	100%	**–**	–
(2)	遠洋國際建設有限公司	PRC, Limited liability company	Renovation service in PRC	RMB600,000	**100%**	100%	**–**	–
(3)	北京遠盛置業有限公司	PRC, Limited liability company	Property development in PRC	RMB100,000	**100%**	100%	**–**	–
(4)	Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	PRC, Limited liability company	Investment holding	RMB500,000	**100%**	100%	**–**	–
(5)	北京萬洋世紀創業投資管理有限公司	PRC, Limited liability company	Investment holding	RMB341,000	**100%**	100%	**–**	–
(6)	北京碧城創業投資管理有限公司	PRC, Limited liability company	Investment holding	RMB336,000	**100%**	100%	**–**	–
(7)	Beijing Qianyuan Property Co., Ltd. 北京乾遠置業有限公司	PRC, Limited liability company	Investment holdings in PRC	RMB300,000	**100%**	100%	**–**	–
(8)	Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	PRC, Limited liability company	Investment property in PRC	USD30,000	**72%**	72%	**28%**	28%
(9)	Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司	PRC, Limited liability company	Land development in PRC	RMB100,000	**75%**	75%	**25%**	25%
(10)	Beijing Jun De Land Development Company Limited 北京駿德置業有限公司	PRC, Limited liability company	Investment holding	RMB90,000	**100%**	100%	**–**	–
(11)	Beijing Dong Long Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	PRC, Limited liability company	Property development in PRC	USD12,370	**85.72%**	85.72%	**14.28%**	14.28%
(12)	Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	PRC, Limited liability company	Land development in PRC	RMB75,000	**100%**	100%	**–**	–
(13)	Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司	PRC, Limited liability company	Property development in PRC	RMB60,000	**100%**	100%	**–**	–
(14)	Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	PRC, Limited liability company	Investment holding	RMB30,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2021	2020	Ownership interest held by non-controlling interest 2021	2020
(15)	北京遠東新地置業有限公司	PRC, Limited liability company	Investment holding	RMB200,000	**100%**	100%	**–**	–
(16)	Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	PRC, Limited liability company	Investment holdings in PRC	RMB10,000	**100%**	100%	**–**	–
(17)	Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB10,000	**100%**	100%	**–**	–
(18)	天津宇華房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB800,000	**100%**	100%	**–**	–
(19)	Tianjin Yuanying Real Estate Development Company, Limited 天津市遠贏置業有限公司	PRC, Limited liability company	Property development in PRC	RMB30,000	**100%**	100%	**–**	–
(20)	大連新悅置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD241,000	**100%**	100%	**–**	–
(21)	大連滙洋置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD66,122	**100%**	100%	**–**	–
(22)	大連廣宇置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD363,200	**100%**	100%	**–**	–
(23)	大連世甲置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD167,850	**100%**	100%	**–**	–
(24)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD80,000	**100%**	100%	**–**	–
(25)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD76,860	**100%**	100%	**–**	–
(26)	大連源豐置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD50,700	**100%**	100%	**–**	–
(27)	大連遠佳產業園開發有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD35,000	**100%**	100%	**–**	–
(28)	遠洋地產(遼寧)有限公司	PRC, Limited liability company	Property development in PRC	RMB70,000	**100%**	100%	**–**	–
(29)	長春東方聯合置業有限公司	PRC, Limited liability company	Property development in PRC	RMB200,000	**100%**	100%	**–**	–
(30)	青島遠豪置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB150,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2021	2020	**2021**	2020
(31)	遠洋地產(上海)有限公司	PRC, Limited liability company	Investment holding	RMB20,000	**100%**	100%	**–**	–
(32)	大連鑫融置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD120,000	**100%**	100%	**–**	–
(33)	天基房地產開發(深圳)有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	HKD160,000	**100%**	84.70%	**–**	15.30%
(34)	三亞南國奧林匹克花園有限公司	PRC, Limited liability company	Property development in PRC	RMB64,100	**100%**	100%	**–**	–
(35)	天津遠頤房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(36)	大連利遠置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD143,410	**100%**	100%	**–**	–
(37)	遠洋養老運營管理有限公司	PRC, Limited liability company	Senior housing service in PRC	RMB500,000	**100%**	100%	**–**	–
(38)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津市遠濱房地產開發有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB600,000	**100%**	100%	**–**	–
(39)	大連宏宇置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(40)	北京遠山置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(41)	盈創再生資源有限公司	PRC, Limited liability company	Environmental technology in PRC	RMB361,670	**96.19%**	96.19%	**3.81%**	3.81%
(42)	上海銳盈置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	RMB145,000	**100%**	100%	**–**	–
(43)	深圳市樂安房地產有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(44)	北京遠新資產管理有限公司	PRC, Limited liability company	Investment property in PRC	RMB20,000	**100%**	100%	**–**	–
(45)	北京市佳利華經濟開發有限責任公司	PRC, Limited liability company	Senior housing service in PRC	RMB30,000	**100%**	100%	**–**	–
(46)	Sino-Ocean Service Holding Limited 遠洋服務控股有限公司	Cayman Islands, Limited liability company	Property management in PRC	RMB99,829	**67.57%**	67.57%	**32.43%**	32.43%
(47)	上海遠滙置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	RMB2,200,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2021	2020	**2021**	2020
(48)	深圳市金楓房地產開發有限公司 ("Shenzhen Jinfeng")	PRC, Limited liability company	Property development in PRC	RMB50,000	**60%**	60%	**40%**	40%
(49)	深圳市高誠達投資發展有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**80%**	80%	**20%**	20%
(50)	三亞德商房地產開發有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD30,000	**100%**	100%	**–**	–
(51)	南京金遠置業有限公司	PRC, Limited liability company	Property development in PRC	RMB33,330	**70%**	70%	**30%**	30%
(52)	上海椿萱茂養老服務有限公司	PRC, Limited liability company	Senior housing service in PRC	RMB10,000	**100%**	100%	**–**	–
(53)	湖北福星惠譽常青置業有限公司 ("Hubei Fuxing")	PRC, Limited liability company	Property development in PRC	RMB10,000	**51%**	51%	**49%**	49%
(54)	成都嘉昱房地產有限責任公司	PRC, Limited liability company	Property development in PRC	RMB10,000	**60%**	60%	**40%**	40%
(55)	杭州宜品房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB170,000	**100%**	100%	**–**	–
(56)	北京遠奧置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(57)	天津濱海房地產經營有限公司	PRC, Limited liability company	Property development in PRC	RMB100,000	**60%**	60%	**40%**	40%
(58)	遠洋地產鎮江有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**55%**	55%	**45%**	45%
(59)	西安遠洋中央公園置業有限責任公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD80,000	**100%**	100%	**–**	–
(60)	宜興遠博置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(61)	瀋陽銀基新世紀置業有限公司	PRC, Limited liability company	Property development in PRC	RMB150,000	**100%**	100%	**–**	–
(62)	廣州市遠翔房地產開發有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB1,800,000	**100%**	100%	**–**	–
(63)	青島遠佳置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(64)	北京遠川房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2021	2020	Ownership interest held by non-controlling interest 2021	2020
(65)	成都恒茂置地有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(66)	海寧遠頤置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(67)	溫州宸遠置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(68)	南京遠乾置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(69)	天津城投濱海房地產經營有限公司	PRC, Limited liability company	Property development in PRC	RMB200,000	**64.28%**	64.28%	**35.72%**	35.72%
(70)	中山市遠昇房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB20,400	**75%**	75%	**25%**	25%
(71)	大連宏澤置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD151,060	**100%**	100%	**–**	–
(72)	福州世遠置業有限公司 (i)	PRC, Limited liability company	Property development in PRC	RMB20,000	**50%**	50%	**50%**	50%
(73)	山西明遠房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB10,000	**80%**	80%	**20%**	20%
(74)	貴州築宸府置業有限公司	PRC, Limited liability company	Property development in PRC	RMB12,500	**80%**	80%	**20%**	20%
(75)	秦皇島潤海房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB636,000	**100%**	100%	**–**	–
(76)	秦皇島潤濱房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB212,000	**100%**	100%	**–**	–
(77)	秦皇島潤鴻房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB61,200	**100%**	100%	**–**	–
(78)	秦皇島潤澤房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB21,200	**100%**	100%	**–**	–
(79)	秦皇島潤港房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB21,200	**100%**	100%	**–**	–
(80)	秦皇島潤鑫房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB21,200	**100%**	100%	**–**	–
(81)	大連盈合置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**51%**	51%	**49%**	49%

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2021	2020	**2021**	2020
(82)	大連峰景美墅地產發展有限公司	PRC, Limited liability company	Property development in PRC	RMB181,614	**100%**	100%	**–**	–
(83)	上海崇遠企業管理諮詢有限公司	PRC, Limited liability company	Investment holding	RMB10,000	**100%**	100%	**–**	–
(84)	茂名市錦繡河山房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB19,000	**51%**	51%	**49%**	49%
(85)	龍巖遠盛房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB30,000	**51%**	51%	**49%**	49%
(86)	上海潤栩商務諮詢有限公司	PRC, Limited liability company	Investment holding	RMB161,925	**56.77%**	56.77%	**43.23%**	43.23%
(87)	煙台遠景置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(88)	上海雋品置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**51%**	51%	**49%**	49%
(89)	杭州雋遠置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**51%**	51%	**49%**	49%
(90)	湖南樂住置業投資有限公司	PRC, Limited liability company	Property development in PRC	RMB30,000	**95%**	95%	**5%**	5%
(91)	貴陽遠滙房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(92)	佛山昱辰房地產開發有限公司 (i)	PRC, Limited liability company	Property development in PRC	RMB20,000	**50%**	50%	**50%**	50%
(93)	Zhejiang Guoheng Xixi Real Estate Co., Ltd 浙江國恒西溪置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(94)	Wuhan Yuanhui Real Estate Co., Ltd 武漢元慧置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**70%**	70%	**30%**	30%
(95)	Shenzhen Tianheng Chuangxing Industrial Co., Ltd 深圳市天恆創興實業有限公司	PRC, Limited liability company	Property development in PRC	RMB100,000	**63.25%**	63.25%	**36.75%**	36.75%
(96)	Shenzhen Yuanguan Real Estate Co., Ltd 深圳市遠冠置業有限公司	PRC, Limited liability company	Property development in PRC	RMB100,000	**63.25%**	63.25%	**36.75%**	36.75%
(97)	江西軍邦房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB30,000	**51%**	–	**49%**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2021	Ownership interest held by the Group 2020	Ownership interest held by non-controlling interest 2021	Ownership interest held by non-controlling interest 2020
(98)	青島海駿置業有限公司 (ii)	PRC, Limited liability company	Property development in PRC	RMB14,884	**43%**	–	**57%**	–
(99)	深圳市恆裕國宏房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB101,000	**100%**	–	**–**	–
(100)	中山市駿盈房產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**51%**	–	**49%**	–
(101)	Beijing UNIQloud Technology Co. Ltd. 北京雲泰數通互聯網科技有限公司 ("Beijing UNIQloud")	PRC, Limited liability company	Colocation services in PRC	RMB5,000,000	**50.92%**	–	**49.08%**	–
(102)	北京遠創興城置業有限公司 (i)	PRC, Limited liability company	Property development in PRC	RMB100,000	**50%**	–	**50%**	–
(103)	武漢弘盛永泰置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**70%**	–	**30%**	–
(104)	上海熙序企業管理有限公司	PRC, Limited liability company	Investment holdings in PRC	RMB5,000	**51%**	–	**49%**	–
(105)	西宁愛琴海房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**51%**	–	**49%**	–
(106)	柳州紅星房地產有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**51%**	–	**49%**	–
(107)	溫州星龍房地產開發有限責任公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	–	**–**	–
(108)	沭陽星龍房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	–	**–**	–
(109)	武漢遠悦置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB2,144,436	**51%**	–	**49%**	–
(110)	廈門遠宏安房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	–	**–**	–
(111)	成都遠賓房地產開發有限責任公司	PRC, Limited liability company	Property development in PRC	RMB10,000	**100%**	–	**–**	–
(112)	溫州遠康置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	–	**–**	–
(113)	蘇州遠祺房地產開發有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB332,500	**100%**	–	**–**	–
(114)	溫州遠溪置業有限公司	PRC, Limited liability company	Property development in PRC	RMB20,000	**100%**	–	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2021	Ownership interest held by the Group 2020	Ownership interest held by non-controlling interest 2021	Ownership interest held by non-controlling interest 2020
(115)	廣州市遠昊房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	–	**–**	–
(116)	Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司	Hong Kong, Limited company	Investment holding in Hong Kong	HKD10	**100%**	100%	**–**	–
(117)	Shine Wind Development Limited 耀勝發展有限公司	BVI, Limited company	Investment holding in BVI	USD10	**100%**	100%	**–**	–
(118)	Mission Success Limited 穎博有限公司	Hong Kong, Limited company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(119)	Dynamic Class Limited 昇能有限公司	Hong Kong, Limited company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(120)	Mega Precise Profits Limited	BVI, Limited company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(121)	Smart State Properties Limited	BVI, Limited company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(122)	Faith Ocean International Limited 信洋國際有限公司	BVI, Limited company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(123)	World Luck Corporation Limited 寰福有限公司	Hong Kong, Limited company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(124)	Fame Gain Holdings Limited 名得控股有限公司	BVI, Limited company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(125)	Sino-Ocean Land Property Development Limited 遠洋地產國際發展有限公司	Hong Kong, Limited company	Investment holding in Hong Kong	HKD20	**100%**	100%	**–**	–
(126)	Fast Fame Capital Investment Limited 迅榮創富有限公司	Hong Kong, Limited company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(127)	Sino-Ocean Land Treasure Finance I Limited	BVI, Limited company	Investment holding in BVI	HKD–	**100%**	100%	**–**	–
(128)	Sino-Ocean Land Treasure Finance II Limited	BVI, Limited company	Investment holding in BVI	HKD–	**100%**	100%	**–**	–
(129)	Sino-Ocean Land Treasure Finance III Limited	BVI, Limited company	Investment holding in BVI	HKD–	**100%**	100%	**–**	–
(130)	Sino-Ocean Land Treasure IV Limited	BVI, Limited company	Investment holding in BVI	HKD–	**100%**	100%	**–**	–
(131)	New Advance Limited	Hong Kong, Limited company	Property development in Hong Kong	HKD1,000	**100%**	100%	**–**	–
(132)	Rich Group Creation Limited	Hong Kong, Limited company	Property development in Hong Kong	HKD–	**100%**	100%	**–**	–

(i) Although the Group only owns 50% equity interests in these companies, the Group has the power to control and direct the key operating and financing activities of these companies through the Group's presence in the board of directors of these companies. Consequently, these companies are considered as subsidiaries of the Group.

(ii) Although the Group only own 43% equity interests in this company, the Group has the power to control and direct its key operating and financing activities through entering into an acting in concert agreement with other shareholders. Consequently, the company is considered as a subsidiary of the Group.

13 SUBSIDIARIES (Continued)

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2021 is approximately RMB21,373,558,000 which mainly consists of non-controlling interest of approximately RMB554,008,000 and non-controlling interest of approximately RMB363,741,000 deriving from Hubei Fuxing and Shenzhen Jinfeng, being 51% and 60% owned subsidiaries, respectively. The non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits held by Hubei Fuxing and Shenzhen Jinfeng amounted to approximately RMB343,403,000 in aggregate are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarized balance sheet

	Hubei Fuxing		Shenzhen Jinfeng	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Assets	**3,053,314**	3,104,483	**2,465,272**	2,927,847
Liabilities	**(1,927,383)**	(2,587,881)	**(1,579,553)**	(2,250,958)
Total current net assets	**1,125,931**	516,602	**885,719**	676,889
Non-current				
Assets	**4,696**	154,128	**23,634**	2,639
Liabilities	**–**	–	**–**	–
Total non-current net assets	**4,696**	154,128	**23,634**	2,639
Net assets	**1,130,627**	670,730	**909,353**	679,528
Accumulated non-controlling Interest	**554,008**	328,658	**363,741**	271,811

13 SUBSIDIARIES (Continued)

(a) Material non-controlling interests (Continued)

Summarized income statement

	Hubei Fuxing		Shenzhen Jinfeng	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**2,877,364**	527,762	**1,151,326**	2,478,709
Profit/(losses) before income tax	**821,574**	(271,479)	**339,197**	946,123
Income tax expense	**(361,677)**	63,901	**(109,372)**	(315,189)
Post-tax profit/(losses)	**459,897**	(207,578)	**229,825**	630,934
Total comprehensive income	**459,897**	(207,578)	**229,825**	630,934
Total comprehensive income allocated to non- controlling Interests	**225,350**	(101,713)	**91,930**	252,374

Summarized cash flows

	Hubei Fuxing		Shenzhen Jinfeng	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities				
Cash generated from operations	**1,472,239**	103,087	**581,266**	95,130
Interest paid	**–**	(41,075)	**(32,501)**	(28,343)
Income tax paid	**(60,741)**	–	**(22,896)**	(48,762)
Net cash generated from operating activities	**1,411,498**	62,012	**525,869**	18,025
Net cash (used in)/generated from investing activities	**(1,376,735)**	170,327	**–**	–
Net cash used in financing activities	**–**	(326,774)	**(540,000)**	(8,876)
Net increase/(decrease) in cash and cash equivalents	**34,763**	(94,435)	**(14,131)**	9,149
Cash and cash equivalents at beginning of the year	**306,411**	400,846	**16,360**	7,211
Cash and cash equivalents at end of the year	**341,174**	306,411	**2,229**	16,360

The information above is the amount before inter-company eliminations.

14 INVESTMENTS IN JOINT VENTURES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**21,218,447**	17,355,309
Capital injection (i)	**2,215,105**	6,597,645
Dividend	**(1,052,544)**	(88,193)
Disposal	**(314,427)**	(2,868,074)
Deemed disposal of joint ventures	**(52,505)**	(521,457)
Increase due to disposal of interest in subsidiaries	**1,985,939**	482,569
Decrease due to disposal of interest in a subsidiary	**–**	(716,419)
Share of results of joint ventures — after adjustment for unrealized profit or loss from inter-company transactions between the Group and the joint ventures	**1,329,726**	1,008,945
Currency translation difference	**(38,935)**	(31,878)
At end of the year	**25,290,806**	21,218,447

(i) Capital injection to joint ventures mainly includes the subscription for the shares in Sino-Ocean Logistics Property Holding Limited on 19 November 2021.

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held by the Group as at 31 December 2021, all of which are unlisted:

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of relationship	Principal activities
(1)	Beijing Linlian Property Company Limited 北京麟聯置業有限公司	PRC	Limited liability company	RMB400,000	**50%**	50%	(iii)	Investment property development
(2)	Chengdu Qianhao Real Estate Company Limited 成都乾豪置業有限公司	PRC	Limited liability company	USD329,000	**50%**	50%	(iii)	Investment property development
(3)	Chengdu Yingang Real Estate Company Limited 成都銀港置業有限公司	PRC	Limited liability company	RMB8,000	**50%**	50%	(iii)	Investment property development
(4)	北京遠騰置業有限公司	PRC	Limited liability company	RMB1,820,000	**50%**	50%	(iii)	Land and property development
(5)	深圳市遠盛業投資有限公司	PRC	Limited liability company	RMB200,000	**51%**	51%	(i), (iv)	Investment management
(6)	北京遠洋新光商業管理有限公司	PRC	Limited liability company	RMB10,000	**50%**	50%	(iv)	Investment management
(7)	北京遠新房地產開發有限公司	PRC	Limited liability company	RMB100,000	**50%**	50%	(iii)	Land and property development
(8)	北京遠洋新揚子資產管理有限公司	PRC	Limited liability company	RMB2,000	**50%**	50%	(iv)	Investment management
(9)	鴻基偉業(北京)房地產開發有限公司	PRC	Limited liability company	RMB20,000	**50%**	50%	(iii)	Land and property development
(10)	北京房地鑫洋房地產開發有限公司	PRC	Limited liability company	RMB30,000	**30%**	30%	(ii), (iii)	Land and property development
(11)	Tianjin Yijiahe Real Estate Company Limited 天津市億嘉合置業有限公司	PRC	Limited liability Company	RMB80,000	**51%**	**51%**	(i), (iii)	Land and property development
(12)	SOL Investment Fund LP	Cayman Islands	Limited partnership	HKD2,679,000	**50%**	**50%**	(iv)	Investment management
(13)	天津市富士房地產開發有限公司	PRC	Limited liability company	RMB30,000	**51%**	–	(i), (iii)	Land and property development
(14)	北京穎暉置業有限公司	PRC	Limited liability company	RMB1,000	**50%**	50%	(iii)	Investment property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held by the Group as at 31 December 2021, all of which are unlisted (Continued):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of relationship	Principal activities
(15)	北京房地天鋭鑫洋房地產開發有限公司	PRC	Limited liability company	RMB41,180	**30%**	30%	(ii), (iii)	Land and property development
(16)	上海新證財經信息諮詢有限公司	PRC	Limited liability company	RMB142,500	**45%**	45%	(ii), (v)	Investment management
(17)	北京卓信瑞通投資有限公司	PRC	Limited liability company	RMB1,000	**33%**	33%	(ii), (iv)	Investment management
(18)	天津旭浩房地產開發有限公司	PRC	Limited liability company	RMB120,000	**25%**	25%	(ii), (iii)	Land and property development
(19)	北京新揚子投資基金管理中心(有限合夥)	PRC	Limited Liability partnership	RMB1,000,000	**50%**	50%	(iv)	Investment management
(20)	廊坊市裕豐房地產開發有限公司	PRC	Limited liability company	RMB50,000	**23.5%**	23.5%	(ii), (iii)	Land and property development
(21)	北京房地銘洋房地產開發有限公司	PRC	Limited liability company	RMB30,000	**49%**	49%	(ii), (iii)	Land and property development
(22)	張家口富利嘉房地產開發有限公司	PRC	Limited liability company	RMB30,000	**60%**	60%	(i), (iii)	Land and property development
(23)	河北川滙房地產開發有限公司	PRC	Limited liability company	RMB5,000	**51%**	51%	(i), (iii)	Land and property development
(24)	石家庄永熹房地產開發有限公司	PRC	Limited liability company	RMB10,000	**20%**	20%	(ii), (iii)	Land and property development
(25)	深圳市遠康置地投資有限公司	PRC	Limited liability company	RMB50,000	**65%**	65%	(i), (iv)	Investment management
(26)	長春王府井遠洋商業投資有限公司	PRC	Limited liability company	RMB50,000	**40%**	40%	(ii), (iv)	Investment management
(27)	中山祥盛房地產開發有限公司	PRC	Limited liability company	RMB100,000	**50%**	50%	(iii)	Land and property development
(28)	合肥永拓置業發展有限公司	PRC	Limited liability company	RMB400,000	**25%**	25%	(ii), (iii)	Land and property development
(29)	深圳市國通厚德房地產開發有限公司	PRC	Limited liability company	RMB10,000	**70%**	70%	(i), (iii)	Land and property development
(30)	鄭州建業十八城置業有限公司	PRC	Limited liability company	RMB200,000	**50%**	50%	(iii)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held by the Group as at 31 December 2021, all of which are unlisted (Continued):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of relationship	Principal activities
(31)	北京遠創興茂置業有限公司	PRC	Limited liability company	RMB100,000	**40%**	40%	(ii), (iii)	Land and property development
(32)	昆明吉興達房地產開發有限公司	PRC	Limited liability company	RMB200,000	**20%**	20%	(ii), (iii)	Land and property development
(33)	愛車(天津)房地產開發有限公司	PRC	Limited liability company	RMB150,000	**49.98%**	49.98%	(ii), (iii)	Land and property development
(34)	贏家(天津)房地產開發有限公司	PRC	Limited liability company	RMB850,000	**49.98%**	49.98%	(ii), (iii)	Land and property development
(35)	北京創遠亦程置業有限公司	PRC	Limited liability company	RMB100,000	**50%**	50%	(iii)	Land and property development
(36)	太倉遠滙置業有限公司	PRC	Limited liability company	RMB200,000	**34%**	34%	(ii), (iii)	Land and property development
(37)	北京遠和置業有限公司	PRC	Limited liability company	RMB810,000	**25%**	25%	(ii), (iii)	Land and property development
(38)	杭州雋洋置業有限公司	PRC	Limited liability company	RMB50,000	**49%**	49%	(ii), (iii)	Land and property development
(39)	河南優居房地產開發有限公司	PRC	Limited liability company	RMB20,000	**25.5%**	25.5%	(ii), (iii)	Land and property development
(40)	上海遠緒置業有限公司	PRC	Limited liability company	RMB10,000	**50%**	50%	(iii)	Land and property development
(41)	天津吉慶置業有限公司	PRC	Limited liability company	RMB30,000	**50%**	50%	(iii)	Land and property development
(42)	鄭州遠啟博奧企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	**70%**	70%	(i), (iv)	Land and property development
(43)	中山市遠聞房地產開發有限公司	PRC	Limited liability company	RMB40,000	**51%**	51%	(i), (iii)	Land and property development
(44)	中山盛哲房地產開發有限公司	PRC	Limited liability company	RMB20,000	**30%**	30%	(ii), (iii)	Land and property development
(45)	重慶國際高爾夫俱樂部有限公司	PRC	Limited liability company	RMB96,290	**42.5%**	42.5%	(ii), (iii)	Land and property development
(46)	西安恆正隆房地產有限公司	PRC	Limited liability company	USD132,274	**34%**	34%	(ii), (iii)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held by the Group as at 31 December 2021, all of which are unlisted (Continued):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of relationship	Principal activities
(47)	北京穎融企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	**70%**	70%	(i), (iv)	Land and property development
(48)	北京穎創企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	**70%**	70%	(i), (iv)	Land and property development
(49)	長沙遠曜投資管理合夥企業	PRC	Limited liability company	RMB1,267,000	**24.96%**	24.96%	(ii), (iv)	Investment management
(50)	北京樂優富拓投資有限公司	PRC	Limited liability company	RMB1,000	**25%**	25%	(ii), (iv)	Land and property development
(51)	嘉興金久房地產開發有限公司	PRC	Limited liability company	RMB8,000	**33%**	33%	(ii), (iii)	Land and property development
(52)	龍洋生命(開曼)有限公司	Cayman Islands	Limited liability company	RMB6,500	**50%**	50%	(iii)	Land and property development
(53)	SO CTCO Investments, L.P.	Cayman Islands	Limited partnership	USD100,000	**50%**	50%	(iv)	Investment management
(54)	石家莊新聯遠鴻房地產開發有限公司	PRC	Limited liability company	RMB100,000	**31%**	31%	(ii), (iii)	Land and property development
(55)	西安遠瑞置業有限公司	PRC	Limited liability company	RMB10,000	**60%**	60%	(i), (iii)	Land and property development
(56)	溫州龍巖陵園有限公司	PRC	Limited liability company	USD66,700	**50%**	50%	(iii)	Land and property development
(57)	天津市遠馳房地產開發有限公司	PRC	Limited liability company	RMB400,000	**30%**	30%	(ii), (iii)	Land and property development
(58)	北京睿暉商業管理有限公司	PRC	Limited liability company	RMB1,000	**30%**	30%	(ii), (iii)	Land and property development
(59)	北京睿鴻商業管理有限公司	PRC	Limited liability company	RMB1,000	**30%**	30%	(ii), (iii)	Land and property development
(60)	Sino-Ocean Meridian Holding, LLC	USA	Limited liability company	USD11,659	**40%**	40%	(ii), (iv)	Elderly care
(61)	TSKY Carirnhill Pte. Ltd	SG	Limited liability company	USD 20,000	**30%**	30%	(ii), (iii)	Land and property development
(62)	杭州遠洋新河酒店置業有限公司	PRC	Limited liability company	USD132,590	**60%**	60%	(i), (iii)	Investment property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held by the Group as at 31 December 2021, all of which are unlisted (Continued):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of relationship	Principal activities
(63)	杭州遠洋運河商務區開發有限公司	PRC	Limited liability company	USD143,210	**60%**	60%	(i), (iii)	Land and property development
(64)	杭州遠洋天祺置業有限公司	PRC	Limited liability company	USD147,760	**60%**	60%	(i), (iii)	Land and property development
(65)	Shandong Yuanquan Real Estate Company Limited 山東遠泉置業有限公司	PRC	Limited liability company	RMB20,000	**51%**	51%	(i), (iii)	Land and property development
(66)	Hangzhou Yuanchen Real Estate Company Limited 杭州遠宸建祥置業有限公司	PRC	Limited liability company	RMB100,000	**51%**	51%	(i), (iii)	Land and property development
(67)	Nanjing Yuanhong Real Estate Company Limited 南京遠鴻置業有限公司	PRC	Limited liability company	RMB20,000	**60%**	60%	(i), (iii)	Land and property development
(68)	北京建遠萬譽房地產開發有限公司	PRC	Limited liability company	RMB100,000	**51%**	51%	(i), (iii)	Land and property development
(69)	北京商務中心區開發建設有限責任公司	PRC	Limited liability company	RMB680,850	**47%**	47%	(ii), (iii)	Land and property development
(70)	武漢設計之心建設發展有限公司	PRC	Limited liability company	RMB50,000	**70%**	70%	(i), (iii)	Land and property development
(71)	來安縣遠錦房地產開發有限公司	PRC	Limited liability company	RMB12,000	**30%**	30%	(ii), (iii)	Land and property development
(72)	北京遠盛泰房地產開發有限公司	PRC	Limited liability company	RMB10,000	**60%**	60%	(i), (iii)	Land and property development
(73)	天津市遠拓置業有限公司	PRC	Limited liability company	RMB50,000	**58%**	58%	(i) ,(iii)	Land and property development
(74)	山東遠舜置業有限公司	PRC	Limited liability company	RMB50,000	**58.82%**	58.82%	(i), (iii)	Land and property development
(75)	上海遠閔企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	**60%**	60%	(i), (v)	Land and property development
(76)	重慶遠香房地產開發有限公司	PRC	Limited liability company	RMB32,000	**30%**	30%	(ii), (iii)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held by the Group as at 31 December 2021, all of which are unlisted (Continued):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of relationship	Principal activities
(77)	山東泰洋置業有限公司	PRC	Limited liability company	RMB20,000	**50%**	50%	(iii)	Land and property development
(78)	山東遠赫房地產開發有限公司	PRC	Limited liability company	RMB10,000	**60%**	60%	(i), (iii)	Land and property development
(79)	北京遠景中安置業有限公司	PRC	Limited liability company	RMB2,100,000	**31%**	31%	(ii), (iii)	Land and property development
(80)	濟南滙遠產業園開發有限公司	PRC	Limited liability company	RMB30,000	**42%**	42%	(ii), (iii)	Land and property development
(81)	福州遠榕興置業有限公司	PRC	Limited liability company	RMB30,000	**51%**	51%	(i), (iv)	Land and property development
(82)	北京盛霖市政園林有限公司	PRC	Limited liability company	RMB50,000	**74.5%**	74.5%	(i), (v)	Landscaping services
(83)	北京星泰通港置業有限公司	PRC	Limited liability company	RMB9,500,000	**64.79%**	64.79%	(i), (iii)	Investment property development
(84)	PT MAKNA ALAM SEJAHTERA	Indonesia	Limited liability company	Rupiah 10,000,000	**28%**	28%	(ii), (iv)	Land and property development
(85)	北京椿萱茂投資管理有限公司	PRC	Limited liability company	RMB300,000	**70%**	70%	(i), (v)	Elderly care
(86)	Sunrise River Ventures Limited	BVI	Limited company	USD–	**49%**	49%	(ii), (v)	Landscaping services
(87)	天津睿鴻企業管理有限公司	PRC	Limited liability company	RMB1,000	**40%**	40%	(ii), (iv)	Land and property development
(88)	太原遠廣房地產開發有限公司	PRC	Limited liability company	RMB10,000	**55%**	–	(i), (iii)	Land and property development
(89)	丹陽愛家房地產有限公司	PRC	Limited liability company	RMB20,000	**50%**	–	(iii)	Land and property development
(90)	鄭州鑫沃置業有限公司	PRC	Limited liability company	RMB20,000	**51%**	–	(i), (iii)	Land and property development
(91)	深圳市遠璽置業有限公司	PRC	Limited liability company	RMB50,000	**51%**	–	(i), (iii)	Land and property development
(92)	江西洪大博康地產開發有限公司	PRC	Limited liability company	RMB20,000	**45%**	45%	(ii), (iii)	Land and property development
(93)	中山市遠維房地產開發有限公司	PRC	Limited liability company	RMB1,000	**60%**	–	(i), (iii)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held by the Group as at 31 December 2021, all of which are unlisted (Continued):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of relationship	Principal activities
(94)	天津普利達房地產建設開發有限公司	PRC	Limited liability company	RMB600,000	**70%**	100%	(i), (iii)	Land and property development
(95)	合肥啟迪厚德置業有限公司	PRC	Limited liability company	RMB50,000	**30%**	–	(ii), (iii)	Land and property development
(96)	遠洋(海南)產業發展有限公司	PRC	Limited liability company	RMB100,000	**30%**	–	(ii), (iii)	Land and property development
(97)	遠洋裝飾工程股份有限公司	PRC	Limited liability company	RMB100,000	**51%**	–	(i), (v)	Renovation service
(98)	佛山市展翰房地產開發有限公司	PRC	Limited liability company	RMB100,000	**50%**	–	(iii)	Land and property development
(99)	山東遠宏投資置業有限公司	PRC	Limited liability company	RMB10,000	**60%**	–	(i) ,(iii)	Land and property development
(100)	天津熙合供應鏈服務有限公司	PRC	Limited liability company	RMB5,000	**50%**	–	(iv)	Investment holding
(101)	Active Growth Ventures Limited	BVI	Limited liability company	USD–	**50%**	–	(ii), (iii)	Land and property development
(102)	Sino-Ocean Logistics Property Holding Limited	Cayman Islands	Limited liability company	HKD2	**30%**	–	(ii), (iii)	Land and property development
(103)	Sino-Ocean Prime Office Partners I LP	Cayman Islands	Limited partnership	USD1,400,000	**28.57%**	–	(ii), (iii)	Investment property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held by the Group as at 31 December 2021, all of which are unlisted (Continued):

(i) Although the Group holds more than 50% of the equity shares of these entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of these entities. Accordingly, these entities are considered as joint ventures of the Group by the directors.

(ii) Although the Group holds less than 50% of the equity shares of these entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of these entities. Accordingly, these entities are considered as joint ventures of the Group by the directors.

(iii) Investments in these joint ventures provide more business opportunities in property development and investment properties.

(iv) Investments in these joint ventures provide more business opportunities in real estate investment activities.

(v) Investments in these joint ventures provide more business opportunities for the Group in other business activities.

(vi) As at 31 December 2021, the Group has the outstanding capital commitment to joint ventures amounting to approximately RMB2,433,210,000 (2020: RMB1,315,378,000).

(b) Individually immaterial joint venture

The directors considered that none of the joint ventures individually are material to the Group. The Group's interests in individually immaterial joint ventures that are accounted for using the equity method:

	2021 **RMB'000**	2020 RMB'000
Aggregate carrying amount of individually immaterial joint ventures	**25,290,806**	21,218,447
Aggregate amounts of the Group's share of:		
Profit from continuing operations	**1,572,808**	982,999
Total comprehensive income	**1,572,808**	982,999

15 INVESTMENTS IN ASSOCIATES

	Year ended 31 December 2021 RMB'000	2020 RMB'000
At beginning of the year	**6,696,748**	6,846,347
Capital injection	**575,681**	822,584
Disposal	**–**	(768,312)
Transfer to financial assets at fair value through other comprehensive income	**–**	(457,177)
Dividend	**(682,213)**	(142,299)
Increase due to disposal of interest in subsidiaries	**101,801**	374,121
Deemed disposal of associate	**(486,639)**	(223,472)
Share of results of associates — after adjustment for unrealized profit or loss from inter-company transactions between the Group and the associates	**562,920**	318,169
Currency translation difference	**(37,363)**	(73,213)
At end of the year	**6,730,935**	6,696,748

(a) Following are the details of part of the associates of the Group at 31 December 2021:

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of the relationship	Principal activities
(1)	Guoshou Yuantong Real Estate Company Limited 國壽遠通置業有限公司	PRC	Limited liability company	RMB2,500,000	**10%**	10%	(i) ,(ii)	Investment property development
(2)	Beijing Shengyong Property Development and Investment Company Limited 北京盛永置業投資有限公司	PRC	Limited liability company	RMB500,000	**35%**	35%	(ii)	Investment property development
(3)	CIGIS (China) Company Limited 建設綜合勘察研究設計院有限公司	PRC	Limited liability company	RMB50,000	**35%**	35%	(iii)	Survey and design
(4)	Chongqing Yuanteng Real Estate Development Limited 重慶遠騰房地產開發有限公司	PRC	Limited liability company	RMB1,100,000	**42.5%**	42.5%	(ii)	Land and property development
(5)	北京興佰君泰房地產開發有限公司	PRC	Limited liability company	RMB90,000	**21%**	21%	(ii)	Land and property development
(6)	北京達成光遠置業有限公司	PRC	Limited liability company	RMB100,000	**23%**	23%	(ii)	Land and property development

15 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of part of the associates of the Group at 31 December 2021 (Continued):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of the relationship	Principal activities
(7)	廣州宏軒房地產開發有限公司	PRC	Limited liability company	RMB300,000	**16.66%**	16.66%	(i) ,(ii)	Land and property development
(8)	廣州宏嘉房地產開發有限公司	PRC	Limited liability company	RMB300,000	**16.66%**	16.66%	(i) ,(ii)	Land and property development
(9)	廣州璟曄房地產開發有限公司	PRC	Limited liability company	RMB300,000	**16.66%**	16.66%	(i) ,(ii)	Land and property development
(10)	Beijing Capital Grand Limited. 首創鉅大有限公司	Cayman Islands	Limited liability company	HKD20,345	**9.9%**	9.9%	(i) ,(ii)	Land and property development
(11)	重慶遠朗房地產開發有限公司	PRC	Limited liability company	RMB233,540	**50%**	50%	(ii)	Land and property development
(12)	杭州北晨房地產開發有限公司	PRC	Limited liability company	RMB100,000	**50%**	50%	(ii)	Land and property development
(13)	武漢遠駿置業有限公司	PRC	Limited liability company	RMB50,000	**34%**	34%	(ii)	Land and property development
(14)	天津中建致恒地產有限公司	PRC	Limited liability company	RMB70,000	**42.86%**	42.86%	(ii)	Land and property development
(15)	石家庄安聯房地產開發有限公司	PRC	Limited liability company	RMB20,000	**30%**	30%	(ii)	Land and property development
(16)	成都青銅滙股權投資基金合夥企業(有限合夥)	PRC	Limited liability partnership	RMB700,000	**42.86%**	42.86%	(iv)	Investment management
(17)	北京瑞成永創科技有限公司	PRC	Limited liability company	RMB50,000	**22.2%**	22.2%	(v)	Scientific research and technical services
(18)	南昌國遠盈潤置業有限公司	PRC	Limited liability company	RMB98,000	**49%**	49%	(ii)	Land and property development
(19)	北京融德房地產開發有限公司	PRC	Limited liability company	RMB1,388,000	**49%**	49%	(ii)	Land and property development
(20)	Coldwest Fund I LP	Cayman Islands	Limited partnership	USD105,000	**47.62%**	47.62%	(iv)	Investment management
(21)	Delos China (HK) Limited	Hong Kong	Limited company	USD16,000	**25%**	25%	(ii)	Healthy renovation service
(22)	北京融平企業管理服務有限公司	PRC	Limited liability company	RMB1,388,000	**49%**	49%	(iii)	Land and property development

15 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of part of the associates of the Group at 31 December 2021 (Continued):

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020	Nature of the relationship	Principal activities
(23)	上海棟鼎企業管理有限公司	PRC	Limited liability company	RMB30,000	**49%**	49%	(iv)	Investment property development
(24)	北京誼城置業有限公司	PRC	Limited liability company	RMB10,000	**21%**	21%	(ii)	Land and property development
(25)	Fortune Joy Ventures Limited	BVI	Limited liability company	USD580,000	**49%**	49%	(v)	Investment management
(26)	上饒市棕遠生態環境有限公司	PRC	Limited liability company	RMB320,000	**28.98%**	28.98%	(v)	Environmental governance
(27)	北京遠創置業有限公司	PRC	Limited liability company	RMB300,000	**51%**	51%	(ii)	Land and property development
(28)	北京金開旭泰房地產開發有限公司	PRC	Limited liability company	RMB1,360,000	**16%**	16%	(i) ,(ii)	Land and property development
(29)	北京駿洋時代置業有限公司	PRC	Limited liability company	RMB320,000	**51%**	51%	(ii)	Land and property development
(30)	納什空間創業科技(北京)有限公司	PRC	Limited liability company	RMB73,000	**20%**	20%	(iv)	Office services
(31)	Gemini Investments (Holdings) Limited 盛洋投資(控股)有限公司	Hong Kong	Limited company	HKD22,550	**25%**	25%	(vi)	Investment management
(32)	石家庄遠福房地產開發有限公司	PRC	Limited liability company	RMB10,000	**40%**	–	(ii)	Investment property development
(33)	佛山市遠凱房地產開發有限公司	PRC	Limited liability company	RMB50,000	**49%**	–	(ii)	Investment property development
(34)	重慶遠基房地產開發有限公司	PRC	Limited liability company	RMB667,000	**40%**	50%	(ii) ,(iii)	Land and property development

15 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of part of the associates of the Group at 31 December 2021 (Continued):

Among the associates mentioned above, Beijing Capital Grand Limited and Gemini Investments (Holdings) Limited are listed on Stock Exchange of Hong Kong Limited, the quoted fair value and carrying amount of these associates are presented as below:

Name	Country of incorporation and operation	Legal status	Quoted market value		Carrying amount	
			2021 **RMB'000**	2020 RMB'000	**2021** **RMB'000**	2020 RMB'000
(1) Beijing Capital Grand Limited	Cayman Islands and PRC	Limited liability company	**79,000**	81,000	**96,040**	132,014
(2) Gemini Investments (Holdings) Limited	Hong Kong	Limited company	**84,000**	153,000	**202,033**	154,095

Even though quoted market values of equity investments mentioned above are less than carrying amounts respectively, the recoverable amounts, which are determined by the value-in-use of net assets of these companies attributable to the Group, are higher than the carrying amounts respectively, no impairment charge is recognised for the investments.

(i) Although the Group holds less than 20% of the equity shares of these entities, the Group exercises significant influence under the contractual agreements in the strategic financial and operating policy decisions of these companies.

(ii) Investments in these associates provide more business opportunities in property development.

(iii) Investments in these associates provide more opportunities to involve in related services to support property development, such as architectural design and property management.

(iv) Investments in these associates provide more business opportunities in real estate investment activities.

(v) Investments in these associates provide more business opportunities in other activities.

(vi) As at 31 December 2021, the Group has the outstanding capital commitment to associates amounting to approximately RMB496,566,000 (2020: RMB296,244,000).

(b) Individually immaterial associates

The directors considered that none of the associates individually are material to the Group. The Group's interests in individually immaterial associates that are accounted for using the equity method:

	2021 **RMB'000**	2020 RMB'000
Aggregate carrying amount of individually immaterial associates	**6,730,935**	6,696,748
Aggregate amounts of the Group's share of:		
Profit from continuing operations	**562,425**	257,558
Total comprehensive income	**562,425**	257,558

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables and prepayments	**90,476,807**	63,486,576
Less: Prepayments	**(10,897,431)**	(8,320,514)
— Trade and other receivables and prepayments excluding prepayments	**79,579,376**	55,166,062
— Restricted bank deposits	**5,423,573**	4,799,837
— Cash and cash equivalents (Note 24)	**21,655,471**	39,129,442
Financial assets at fair value through other comprehensive income (Note 17)	**6,234,811**	6,751,919
Financial assets at fair value through profit or loss (Note 18)	**5,487,261**	5,074,930
	118,380,492	110,922,190
Financial liabilities		
Liabilities at amortised cost:		
— Borrowings (Note 31)	**92,224,462**	82,203,728
— Lease liabilities (Note 8)	**427,073**	147,931
— Trade and other payables excluding tax payables	**49,310,199**	54,359,775
Financial liabilities at fair value through profit or loss (Note 35)	**384,193**	190,053
	142,345,927	136,901,487

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

(ii) Equity investments at fair value through other comprehensive income

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Listed securities (a)	**290,823**	488,890
Unlisted securities (b)	**5,943,988**	6,263,029
	6,234,811	6,751,919
Less: Non-current portion	**(6,234,811)**	(6,751,919)
Current portion	**–**	–

(a) Investment in listed equity securities is stated at fair value based on the quoted price of the equity securities.

(b) Investment in unlisted equity securities are denominated in HKD and RMB. For the valuation of unlisted equity securities, please refer to Note 4.3.

The following table presents the changes in equity investments at fair value through other comprehensive income for the year ended 31 December 2021:

	Equity investments at fair value through other comprehensive income RMB'000
Opening balance	**6,751,919**
Fair value losses	**(306,251)**
Disposal	**(147,958)**
Currency translation difference	**(62,899)**
Closing balance	**6,234,811**

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

(ii) Equity investments at fair value through other comprehensive income (Continued)

The following table presents the changes in equity investments at fair value through other comprehensive income for the year ended 31 December 2020:

	Equity investments at fair value through other comprehensive income RMB'000
Opening balance	2,715,647
Fair value losses	(23,269)
Increase due to disposal of a subsidiary	3,643,025
Increase due to deemed disposal of an associate (Note 15)	457,177
Currency translation difference	(40,661)
Closing balance	6,751,919

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI, and
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(i) Classification of financial assets at fair value through profit or loss (Continued)

Financial assets mandatorily measured at FVPL include the following:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investment in fund and bond investments	**4,839,591**	4,756,524
Investment in other unlisted equity securities	**290,548**	307,246
Investment in listed equity securities	**10,473**	11,160
Derivative financial instruments (Note 47)	**346,649**	–
	5,487,261	5,074,930
Less: Non-current portion	**(4,924,143)**	(5,063,770)
Current portion	**563,118**	11,160

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains — net" in the income statement.

(ii) Amounts recognised in profit or loss

During the year, the following (losses)/gains were recognised in profit or loss:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value (losses)/gains recognised in other gains — net	**(317,528)**	516,728

(iii) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in Note 4.1. For information about the methods and assumptions used in determining fair value please as to Note 4.3.

19 PROPERTIES UNDER DEVELOPMENT

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**74,718,502**	60,378,181
Additions	**65,388,687**	63,341,934
Transfer from property, plant and equipment (Note 7)	**613,291**	23,948
Transfer from investment properties (Note 12)	**95,476**	–
Disposal of interests in subsidiaries	**(9,270,878)**	(8,345,752)
Provision for impairment	**(96,790)**	(262,720)
Transfer to property, plant and equipment (Note 7)	**–**	(211,360)
Transfer to completed properties held for sale	**(49,734,610)**	(39,965,841)
Recognised in cost of sales	**(379,413)**	(239,888)
At end of the year	**81,334,265**	74,718,502
Properties under development comprises:		
Land use rights	**46,188,044**	45,826,754
Construction costs and capitalized expenditure	**25,247,808**	21,215,934
Interest capitalized	**9,898,413**	7,675,814
	81,334,265	74,718,502

Properties under development are mainly located in the PRC. As at 31 December 2021, properties under development of approximately RMB17,065,869,000 (2020: RMB8,975,042,000) were pledged as collateral for the Group's borrowings.

All properties under development are expected to be completed within the normal operating cycle of the Group, in which approximately RMB52,667,783,000 (2020: RMB47,821,507,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

20 LAND DEVELOPMENT COST RECOVERABLE

Land development cost recoverable refers to capitalised costs on primary land development projects. The land use right certificates belong to the government for these projects. Main activities for primary land development projects included house dismantlement and land leveling works, in order to make sure the land is connected to water, gas, and electric power supplies.

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables (a)	**6,036,278**	4,224,342
Other receivables and prepayments (b)	**84,440,529**	59,262,234
	90,476,807	63,486,576
Less: non-current portion	**(12,506,992)**	(12,289,424)
Current portion	**77,969,815**	51,197,152

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**6,186,858**	4,373,540
Less: provision for impairment of trade receivables	**(150,580)**	(149,198)
	6,036,278	4,224,342
Less: non-current portion	**–**	–
Current portion	**6,036,278**	4,224,342

Proceeds from services and sales rendered are to be received in accordance with the term of respective agreement, and the credit term is very short. An ageing analysis of trade receivables mainly based on invoice or bills issuance date at the respective balance sheet dates is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 6 months	**3,747,552**	2,765,858
Between 6 months to 1 year	**980,880**	865,767
Between 1 year to 2 years	**1,144,667**	606,844
Between 2 years to 3 years	**214,573**	80,743
Over 3 years	**99,186**	54,328
	6,186,858	4,373,540

As at 31 December 2021, no trade receivables (2020: nil) were pledged as collateral for the Group's borrowings.

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	**(149,198)**	(132,932)
Provision for receivable impairment	**(57,406)**	(46,963)
Write-off	**56,024**	30,697
At 31 December	**(150,580)**	(149,198)

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments

	As at 31 December					
	2021			2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Entrusted loans due from joint ventures (i)	**2,399,956**	**5,632,615**	**8,032,571**	708,680	5,659,756	6,368,436
Entrusted loans due from associates (ii)	**5,130,863**	**38,015**	**5,168,878**	160,384	3,434,933	3,595,317
Entrusted loans due from third parties (iii)	**1,933,947**	**1,629,544**	**3,563,491**	749,767	1,027,967	1,777,734
Entrusted loan due from non-controlling interests (iv)	**15,000**	**310,000**	**325,000**	312,700	325,000	637,700
Amounts due from joint ventures (v)	**24,902,831**	**1,906,179**	**26,809,010**	18,329,200	–	18,329,200
Amounts due from non-controlling interests (v)	**8,307,710**	**–**	**8,307,710**	5,215,269	–	5,215,269
Amounts due from associates (v)	**7,722,884**	**–**	**7,722,884**	2,944,124	–	2,944,124
Amounts due from third parties (iii)	**2,500,802**	**–**	**2,500,802**	1,998,467	–	1,998,467
	52,913,993	**9,516,353**	**62,430,346**	30,418,591	10,447,656	40,866,247
Less: provision for impairment	**(192,548)**	**(31,686)**	**(224,234)**	(129,838)	–	(129,838)
	52,721,445	**9,484,667**	**62,206,112**	30,288,753	10,447,656	40,736,409
Receivables from government (vi)	**2,547,202**	**–**	**2,547,202**	2,702,459	–	2,702,459
Payment for the cooperation of potential properties development projects (vii)	**2,778,550**	**–**	**2,778,550**	2,048,222	1,025,010	3,073,232
Receivables from disposal of interest in subsidiaries	**8,004**	**2,586,295**	**2,594,299**	1,018,951	–	1,018,951
Other receivables	**3,335,039**	**200,000**	**3,535,039**	3,303,168	200,000	3,503,168
	8,668,795	**2,786,295**	**11,455,090**	9,072,800	1,225,010	10,297,810
Less: provision for impairment	**(84,882)**	**(33,222)**	**(118,104)**	(92,499)	–	(92,499)
	8,583,913	**2,753,073**	**11,336,986**	8,980,301	1,225,010	10,205,311
Tax prepayments	**9,573,304**	**2,060**	**9,575,364**	6,398,941	199,626	6,598,567
Other prepayments	**1,054,875**	**267,192**	**1,322,067**	1,304,815	417,132	1,721,947
	10,628,179	**269,252**	**10,897,431**	7,703,756	616,758	8,320,514
Total other receivables and prepayments	**71,933,537**	**12,506,992**	**84,440,529**	46,972,810	12,289,424	59,262,234

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments (Continued)

(i) Entrusted loans due from joint ventures are unsecured, interest bearing from 3.38% to 13% (2020: from 3.38% to 13%) per annum. Balances of approximately RMB2,399,956,000 (2020: RMB708,680,000) are repayable within one year. The remaining balances of approximately RMB5,632,615,000 (2020: RMB5,659,756,000) are repayable after one year and included in the non-current portion.

(ii) Entrusted loans due from associates are unsecured, interest bearing from 4.28% to 15% (2020: from 8% to 15%) per annum. Balances of approximately RMB5,130,863,000 (2020: RMB160,384,000) are repayable within one year. The remaining balances of approximately RMB38,015,000 (2020: RMB3,434,933,000) are repayable after one year and included in the non-current portion.

(iii) Entrusted loans and amounts due from third parties represent amounts paid to joint ventures and associates of the Group's joint ventures and associates in order to support the development of their real estate projects. As the Group has no direct equity interests in these companies to which the amounts paid are classified as entrusted loans and amounts due from third parties.

As at 31 December 2021 and 2020, entrusted loans to third parties comprised:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Unsecured loans	**3,563,491**	1,777,734
Less: Non-current portion	**(1,629,544)**	(1,027,967)
	1,933,947	749,767

- Unsecured loans bear interest ranging from 5.50% to 13% (2020: from 5.50% to 13%) per annum.

Amounts due from third parties are unsecured, interest free, and repayable on demand.

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments (Continued)

(iv) Entrusted loans due from non-controlling interests are unsecured, bearing interest from 7% to 10% (2020: from 8% to 9%) per annum. Balances of approximately RMB15,000,000 (2020: RMB312,700,000) are repayable within one year. The remaining balances of approximately RMB310,000,000 (2020: RMB325,000,000) are repayable after one year and included in the non-current portion.

(v) Amounts due from joint ventures, associates and non-controlling interests are unsecured, interest free, and repayable on demand.

(vi) Receivables from government mainly represent payments made for land development cost, deposits paid to government in the activities of land purchasing, and funds to government for cooperation intention in real estate project development, which will be subsequently reimbursed by the government.

(vii) Amounts mainly represent the payment for cooperation of potential properties development projects. As at 31 December 2021, such cooperation is still in negotiation stage. Balances of approximately RMB150,000,000 (2020: RMB1,375,010,000) are unsecured, interest bearing 8.8% (2020: from 5% to 8.8%) per annum. The remaining balances of approximately RMB2,628,550,000 (2020: RMB1,698,222,000) are unsecured and interest free. Balances of approximately RMB2,778,550,000 (2020: RMB2,048,222,000) are repayable on demand.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables and prepayments are mainly denominated in RMB.

The carrying amounts of trade and other receivables and prepayments approximate their respective fair values as at 31 December 2021 and 2020.

22 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leasehold lands with lease terms between 40 to 70 years.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Completed properties held for sale comprised:		
Land use rights	**8,539,796**	4,869,447
Construction costs and capitalised expenditure	**11,656,138**	10,537,928
Interest capitalised	**3,302,369**	2,667,367
	23,498,303	18,074,742

Movements on the provision for impairment of completed properties held for sale are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**340,390**	620,733
Addition	**125,629**	176,525
Write-off upon sales of completed properties held for sale	**(228,995)**	(456,868)
At end of the year	**237,024**	340,390

As at 31 December 2021, completed properties held for sale of approximately RMB250,000,000 (2020: RMB513,727,000) were pledged as collateral for the Group's borrowings.

23 RESTRICTED BANK DEPOSITS

Restricted bank deposits are mainly denominated in RMB, which are guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balances also include guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements. The effective interest rate on restricted bank deposits ranging from 0.30% to 0.35% per annum for the year ended 31 December 2021.

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank and in hand	**21,644,415**	34,086,609
Short-term bank deposits	**11,056**	5,042,833
Cash and cash equivalents	**21,655,471**	39,129,442
Denominated in:		
— RMB	**18,697,399**	35,422,378
— HKD	**164,271**	2,090,101
— USD	**2,793,801**	1,616,952
— Other currencies	**–**	11
	21,655,471	39,129,442

The Group's cash and cash equivalents denominated are deposited with banks in the Mainland China and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within the PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

25 CAPITAL

	Number of ordinary shares	Share capital HKD'000	Equivalent share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
Opening balance 1 January 2021	**7,616,095,657**	**30,413,634**	**27,329,232**	**–**	**27,329,232**
Issue of shares pursuant to exercise of employee share options	**–**	**–**	**–**	**–**	**–**
Vesting of shares under Restricted Share Award Scheme	**–**	**–**	**–**	**–**	**–**
	7,616,095,657	**30,413,634**	**27,329,232**	**–**	**27,329,232**
Restricted Share Award Scheme (a)					
Opening balance 1 January 2021	**(54,364,745)**	**–**	**–**	**(179,840)**	**(179,840)**
Shares purchased during the year	**(7,000,000)**	**–**	**–**	**(9,653)**	**(9,653)**
Vesting of shares under Restricted Share Award Scheme	**42,914,543**	**–**	**–**	**137,176**	**137,176**
	(18,450,202)	**–**	**–**	**(52,317)**	**(52,317)**
At 31 December 2021	**7,597,645,455**	**30,413,634**	**27,329,232**	**(52,317)**	**27,276,915**

25 CAPITAL (Continued)

	Number of ordinary shares	Share capital HKD'000	Equivalent share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
Opening balance 1 January 2020	7,616,095,657	30,413,634	27,329,232	–	27,329,232
Issue of shares pursuant to exercise of employee share options	–	–	–	–	–
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–
	7,616,095,657	30,413,634	27,329,232	–	27,329,232
Restricted Share Award Scheme (a)					
Opening balance 1 January 2020	(49,800,640)	–	–	(167,227)	(167,227)
Shares purchased during the year	(5,221,555)	–	–	(14,831)	(14,831)
Vesting of shares under Restricted Share Award Scheme	657,450	–	–	2,218	2,218
	(54,364,745)	–	–	(179,840)	(179,840)
At 31 December 2020	7,561,730,912	30,413,634	27,329,232	(179,840)	27,149,392

(a) On 22 March 2010, the Board of the Company resolved to adopt a Restricted Share Award Scheme, the purpose of the Scheme is to recognise and motivate the contribution of certain employees and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Restricted Share Award Scheme was administered by an independent trustee appointed by the Group, the trustee shall purchase from the market such number of shares awarded as specified by the Board of the Company and shall hold such shares until they are vested in accordance with the Restricted Share Award Scheme Rules. When the selected employee has satisfied all vesting conditions specified by the Board of the Company at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that employee.

25 CAPITAL (Continued)

Movements in the number of awarded shares for the years ended 31 December 2021 and 2020 are as follows:

	Shares (thousands)
At 1 January 2021	**68,663**
Granted	**–**
Vested	**(42,915)**
At 31 December 2021	**25,748**
At 1 January 2020	658
Granted	68,663
Vested	(658)
At 31 December 2020	68,663

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The outstanding awarded shares as of 31 December 2021 were divided into several tranches on an equal basis as at their grant dates. The outstanding awarded shares will be exercised after a specified period ranging from one to three years from the grant date.

26 RETAINED EARNINGS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	**26,098,570**	23,877,717
Profit for the year	**2,729,143**	2,866,283
Dividends relating to 2019	**–**	(181,298)
Dividends relating to 2020 (Note 43)	**(571,239)**	(416,333)
Dividends relating to 2021 (Note 43)	**(347,595)**	–
Transfer to statutory reserve fund	**(24,092)**	(47,799)
At 31 December	**27,884,787**	26,098,570

27 RESERVES

	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted Share Award Scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2021	(763,427)	1,572,845	381,820	(1,113,259)	591,595	68,854	(337,454)	400,974
Fair value losses on financial assets at fair value through other comprehensive income	–	–	–	(307,251)	–	–	–	(307,251)
Deferred hedging gains and losses	–	–	–	–	–	–	5,171	5,171
Currency translation differences	–	–	386,087	–	–	–	–	386,087
Expense on share-based payment	–	–	–	–	23,694	48,466	–	72,160
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–	(137,176)	–	(137,176)
Transfer from retained earnings	–	24,092	–	–	–	–	–	24,092
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	–	–	–	12,545	12,545
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	(544,493)	(544,493)
At 31 December 2021	(763,427)	1,596,937	767,907	(1,420,510)	615,289	(19,856)	(864,231)	(87,891)

27 RESERVES (Continued)

	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted Share Award Scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2020	(763,427)	1,525,046	(387,228)	(1,092,650)	436,790	2,158	(853,225)	(1,132,536)
Fair value losses on financial assets at fair value through other comprehensive income	–	–	–	(20,609)	–	–	–	(20,609)
Deferred hedging gains and losses	–	–	–	–	–	–	(62,017)	(62,017)
Currency translation differences	–	–	769,048	–	–	–	–	769,048
Expense on share-based payment	–	–	–	–	154,805	68,914	–	223,719
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–	(2,218)	–	(2,218)
Transfer from retained earnings	–	47,799	–	–	–	–	–	47,799
Contribution from non-controlling interests	–	–	–	–	–	–	627,755	627,755
Cancellation of convertible preferred shares issued by the subsidiary	–	–	–	–	–	–	(44,001)	(44,001)
Decrease in non-controlling interests as a result of disposal of subsidiaries	–	–	–	–	–	–	(12,328)	(12,328)
Increase in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	6,362	6,362
At 31 December 2020	(763,427)	1,572,845	381,820	(1,113,259)	591,595	68,854	(337,454)	400,974

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

28 SHARE OPTIONS

The establishment of the Group's shares schemes plan was approved on 3 September 2007 and 6 August 2018, respectively by the shareholders. The share option plan is designed to provide long-term incentives for senior managers and above to deliver long-term shareholder returns. Under the schemes, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Share options granted from 2015 to 2017 are granted to several directors and to selected employees, in which 40% of the options are exercisable after 1 year from the grant date; additional 30% of the options are exercisable after 2 years from the grant date, and remaining 30% of the options are exercisable after 3 years from the grant date.

Share options granted from 2018 to 2019 are granted to several directors and to selected employees, in which 50% of the options are exercisable after 1 year from the grant date, and remaining 50% of the options are exercisable after 2 years from the grant date.

Share options granted in 2020 are granted to several directors and to selected employees, in which 50% of the options are exercisable after 1 year from the grant date, and remaining 50% of the options are exercisable after 2 years from the grant date.

The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price per share (HKD)	**Shares (thousands)**
At 1 January 2021	**3.63**	**873,119**
Lapsed during the year	**3.82**	**(88,490)**
At 31 December 2021	**3.60**	**784,629**

Out of the 784,629,000 outstanding options (2020: 873,119,000), 783,129,000 (2020: 870,119,000) were exercisable as at 31 December 2021.

As a result of the options exercised during the year ended 31 December 2021, Nil ordinary shares (2020: Nil) were issued by the Company. The weighted average price of the shares at 2021 was HKD3.62 per share.

28 SHARE OPTIONS (Continued)

Share options outstanding as at 31 December 2021 have the following expiry dates and exercise prices:

Expiry date	Exercise price per share (HKD)	Shares (thousands)
24-Aug-2022	4.700	40,500
04-Sep-2023	3.960	232,600
27-Mar-2024	3.370	508,529
25-Mar-2025	2.106	3,000
		784,629

29 CAPITAL SECURITIES

On 21 September 2017, Sino-Ocean Land Treasure III Limited ("Sino-Ocean Land III"), a wholly owned subsidiary, issued perpetual subordinated guaranteed capital securities ("capital securities"), which are callable, with initial aggregate principal amount of approximately USD 600,000,000.

The capital securities have no maturity date, and the payments of distribution of such capital securities can be deferred at the discretion of Sino-Ocean Land III. When Sino-Ocean Land III and the Company elects to declare dividends to their shareholders, Sino-Ocean Land III should make a distribution at an initial rate of 4.9% per annum, as defined in the subscription agreement. Such capital securities are guaranteed by the Company.

30 CAPITAL INSTRUMENT

(a) On 18 and 25 February 2020, Sino-Ocean Holding Group (China) Limited ("Sino-Ocean Holding"), a wholly owned subsidiary, issued capital instruments, which are callable only at the Company's discretion. As at 31 December 2021, the carrying amount from the capital instrument amounted to approximately RMB3,378,000,000. The capital instrument have no maturity date, and the payments of distribution of such capital instrument can be deferred at the discretion of Sino-Ocean Holding. When Sino-Ocean Holding and the Company elect to declare dividends to their shareholders, Sino-Ocean Holding should make a distribution to the holders of the capital instrument at the distribution rate as defined in the subscription agreement.

(b) On 26 June 2019, Sino-Ocean Holding issued a capital instrument, which is callable only at the Company's discretion. As at 31 December 2021, the carrying amount from the capital instrument amounted to approximately RMB981,000,000. The capital instrument have no maturity date, and the payments of distribution of such capital instrument can be deferred at the discretion of Sino-Ocean Holding. When Sino-Ocean Holding and the Company elect to declare dividends to their shareholders, Sino-Ocean Holding should make a distribution to the holders of the capital instrument at the distribution rate as defined in the subscription agreement.

31 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Bank borrowings (a)	**27,691,263**	20,627,366
Other borrowings (b)	**45,865,571**	35,642,489
Total non-current borrowings	**73,556,834**	56,269,855
Current		
Current portion of long-term bank borrowings (a)	**3,427,455**	3,317,423
Current portion of long-term other borrowings (b)	**13,841,064**	21,469,137
Short-term bank borrowings (a)	**1,297,767**	647,313
Short-term other borrowings (b)	**101,342**	500,000
Total current borrowings	**18,667,628**	25,933,873
Total borrowings	**92,224,462**	82,203,728

(a) As at 31 December 2021, bank borrowings amounting to approximately RMB12,235,636,000 were secured by investment properties, property, plant and equipment, properties under development, completed properties held for sale and equity interest in certain subsidiaries of the Group.

As at 31 December 2020, bank borrowings amounting to approximately RMB5,012,388,000 were secured by investment properties, properties under development, completed properties held for sale and equity interest in certain subsidiaries of the Group.

31 BORROWINGS (Continued)

(b) Other borrowings

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bond issuance (i)	**28,024,025**	29,303,139
Guaranteed notes (ii)	**21,536,630**	21,890,554
Borrowings from trust companies (iii)	**5,995,250**	3,276,900
Asset-backed securitisation (iv)	**3,184,599**	2,564,173
Borrowings from a non-controlling interest (v)	**1,067,473**	576,860
	59,807,977	57,611,626
Less: non-current portion	**(45,865,571)**	(35,642,489)
Current portion	**13,942,406**	21,969,137

(i) In 2021, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB1,950,000,000 with coupon rate of 4.06% per year of a term of five years.

In 2021, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB2,600,000,000 with coupon rate of 4.20% per year of a term of five years.

In 2021, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB3,000,000,000 with coupon rate of 4.30% per year of a term of two years.

In 2021, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB3,000,000,000 with coupon rate of 4.60% per year of a term of three years.

In 2020, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB352,000,000 with coupon rate of 4.20% per year of a term of two years.

In 2020, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB500,000,000 with coupon rate of 5.70% per year of a term of two years.

31 BORROWINGS (Continued)

(b) Other borrowings (Continued)

In 2020, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB490,000,000 with coupon rate of 5.20% per year of a term of two years.

In 2020, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB2,000,000,000 with coupon rate of 3.35% per year of a term of three years.

In 2019, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds in an aggregate amount of RMB2,900,000,000 in two series: (i) RMB1,700,000,000 with coupon rate of 4.06% per year of a term of five years; (ii) RMB1,200,000,000 with coupon rate of 4.59% per year of a term of seven years.

In 2018, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB2,000,000,000 with maturity period of 5 years and annual interest rate of 4%.

In 2017, the Company issued the first tranche Medium-term Notes in an aggregate amount of RMB4,000,000,000 in two series: (i) RMB2,000,000,000 with coupon rate of 4.77% per year of a term of three years, which has been repaid in 2020; (ii) RMB2,000,000,000 with coupon rate of 5.05% per year of a term of five years.

In 2017, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB1,000,000,000 with maturity period of 5 years and annual interest rate of 4.29%.

In 2015, Sino-Ocean Holding, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB10,000,000,000. The first phase of the bonds is issued in August with an aggregate principal amount of RMB5,000,000,000 in three series: (i) RMB2,000,000,000 with maturity period of 5 years and annual interest rate of 3.78%, which has been repaid in 2020; (ii) RMB1,500,000,000 with maturity period of 7 years and annual interest rate of 4.15%; (iii) RMB1,500,000,000 with maturity period of 10 years and annual interest rate of 5.00%. The second phase of the bonds is issued in October with an aggregate principal amount of RMB5,000,000,000 in two series: (i) RMB2,000,000,000 with maturity period of 6 years and annual interest rate of 3.85%, which has been repaid in 2021; (ii) RMB3,000,000,000 with maturity period of 10 years and annual interest rate of 4.76%.

31 BORROWINGS (Continued)

(b) Other borrowings (Continued)

(ii) In July 2021, Sino-Ocean Land Treasure IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD320,000,000 with a maturity period of 3.5 years and annual interest rate of 2.70%.

In May 2021, Sino-Ocean Land Treasure IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD400,000,000 with a maturity period of 5 years and annual interest rate of 3.25%.

In January 2020, Sino-Ocean Land Treasure IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD400,000,000 with a maturity period of 10 years and annual interest rate of 4.75%.

In August 2019, Sino-Ocean Land Treasure IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD600,000,000 with a maturity period of 10 years and annual interest rate of 4.75%.

In January 2019, Sino-Ocean Land Treasure IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD500,000,000 with a maturity period of 3 years and annual interest rate of 5.25%.

In January 2015, Sino-Ocean Land Treasure Finance II Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD500,000,000 at a rate of 5.95% per annum due in 2027 (the “2027 Notes”). The notes are unsecured and guaranteed by the Company.

In July 2014, Sino-Ocean Land Treasure Finance I Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD700,000,000 at a rate of 6.00% per annum due in 2024 (the “2024 Notes”).

(iii) Such loans bear interest rate from 4.2% to 10.9% per annum, and loans of approximately RMB3,332,150,000 (2020: RMB1,906,900,000) are repayable after one year are included in non-current portion.

As at 31 December 2021, loans amounting to approximately RMB1,775,250,000 were secured by properties under development and equity interests in a certain subsidiary of the Group.

As at 31 December 2020, loans amounting to approximately RMB1,632,900,000 were secured by properties under development and equity interests in a certain subsidiary of the Group.

31 BORROWINGS (Continued)

(b) Other borrowings (Continued)

(iv) In July 2021, Sino-Ocean Holding entered into asset-backed special agreement with a third-party financing company in the form of asset securitisation. Asset-backed securities are divided into priority level and subprime level with total principal of RMB3,200,000,000 and RMB1,000,000 respectively. The Group held all the subprime level asset-backed securities in the year ended 31 December 2021. The priority level securities were guaranteed by Sino-Ocean Holding, and secured by property, plant and equipment, land use rights and investment properties of the Group. As at 31 December 2021, borrowings of approximately RMB3,184,599,000 of the principal remained outstanding.

(v) Borrowings from a non-controlling interest bear interest rate from 7.00% to 10.00% per annum, and borrowings of approximately RMB800,921,000 (2020: RMB576,860,000) are repayable after one year are included in non-current portion.

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December	
	2021	2020
	Bank and other borrowings	Bank and other borrowings
	RMB'000	RMB'000
Total borrowings		
— Within 1 year	**18,667,628**	25,933,873
— Between 1 and 2 years	**17,353,663**	17,459,404
— Between 2 and 5 years	**46,076,855**	27,004,933
— Over 5 years	**10,126,316**	11,805,518
	92,224,462	82,203,728

31 BORROWINGS (Continued)

(d) The Group's borrowings denominated in RMB, HKD and USD respectively are set out as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Denominated in:		
— RMB	**53,337,727**	43,768,748
— HKD	**14,744,058**	13,756,489
— USD	**24,142,677**	24,678,491
	92,224,462	82,203,728

(e) The weighted average effective annual interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2021	2020
	Interest rate (per annum)	Interest rate (per annum)
Bank borrowings	**4.51%**	3.96%
Other borrowings	**5.17%**	5.53%

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 6 months	**27,751,972**	30,623,445
Between 6 and 12 months	**8,026,880**	9,766,701
Between 1 and 5 years	**46,464,494**	30,161,664
Over 5 years	**9,981,116**	11,651,918
	92,224,462	82,203,728

(g) The fair value of non-current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.51% (2020: 3.96%) and are within Level 2 of the fair value hierarchy.

32 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**1,943,425**	1,322,147
— to be recovered within 12 months	**329,418**	601,758
	2,272,843	1,923,905
Set-off of deferred tax assets pursuant to set-off provisions	**(288,987)**	(151,250)
Net deferred income tax assets	**1,983,856**	1,772,655
Deferred income tax liabilities:		
— to be settled after more than 12 months	**(1,985,640)**	(2,871,063)
— to be settled within 12 months	**(505,345)**	(593,153)
	(2,490,985)	(3,464,216)
Set-off of deferred tax liabilities pursuant to set-off provisions	**288,987**	151,250
Net deferred income tax liabilities	**(2,201,998)**	(3,312,966)
Deferred income tax liabilities, net	**(218,142)**	(1,540,311)

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**1,540,311**	1,507,371
Recognised in profit or loss (Note 41)	**(712,348)**	59,032
Credited to other comprehensive income	**(229)**	(4,503)
Acquisition of subsidiaries, net	**31,527**	11,113
Disposal of interests in subsidiaries	**(641,119)**	(32,702)
At end of the year	**218,142**	1,540,311

32 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Future tax deduction on LAT and other accrued expenses RMB'000	Unrealised gains RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	**1,726,443**	**47,759**	**142,197**	**7,506**	**1,923,905**
(Charged)/credited to profit or loss	**(95,219)**	**284,607**	**162,165**	**–**	**351,553**
Credited to other comprehensive income	**–**	**–**	**–**	**(2,418)**	**(2,418)**
Acquisition of subsidiaries	**–**	**–**	**7,908**	**–**	**7,908**
Disposal of interests in subsidiaries	**–**	**–**	**(8,105)**	**–**	**(8,105)**
At 31 December 2021	**1,631,224**	**332,366**	**304,165**	**5,088**	**2,272,843**
At 1 January 2020	1,299,689	77,348	155,968	3,003	1,536,008
Credited/(charged) to profit or loss	438,261	(45,953)	1,553	–	393,861
Credited to other comprehensive income	–	–	–	4,503	4,503
Disposal of interests in subsidiaries	(11,507)	16,364	(15,324)	–	(10,467)
At 31 December 2020	1,726,443	47,759	142,197	7,506	1,923,905

32 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Depreciation difference RMB'000	Investment properties revaluation RMB'000	Assets revaluation RMB'000	Recognition of revenue over time RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	**(62,291)**	**(1,674,222)**	**(855,516)**	**(516,488)**	**(310,926)**	**(44,773)**	**(3,464,216)**
(Charged)/credited to profit or loss	**(4,286)**	**2,577**	**194,710**	**70,732**	**114,891**	**(17,829)**	**360,795**
Acquisition of subsidiaries	**–**	**–**	**(39,435)**	**–**	**–**	**–**	**(39,435)**
Disposal of interests in subsidiaries	**–**	**502,554**	**146,670**	**–**	**–**	**–**	**649,224**
Credited to other comprehensive income	**–**	**–**	**2,647**	**–**	**–**	**–**	**2,647**
At 31 December 2021	**(66,577)**	**(1,169,091)**	**(550,924)**	**(445,756)**	**(196,035)**	**(62,602)**	**(2,490,985)**
At 1 January 2020	(55,037)	(1,683,527)	(828,826)	(167,795)	(237,887)	(70,307)	(3,043,379)
(Charged)/credited to profit or loss	(7,254)	9,305	(27,212)	(348,693)	(73,039)	(6,000)	(452,893)
Acquisition of subsidiaries (Note 49)	–	–	(11,113)	–	–	–	(11,113)
Disposal of interests in subsidiaries	–	–	11,635	–	–	31,534	43,169
At 31 December 2020	(62,291)	(1,674,222)	(855,516)	(516,488)	(310,926)	(44,773)	(3,464,216)

32 DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognise deferred income tax assets of approximately RMB1,343,655,000 (2020: RMB1,053,360,000) in respect of losses amounting to approximately RMB5,374,620,000 (2020: RMB4,213,440,000) that can be carried forward against future taxable income.

At 31 December 2021, the Group recognised deferred income tax liabilities of approximately RMB196,035,000 (2020: RMB310,926,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining available unremitted earnings of the Group's subsidiaries will be distributed in the foreseeable future according to the distribution and reinvestment plans of the Group. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately RMB1,450,992,000 at 31 December 2021 (2020: RMB3,739,098,000).

33 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables (i)	**20,967,265**	19,685,589
Accrued expenses	**5,773,016**	6,915,241
Amounts due to joint ventures (ii)	**6,292,286**	7,979,029
Amounts due to associates (ii)	**2,035,391**	2,462,410
Amounts due to non-controlling interests (ii)	**2,252,897**	4,419,311
Amounts due to government	**46,003**	135,416
Other taxes payable	**5,944,699**	3,185,649
Deposits received	**5,729,677**	7,324,472
Other payables	**6,213,664**	5,438,307
	55,254,898	57,545,424
Less: non-current portion	**(19,167)**	(18,269)
Current portion	**55,235,731**	57,527,155

The carrying amounts of trade payables and other payables approximate their fair values.

33 TRADE AND OTHER PAYABLES (Continued)

(i) An ageing analysis of the trade payables (including amounts due to related parties of trading in nature) mainly based on the date of invoice is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 6 months	**9,676,634**	9,548,134
Between 6 months to 12 months	**6,150,387**	3,819,304
Between 1 year to 2 years	**4,144,319**	4,728,907
Between 2 years to 3 years	**957,530**	1,085,312
Over 3 years	**38,395**	503,932
	20,967,265	19,685,589

(ii) Amounts due to joint ventures, associates and non-controlling interests are unsecured, interest free, and repayable on demand.

34 CONTRACT LIABILITIES

	2021	2020
	RMB'000	RMB'000
Receipts in advance of pre-sale proceeds directly from property purchasers	**42,348,003**	34,318,360

35 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Derivatives-held for trading		
— Forward foreign exchange contracts	**231,784**	686
Derivatives hedging instrument		
— Forward rate contracts	**152,409**	189,367
	384,193	190,053

During the year, the following losses were recognised in profit or loss:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value losses recognised in other gains — net	**(226,803)**	(30,509)

36 INTEREST AND OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest income from:		
— Bank deposits	**294,780**	129,858
— Entrusted loans	**1,603,611**	1,949,422
Dividend income	**175,637**	226,121
Others	**175,523**	88,587
	2,249,551	2,393,988

37 OTHER GAINS — NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Gains/(losses) on disposal of interests in subsidiaries	**366,452**	(338,396)
Fair value (losses)/gains of financial assets and financial liabilities at fair value through profit or loss	**(544,331)**	486,219
Gains/(losses) on disposal of joint ventures and associates	**7,749**	(73,622)
Gains on deemed disposal of joint ventures and associates	**76,753**	64,072
Gains on disposal of financial assets at fair value through profit or loss	**–**	87,896
Exchange gains	**348,416**	1,213,393
Payment for the settlement of contracted obligations	**(179,154)**	(107,918)
(Losses)/gains on disposal of property, plant and equipment	**(2,570)**	2,223
Other gains	**2,952**	726
	76,267	1,334,593

38 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	**20,702,927**	18,192,150
— Capitalised interest	**5,428,141**	4,420,866
— Construction related cost	**19,617,380**	17,930,857
Cost of up fitting services rendered	**3,654,483**	2,895,285
Direct investment property expenses (Note 12)	**162,633**	71,203
Employee benefit expense (Note 39)	**1,993,772**	1,742,316
Consultancy fee	**477,964**	522,038
Auditor's remuneration	**16,734**	15,484
— Audit services	**11,400**	12,255
— Non-audit services	**5,334**	3,229
Depreciation (Note 7)	**148,488**	61,474
Depreciation of right-of-use assets (Note 8)	**103,651**	77,980
Amortization of land use rights and intangible asset (Notes 9 and 10)	**30,569**	9,495
Advertising and marketing	**1,552,251**	1,074,244
Business taxes and other levies	**405,166**	364,455
Impairment charges	**399,826**	262,720
Derecognition of goodwill (Note 11)	**20,993**	78,037
Office expenditure	**92,848**	75,594
Properties maintenance expenses	**1,160,659**	895,891
Energy expenses	**237,764**	105,035
Others	**402,468**	367,375
	56,608,717	49,162,499

39 EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	**2,251,539**	1,978,395
Retirement benefits contribution	**197,335**	44,373
Share options granted to directors and employees	**23,694**	154,805
Restricted Share Award Scheme	**48,466**	68,914
Other allowances and benefits	**461,456**	370,530
	2,982,490	2,617,017
Less: capitalised in properties under development	**(988,718)**	(874,701)
	1,993,772	1,742,316

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2021 and 2020.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD30,000).

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

39 EMPLOYEE BENEFITS EXPENSE (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2020: three) directors whose emoluments are reflected in the analysis shown in Note 52. The emoluments payable to the remaining two (2020: two) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Basic salaries	**4,250**	4,062
Other benefit	**–**	–
Discretionary bonuses	**1,083**	1,041
Retirement scheme contributions	**368**	257
Share-based payments	**–**	3,462
	5,701	8,822

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
RMB2,489,000 (equivalent to HKD3,000,000) to RMB3,319,000 (equivalent to HKD4,000,000)	**2**	–
RMB3,319,000 (equivalent to HKD4,000,000) to RMB4,149,000 (equivalent to HKD5,000,000)	**–**	1
RMB4,979,000 (equivalent to HKD6,000,000) to RMB5,808,000 (equivalent to HKD7,000,000)	**–**	1
	2	2

(b) During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

40 FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense:		
— Bank borrowings	**1,380,955**	1,027,805
— Other borrowings	**3,230,644**	3,792,991
— Lease Liabilities	**27,712**	11,117
	4,639,311	4,831,913
Less: interest capitalised at a capitalisation rate of 4.96% (2020: 5.10%) per annum	**(2,400,621)**	(2,721,007)
	2,238,690	2,110,906

41 INCOME TAX EXPENSE

Majority of the Group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these Group entities for the years ended 31 December 2021 and 2020. Other Group entities are mainly subject to Hong Kong profits tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**3,396,217**	2,491,100
— PRC land appreciation tax	**2,021,959**	2,817,307
Deferred income tax (Note 32)	**(712,348)**	59,032
	4,705,828	5,367,439

41 INCOME TAX EXPENSE (Continued)

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	**9,797,114**	10,050,314
Adjust for: Share of results of joint ventures	**(1,572,808)**	(982,999)
Share of results of associates	**(562,425)**	(257,558)
	7,661,881	8,809,757
Tax calculated at a tax rate of 25%	**1,915,470**	2,202,439
Effect of higher tax rate for the appreciation of land in the PRC	**1,516,469**	2,112,980
Income not subject to tax	**(10,842)**	(17,239)
Expenses not deductible for tax purposes	**1,136,551**	833,599
Tax losses not recognised	**370,106**	442,972
Utilisation of previously unrecognised tax losses and expenses	**(347,643)**	(360,610)
Reversal of previously recognised deferred income tax assets	**35,127**	92,679
Deductible temporary differences not recognised	**90,590**	60,619
Income tax expense	**4,705,828**	5,367,439

42 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as share held for Restricted Share Award Scheme (Note 25).

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	**2,729,143**	2,866,283
Profit used to determine basic earnings per share (RMB'000)	**2,729,143**	2,866,283
Weighted average number of ordinary shares in issue (thousands)	**7,616,096**	7,616,096
Basic earnings per share (RMB per share)	**0.358**	0.376

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to, assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held for the Restricted Share Award Scheme. For the share options and shares held for the Restricted Share Award Scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options and awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awarded shares.

42 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	**2,729,143**	2,866,283
Profit used to determine diluted earnings per share (RMB'000)	**2,729,143**	2,866,283
Weighted average number of ordinary shares in issue (thousands)	**7,616,096**	7,616,096
Adjustment for: — shares held for the Restricted Share Award scheme (thousands)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**7,616,096**	7,616,096
Diluted earnings per share (RMB per share)	**0.358**	0.376

43 DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interim dividend paid	**347,595**	416,333
Proposed final dividend of RMB0.026 (2020: RMB0.075) per ordinary share (a)	**198,018**	571,207

(a) On 23 March 2022, the Company proposed a final dividend of RMB198,018,000 for the year ended 31 December 2021 and this proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from retained earnings for the year ended 31 December 2021.

44 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**5,091,286**	4,682,875
Adjustments for:		
— Income tax expense (Note 41)	**4,705,828**	5,367,439
— Depreciation (Note 7)	**148,488**	61,474
— Amortization of land use rights (Note 9)	**4,100**	3,246
— Amortization of intangible assets (Note 10)	**26,469**	6,249
— Amortization of right-of-use assets	**8,980**	77,980
— Fair value losses on investment properties (Note 12)	**63,862**	156,045
— Share of results of joint ventures (Note 14)	**(1,329,726)**	(1,008,945)
— Share of results of associates (Note 15)	**(562,920)**	(318,169)
— (Gains)/losses on disposal of joint ventures and an associate (Note 37)	**(7,749)**	73,622
— Gains on deemed disposal of joint ventures and associates (Note 37)	**(76,753)**	(64,072)
— Dividend income (Note 36)	**(175,637)**	(226,121)
— Interest income (Note 36)	**(1,603,611)**	(1,949,422)
— (Gains)/losses on disposal of interests in subsidiaries (Note 37)	**(366,452)**	338,396
— Gains on disposal of financial assets at fair value through profit or loss (Note 37)	**–**	(87,896)
— Losses/(gains) on disposal of property, plant and equipment (Note 37)	**2,570**	(2,223)
— Fair value losses/(gains) on financial assets and financial liabilities at fair value through profit or loss (Note 37)	**544,331**	(486,219)
— Impairment charges (Note 38)	**399,826**	262,720
— Derecognition of goodwill (Note 38)	**20,993**	78,037
— Finance costs (Note 40)	**2,238,690**	2,110,906
— Exchange gains (Note 37)	**(348,416)**	(1,213,393)
— Share-based payments (Note 39)	**72,160**	223,719
	8,856,319	8,086,248

44 CASH FLOW INFORMATION (Continued)

(a) Cash generated from operations (Continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	**(6,683,980)**	(2,323,319)
— Inventories, at cost	**(110,876)**	253,450
— Contract assets	**697,548**	1,777,510
— Trade and other receivables and prepayments	**(15,514,887)**	2,667,227
— Land development cost recoverable	**(14,319)**	(34,655)
— Trade and other payables	**7,697,140**	11,229,677
— Receipts in advance of pre-sale proceeds directly from property purchasers and lessees	**(9,205,328)**	11,043,137
— Properties under development	**16,851,497**	(10,114,246)
— Restricted bank deposits	**(623,736)**	(2,288,154)
Cash generated from operations	**1,949,378**	20,296,875

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net book amount (Note 7)	**13,529**	15,240
(Losses)/gains on disposal of property, plant and equipment (Note 37)	**(2,570)**	2,223
Proceeds from disposal of property, plant and equipment	**10,959**	17,463

44 CASH FLOW INFORMATION (Continued)

(c) The reconciliation of liabilities from financing activities

This section sets out an analysis of liabilities from financing activities and the movements in liabilities from financing activities for each of the periods presented.

	2021 RMB'000	2020 RMB'000
Borrowings-repayable within one year (Note 31)	**(18,667,628)**	(25,933,873)
Borrowings-repayable after one year (Note 31)	**(73,556,834)**	(56,269,855)
Lease liabilities (Note 8)	**(427,073)**	(147,931)
Liabilities from financing activities	**(92,651,535)**	(82,351,659)
Gross debt — fixed interest rates	**(60,230,957)**	(55,282,568)
Gross debt — variable interest rates	**(32,420,578)**	(27,069,091)
Liabilities from financing activities	**(92,651,535)**	(82,351,659)

	Liabilities from financing activities			
	Borrowing due within 1 year RMB'000	Borrowing due after 1 year RMB'000	Lease liabilities RMB'000	Total RMB'000
Liabilities at 31 December 2020	(25,933,873)	(56,269,855)	(147,931)	(82,351,659)
Cash flows	28,538,172	(30,951,202)	109,660	(2,303,370)
Increase due to business combination (Note 48)	(250,620)	(1,317,628)	(288,897)	(1,857,145)
Decrease due to disposal of interests in subsidiaries	–	1,706,417	2,850	1,709,267
Foreign exchange adjustments	125,474	860,826	–	986,300
Increase due to other acquisitions	(7,021,623)	(1,566,003)	(102,755)	(8,690,381)
Other non-cash movements	(14,125,158)	13,980,611	–	(144,547)
Liabilities at 31 December 2021	(18,667,628)	(73,556,834)	(427,073)	(92,651,535)

Other non-cash movement is mainly the reclassification of long-term borrowing and borrowing within 1 year and the amortization of issuing cost of bond and guaranteed notes.

45 FINANCIAL GUARANTEES

(a) The Group had the following financial guarantees as 31 December 2021 and 2020:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**15,825,647**	9,799,686

As at 31 December 2021 and 31 December 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

The Group has not recognised any liabilities in connection with the aforesaid financial guarantee contracts as the directors of the Company are of the view that it is remote for the Group to suffer from any significant losses on these financial guarantee contracts.

(b) As at 31 December 2021, the Group provided guarantees amounted to approximately RMB2,013,070,000 for borrowings of joint ventures and third party (2020: RMB3,307,590,000). Properties under development owned by these joint ventures and associates are the primary collateral of such borrowings.

46 COMMITMENTS

(a) Capital commitments

Capital commitments in respect of development costs attributable to properties under development and land use rights at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Properties under development	**12,702,339**	11,451,720
Commitment of investments	**2,929,776**	1,611,622
Contracted but not provided for	**15,632,115**	13,063,342

(b) Commitments to a joint venture

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Commitments to provide funding to a joint venture for its investment properties development	**8,690,636**	8,769,540

46 COMMITMENTS (Continued)

(c) Operating lease rental receivables

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**420,481**	290,407
Between 1 to 5 years	**401,704**	465,144
Over 5 years	**63,276**	96,775
	885,461	852,326

47 DISPOSAL OF INTERESTS IN SUBSIDIARIES

In October 2021, the Group entered into an agreement with Sino-Ocean Prime Office Partners I LP (the "Partnership"), which is a joint venture of the Group, to dispose 100% equity of Super Goal Development Limited and Beijing Skyriver CBD Property Co., Ltd. (together, the "Disposal Group"), at a total consideration of approximately RMB5,471,177,000. The transaction has been completed on 24 December 2021.

The effect of disposal of interests in the subsidiaries on the equity attributable to owners of the Company is summarized as follows:

	As at 24 December 2021 RMB'000
Consideration:	
The proceeds received in cash of the first stage	**2,538,233**
The discounted amounts of the remaining consideration	**2,586,295**
The fair value of earn-out payments	**346,649**
Total consideration	**5,471,177**
Carrying value of the Disposal Group's net assets disposed — shown as below	**(4,873,375)**
	597,802
Less: Unrealized gain from downstream transaction	**(170,792)**
Gains on disposal of interest in the Disposal Group that resulted in loss of control	**427,010**

(a) According to the disposal agreement, the payment schedule will be divided into a few stages and earn-out payments. In the first stage, the Partnership paid a consideration of approximately RMB2,538,233,000, which has been received by the Group. In the next stages, the Partnership will pay approximately RMB3,376,313,000 in total. Deducting the estimated unrealized financing income of approximately RMB790,018,000, the discounted amount is approximately RMB2,586,295,000. The total amount of earn-out payments will be approximately RMB500,000,000, which was accounted by the Group as financial assets at fair value through profit or loss with an estimate fair value of approximately RMB346,649,000 on 24 December 2021.

47 DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

The assets and liabilities disposed of are as follows:

	As at 24 December 2021 RMB'000
Cash and cash equivalents	682
Property, plant and equipment	18
Investment properties	5,112,000
Properties under development	1,324,329
Trade and other receivables and prepayments	1,009,188
Trade and other payables	(2,075,806)
Deferred income tax liabilities	(497,036)
Net assets disposed	4,873,375
Inflow of cash to dispose the subsidiary, net of cash disposed	
Proceeds received in cash	2,538,233
Cash and cash equivalents in the subsidiary disposed of	(682)
Net cash inflow on disposal	2,537,551

48 BUSINESS COMBINATION

During the year, the significant business combination of the Group is presented as below:

Acquisition of Beijing UNIQloud

As at 31 December 2020, the Group owned 30.08% equity stakes in Beijing UNIQloud Technology Co. Ltd. and its subsidiaries (together, "Beijing UNIQloud"), which was accounted by way of equity method. Beijing UNIQloud principally engaged in construction and integrated operation of large data centre projects in PRC.

In January 2021, in order to expand business opportunities of Beijing UNIQloud, the Group further contribute capital in cash of RMB100,000,000 to Beijing UNIQloud and the Group's equity interest in Beijing UNIQloud increased to 34.72% and pursuant to an acting in concert agreement ("Agreement") dated 1 January 2021 as entered into between the Group and the controlling shareholder (an associate of the Group) of Beijing UNIQloud, the Group obtained the power to govern the significant decisions relating to operating and financing of Beijing UNIQloud. As a result of the change, Beijing UNIQloud became a subsidiary of the Group.

The following table summarises the consideration paid for Beijing UNIQloud, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 1 January 2021 RMB'000
Consideration:	
— Consideration transferred	**100,000**
— Book value of equity interest in Beijing UNIQloud held before business combination	**372,500**
— Deemed disposal gains of equity interest	**51,372**
	523,872
Identifiable net assets acquired	**(309,924)**
Goodwill	**213,948**

48 BUSINESS COMBINATION (Continued)

Recognised amounts of identifiable assets acquired and liabilities acquired

	RMB'000
Cash and cash equivalents	134,632
Financial assets at fair value through profit or loss	39,000
Inventories, at cost	624
Trade receivables	90,450
Other receivables and prepayments	1,122,428
Property, plant and equipment	1,168,604
Right-of-use assets	295,462
Intangible assets	134,617
Deferred income tax assets	7,908
Trade and other payables	(207,627)
Borrowings	(1,568,248)
Lease liabilities	(288,897)
Contract liabilities	(3,555)
Deferred income tax liabilities	(33,755)
Non-controlling interests	(581,719)
Total identifiable net assets	309,924

49 SETTLEMENTS WITH NON-CONTROLLING INTERESTS WITHOUT CHANGE OF CONTROL

During the year ended 31 December 2021, the Group has purchased or subscribed additional equity interests of its non-wholly owned subsidiaries and disposed of certain equity interests to its non-controlling shareholders through certain transactions with non-controlling interests which resulted in the total increase in non-controlling interests of approximately RMB90,991,000 and total decrease in net assets attributable to the owners of the Company of approximately RMB544,493,000.

50 RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere, the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2021 and 2020:

(a) Provision of services to:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
— A shareholder	**33,138**	95,395
— Joint ventures	**2,057,152**	1,997,544
— Associates	**177,689**	537,067
	2,267,979	2,630,006

Provision of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreement.

(b) Purchase of services from:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
A joint venture	**402,859**	–

(c) Investment to a subsidiary of an associate:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Capital injection to Beijing UNIQloud	**–**	380,000

50 RELATED PARTY TRANSACTIONS (Continued)

(d) Transaction with joint ventures:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Total consideration on disposal of subsidiaries to a joint venture (i)	**5,471,177**	–
Total consideration on disposal of a joint venture to a joint venture	**–**	48,000
	5,471,177	48,000

(i) On 24 December 2021, the Group disposed 100% equity of the Disposal Group to the Partnership, which is a joint venture of the Group. See Note 47 for disclosure of the transaction.

(e) Key management compensation:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Salaries and other short-term employee benefits	**39,692**	44,606
Post-employment benefits	**4,271**	5,143
Other long-term welfare	**1,130**	1,074
Share-based payments	**7,707**	24,294
	52,800	75,117

50 RELATED PARTY TRANSACTIONS (Continued)

(f) Year-end balances arising from sales and purchases of properties and services and disposal of interests in subsidiaries:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Receivables from related parties:		
— A shareholder	**6,558**	7,058
— Joint ventures	**3,753,316**	2,972,257
— Associates	**266,878**	357,532
	4,026,752	3,336,847
Advance from related parties:		
— Joint ventures	**13,833**	182
— Associates	**–**	–
	13,833	182
Trade payables due to related parties:		
— A joint venture	**676,200**	8,021
— An associate	**12,393**	6,737
— A shareholder	**38**	–
	688,631	14,758

50 RELATED PARTY TRANSACTIONS (Continued)

(g) Interest income

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Interest received:		
— Joint ventures	**605,738**	492,628
— Associates	**577,931**	349,933
	1,183,669	842,561

(h) Loans to related parties

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Joint ventures:		
At 1 January	**6,368,436**	9,803,165
Loans advanced during year	**12,671,201**	11,325,454
Loans repayments received	**(11,054,439)**	(12,218,187)
Decrease due to disposal of joint ventures	**(3,080)**	(2,316,515)
Increase due to disposal of interests in subsidiaries	**50,453**	965,726
Decrease due to disposal of interest in subsidiaries	**–**	(1,191,207)
interest charged	**605,738**	492,628
Interest received	**(605,738)**	(492,628)
At 31 December (Note 21(b)(i))	**8,032,571**	6,368,436
Associates:		
At 1 January	**3,595,317**	1,431,745
Loans advanced during year	**8,575,581**	2,863,727
Loans repayments received	**(6,857,615)**	(700,155)
Increase due to acquisition of an associate	**10,000**	–
Decrease due to deemed disposal of Associates	**(154,405)**	–
Interest charged	**577,931**	349,933
Interest received	**(577,931)**	(349,933)
At 31 December (Note 21(b)(ii))	**5,168,878**	3,595,317

50 RELATED PARTY TRANSACTIONS (Continued)

(i) Amounts due from related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**18,329,200**	18,654,638
Amounts advanced during year	**52,515,487**	76,101,503
Repayments during year	**(44,080,913)**	(76,996,000)
Increase due to acquisition of joint ventures	**459,543**	–
Decrease due to deemed disposal of joint ventures	**(248,610)**	(229,549)
Increase due to disposal of interests in subsidiaries	**15,391**	856,098
Decrease due to disposal of interests in subsidiaries	**–**	(14,101)
Decrease due to disposal of joint ventures	**(181,088)**	(43,389)
At 31 December (Note 21(b)(v))	**26,809,010**	18,329,200
Associates:		
At 1 January	**2,944,124**	8,901,985
Amounts advanced during year	**17,204,589**	1,631,050
Repayments during year	**(12,533,761)**	(7,737,329)
Increase due to acquisition of associates	**132,568**	–
Decrease due to deemed disposal of associates	**(23,675)**	–
Increase due to disposal of subsidiaries	**–**	414,533
Decrease due to disposal of subsidiaries	**–**	(266,115)
Decrease due to disposal of associates	**(961)**	–
At 31 December (Note 21(b)(v))	**7,722,884**	2,944,124

50 RELATED PARTY TRANSACTIONS (Continued)

(j) Amounts due to related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**7,979,029**	8,791,353
Amounts advanced during year	**12,409,098**	23,625,838
Repayments during year	**(15,759,019)**	(25,303,658)
Increase due to acquisition of Joint ventures	**142,093**	–
Decrease due to deemed disposal of joint ventures	**(4,023)**	(212,849)
Increase due to disposal of interest in subsidiaries	**2,507,439**	1,127,145
Decrease due to disposal of interest in subsidiaries	**–**	(48,800)
Decrease due to disposal of interest in joint ventures	**(982,331)**	–
At 31 December (Note 33(ii))	**6,292,286**	7,979,029
Associates:		
At 1 January	**2,462,410**	3,179,119
Amounts advanced during year	**3,564,740**	2,932,020
Repayments during year	**(3,385,116)**	(3,648,729)
Decrease due to deemed disposal of associates	**(608,594)**	–
Increase due to disposal of interest in associates	**1,972**	–
Decrease due to disposal of interest in associates	**(21)**	–
At 31 December (Note 33(ii))	**2,035,391**	2,462,410

(k) Investment in limited partners' share issued by an associate

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value of investment in limited partners' share issued by an associate	**2,273,742**	2,254,862

(l) Investment in capital instrument issued by associates

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Fair value of investments in capital instruments issued by associates	**5,389,553**	5,690,025

51 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**3,411,545**	3,421,198
Current assets			
Amounts due from subsidiaries		**27,009,383**	33,599,525
Financial assets at fair value through profit or loss		**163,672**	–
Other receivables		**2,060**	2,060
Cash and cash equivalents		**63,891**	197,777
		27,239,006	33,799,362
Total assets		**30,650,551**	37,220,560
EQUITY			
Capital	(a)	**27,329,232**	27,329,232
Reserve	(b)	**939,103**	876,596
Retained earnings	(c)	**265,976**	589,048
Total equity		**28,534,311**	28,794,876
LIABILITY			
Non-current liabilities			
Borrowings		**–**	7,994,892
Current liabilities			
Borrowings		**1,999,436**	–
Other payables		**116,804**	430,792
		2,116,240	430,792
Total liabilities		**2,116,240**	8,425,684
Total equity and liabilities		**30,650,551**	37,220,560

Approved by the Board of Directors of the Company on 23 March 2022 and signed on its behalf by:

LI Ming	**WANG Honghui**
Executive Director	*Executive Director*

51 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Capital movement of the Company

	RMB'000
At 1 January 2021	**27,329,232**
Issue of shares pursuant to exercise of employee share options	**–**
At 31 December 2021	**27,329,232**
At 1 January 2020	27,329,232
Issue of shares pursuant to exercise of employee share options	–
At 31 December 2020	27,329,232

(b) Reserve movement of the Company

	RMB'000
At 1 January 2021	**876,596**
Share based payment	**72,160**
Purchase of shares for Restricted Share Award Scheme	**(9,653)**
At 31 December 2021	**939,103**
At 1 January 2020	667,708
Share based payment	223,719
Purchase of shares for Restricted Share Award Scheme	(14,831)
At 31 December 2020	876,596

51 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(c) Retained earnings

	RMB'000
At 1 January 2021	**589,048**
Profit for the year	**595,762**
Dividends relating to 2020	**(571,239)**
Dividends relating to 2021	**(347,595)**
At 31 December 2021	**265,976**
At 1 January 2020	447,542
Profit for the year	739,137
Dividends relating to 2019	(181,298)
Dividends relating to 2020	(416,333)
At 31 December 2020	589,048

52 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director for the years is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking													
	Year ended 31 December													
	2021							2020						
	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other benefit RMB'000	Subtotal RMB'000	Share-based payments RMB'000	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other benefit RMB'000	Subtotal RMB'000	Share-based payments RMB'000
Chairman														
Mr. Li Ming	–	5,390	1,560	2,952	1,130	11,032	2,457	–	6,273	960	3,872	1,074	12,179	14,455
Executive directors														
Mr. Wang Honghui (ii)	–	2,210	1,205	130	–	3,545	–	–	1,915	1,169	54	–	3,138	785
Mr. Cui Hongjie (ii)	–	2,050	960	130	–	3,140	–	–	1,346	545	44	–	1,935	833
Mr. Wen Haicheng (i)	–	–	–	–	–	–	–	–	1,227	–	30	–	1,257	–
Mr. Sum Pui Ying (i)	–	–	–	–	–	–	–	–	550	–	55	–	605	–
Non-executive directors														
Ms. Huang Xiumei (ii)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Zhao Peng (ii), (iii)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Hou Jun (ii)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Chen Ziyang (ii)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Zhan Zhong (ii)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Li Liling (i)	–	–	–	–	–	–	–	–	–	–	–	–	–	107
Mr. Fu Fei (i)	–	–	–	–	–	–	–	–	–	–	–	–	–	107
Mr. Zhao Peng (i), (iii)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Fang Jun (i)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Independent non-executive directors														
Mr. Han Xiaojing	315	–	–	–	–	315	230	330	–	–	–	–	330	410
Mr. Suen Man Tak	315	–	–	–	–	315	230	330	–	–	–	–	330	410
Mr. Wang Zhifeng	315	–	–	–	–	315	230	330	–	–	–	–	330	410
Mr. Jin Qingjun	315	–	–	–	–	315	230	330	–	–	–	–	330	410
Ms. Lam Sin Lai Judy	315	–	–	–	–	315	230	330	–	–	–	–	330	410
	1,575	9,650	3,725	3,212	1,130	19,292	3,607	1,650	11,311	2,674	4,055	1,074	20,764	18,337

52 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

(i) On 25 July 2021, Ms. Li Liling, a non-executive director, has resigned.

On 25 July 2021, Mr. Fu Fei, a non-executive director, has resigned.

On 19 March 2021, Mr. Zhao Peng, a non-executive director, has resigned.

On 5 June 2020, Mr. Wen Haicheng, an executive director, has resigned.

On 14 April 2020, Mr. Fang Jun, a non-executive director, has resigned.

On 25 March 2020, Mr. Sum Pui Ying, an executive director, has resigned.

(ii) On 18 September 2021, Mr. Zhan Zhong was appointed as a non-executive director.

On 25 July 2021, Mr. Chen Ziyang was appointed as a non-executive director.

On 25 July 2021, Mr. Zhao Peng was appointed as a non-executive director.

On 19 March 2021, Ms. Huang Xiumei was appointed as a non-executive director.

On 5 June 2020, Mr. Cui Hongjie was appointed as an executive director.

On 14 April 2020, Mr. Hou Jun was appointed as a non-executive director.

On 25 March 2020, Mr. Wang Honghui was appointed as an executive director.

(iii) Both Mr. Zhao Peng are different persons.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the above directors as an inducement to join or upon joining the Group or as compensation for losses of office.

53 SUBSEQUENT EVENTS

(a) On 8 February 2022, Sino-Ocean Land Treasure IV Limited, a wholly-owned subsidiary of the Company, issued Guaranteed Green Notes with total principal amount of USD200,000,000 at interest rate of 2.70% due in 2025 (the "Notes"). The Notes are unsecured and guaranteed by the Company.

(b) On 18 March 2022, Sino-Ocean Holding Group (China) Limited, a wholly-owned subsidiary of the Company, issued bonds with total principal amount of RMB2,000,000,000 with coupon rate 5.32% per year of a term of three years.

To the Shareholders of Sino-Ocean Group Holding Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Sino-Ocean Group Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 128 to 270, which comprise:

* the consolidated balance sheet as at 31 December 2020;
* the consolidated income statement for the year then ended;
* the consolidated statement of comprehensive income for the year then ended;
* the consolidated statement of changes in equity for the year then ended;
* the consolidated cash flow statement for the year then ended; and
* the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

* Recoverability of entrusted loans to and amounts due from third parties, joint ventures, associates and non-controlling interests

* Valuation of investment properties

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Recoverability of entrusted loans to and amounts due from third parties, joint ventures, associates and non-controlling interests (collectively, the "Counterparties")	
Refer to note 22 to the consolidated financial statements As at 31 December 2020, the balance of entrusted loans to and amounts due from the Counterparties is RMB40,866 million, and the accumulated allowance amounting to RMB130 million has been recognised. Such amounts were provided to the Counterparties for the launch and development of the projects of real estate. The Group took into account reasonable and substantiated historical data such as principal and interest payment schedule, ageing, repayment history, subsequent repayment and financial information of the Counterparties, and available forward-looking information to determine whether or not the credit risk has significantly increased since initial recognition and to calculate expected credit losses. The assessment of the recoverability of entrusted loans to and amounts due from the Counterparties involves significant management judgements and estimates as it involves the consideration of a number of factors including historical data and forward-looking information.	We obtained an understanding of the management's internal control and assessment process of recoverability of entrusted loans to and amounts due from the Counterparties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and changes. We evaluated the outcome of prior period assessment of the recoverability of entrusted loans to and amounts due from the Counterparties to assess the effectiveness of management's estimation process. We evaluated and tested the key controls over the recoverability of entrusted loans to and amounts due from the Counterparties. We had interviews with the management to get knowledge of each Counterparty and the status of projects cooperated with or developed by the Counterparties. We performed site visit to the projects of real estate, on a sample basis, to collaborate with the understanding from management.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We examined the historical data used by the Group to determine whether or not the credit risk has significantly increased since initial recognition and to calculate expected credit losses. We inquired with management and challenged the reasonableness of their judgements on the recoverability of amounts due from Counterparties, the adequacy of the impairment provision and adjustment due to the current and forward-looking information on macroeconomic factors, primarily based on the information and evidence collected by management for the purpose of their assessment. We assessed the adequacy of the disclosures related to recoverability of entrusted loans to and amounts due from the Counterparties in the context of the applicable financial reporting framework. We found the judgements and estimates made by the management in the assessment of recoverability of entrusted loans to and amounts due from the Counterparties were supportable in light of available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to note 12 to the consolidated financial statements The Group's investment properties were measured at fair value and carried at RMB12,056 million as at 31 December 2020 with a fair value loss of RMB156 million for the year then ended. The fair values of investment properties were determined by the Group based on the valuations performed by independent professional valuers (the "Valuers") engaged by the Group. The Group's investment property portfolio mainly included completed investment properties in Mainland China, Hong Kong and the United States and investment properties under development in Mainland China. * Completed investment properties: the valuation of these was derived using the income capitalization method and comparison approach; the relevant key assumptions included capitalization rates, prevailing market rents and price per square feet. * Investment properties under development: the valuation of these was derived using the residual method; the relevant key assumptions included capitalization rates, prevailing market rents, development costs to completion and developer's profit margin. All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum to the consolidated financial statements, and relevant key assumptions in valuation involved significant judgements and estimates.	We obtained an understanding of the management's internal control and assessment process of the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and changes. We evaluated and tested the key controls over the valuation of investment properties. We assessed the competence, capabilities and objectivity of the Valuers. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied. We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, and prevailing market rents by gathering and analysing the data of comparable properties in the market and characteristics of the Group's properties such as location, size, occupancy rate, current rental and age. We checked the assumption on development costs to completion of investment property under development with the approved budget, whose reasonableness was assessed by comparison with the actual cost of completed investment properties of the Group. We assessed the reasonableness of the assumption on developer's profit margin by reference to the range of estimated and empirical developer's profit margin in the industry. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuers and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were in the acceptable range.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

* Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

* Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,475,703**	1,775,320
Right-of-use assets	8	**140,286**	190,869
Land use rights	9	**177,320**	180,566
Intangible assets	10	**108,746**	29,582
Goodwill	11	**147,415**	195,708
Investment properties	12	**12,055,798**	13,328,198
Investments in joint ventures	14	**21,218,447**	17,355,309
Investments in associates	15	**6,696,748**	6,846,347
Financial assets at fair value through other comprehensive income	17	**6,751,919**	2,715,647
Financial assets at fair value through profit or loss	18	**5,063,770**	6,446,074
Trade and other receivables and prepayments	22	**12,289,424**	12,841,234
Deferred income tax assets	33	**1,772,655**	1,439,498
Total non-current assets		**68,898,231**	63,344,352
Current assets			
Prepayments for land use rights	21	**–**	2,228,844
Properties under development	19	**74,718,502**	60,378,181
Inventories, at cost		**667,794**	457,001
Land development cost recoverable	20	**1,268,872**	1,234,217
Completed properties held for sale	23	**18,074,742**	18,353,178
Financial assets at fair value through profit or loss	18	**11,160**	266,304
Trade and other receivables and prepayments	22	**51,197,152**	61,163,136
Contract assets		**923,600**	2,708,018
Restricted bank deposits	24	**4,799,837**	2,511,683
Cash and cash equivalents	25	**39,129,442**	31,054,201
Total current assets		**190,791,101**	180,354,763
Total assets		**259,689,332**	243,699,115

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Capital	26	**27,329,232**	27,329,232
Shares held for Restricted Share Award Scheme	26	**(179,840)**	(167,227)
Reserves	28	**400,974**	(1,132,536)
Retained earnings	27	**26,098,570**	23,877,717
		53,648,936	49,907,186
Non-controlling interests		**16,256,391**	15,703,909
Total equity		**69,905,327**	65,611,095
LIABILITIES			
Non-current liabilities			
Borrowings	32	**56,269,855**	74,611,619
Lease liabilities	8	**97,418**	130,257
Trade and other payables	34	**18,269**	18,581
Deferred income tax liabilities	33	**3,312,966**	2,946,869
Total non-current liabilities		**59,698,508**	77,707,326
Current liabilities			
Borrowings	32	**25,933,873**	9,295,332
Lease liabilities	8	**50,513**	64,223
Trade and other payables	34	**57,527,155**	55,010,743
Contract liabilities	35	**34,318,360**	25,458,320
Income tax payable		**12,065,543**	10,500,972
Financial liabilities at fair value through profit or loss	36	**190,053**	51,104
Total current liabilities		**130,085,497**	100,380,694
Total liabilities		**189,784,005**	178,088,020
Total equity and liabilities		**259,689,332**	243,699,115

Approved by the Board of Directors on 23 March 2021.

LI Ming
Executive Director

WANG Honghui
Executive Director

The notes on pages 136 to 270 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	6	**56,510,626**	50,926,490
Cost of sales	39	**(46,053,384)**	(40,704,418)
Gross profit		**10,457,242**	10,222,072
Interest and other income	37	**2,393,988**	2,770,938
Other gains — net	38	**1,334,593**	698,520
Fair value (losses)/gains on investment properties	12	**(156,045)**	373,381
Selling and marketing expenses	39	**(1,293,120)**	(1,270,120)
Administrative expenses	39	**(1,815,995)**	(1,919,326)
Operating profit		**10,920,663**	10,875,465
Finance costs	41	**(2,110,906)**	(2,393,714)
Share of results of joint ventures		**982,999**	1,519,370
Share of results of associates		**257,558**	415,361
Profit before income tax		**10,050,314**	10,416,482
Income tax expense	42	**(5,367,439)**	(6,250,215)
Profit for the year		**4,682,875**	4,166,267
Attributable to:			
Owners of the Company		**2,866,283**	2,656,277
Non-controlling interests		**1,816,592**	1,509,990
		4,682,875	4,166,267
Earnings per share attributable to owners of the Company during the year (expressed in RMB)			
Basic earnings per share	43	**0.376**	0.349
Diluted earnings per share	43	**0.376**	0.349

The notes on pages 136 to 270 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Profit for the year		**4,682,875**	4,166,267
Other comprehensive income			
Items that will not be re classified subsequently to profit or loss			
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax		**(20,609)**	25,794
Items that may be reclassified to profit or loss			
Fair value gains on property, plant and equipment transferred to investment properties		**–**	17,808
Currency translation differences		**760,361**	108,282
Deferred hedging gains and losses		**(62,017)**	–
Other comprehensive income for the year		**677,735**	151,884
Total comprehensive income for the year, net of tax		**5,360,610**	4,318,151
Total comprehensive income attributable to:			
— Owners of the Company		**3,552,705**	2,497,211
— Non-controlling interests		**1,807,905**	1,820,940
		5,360,610	4,318,151

The notes on pages 136 to 270 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company					Non-controlling interests			
	Note	Share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other Reserves RMB'000	Retained Earnings RMB'000	Total RMB'000	Capital instrument RMB'000	Perpetual subordinated guaranteed capital securities RMB'000	Others RMB'000	Total equity RMB'000
Balance at 31 December 2019		27,329,232	(167,227)	(1,132,536)	23,877,717	49,907,186	981,000	4,364,526	10,358,383	65,611,095
Profit for the year		–	–	–	2,866,283	2,866,283	266,554	206,286	1,343,752	4,682,875
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	–	(20,609)	–	(20,609)	–	–	–	(20,609)
Deferred hedging gains and losses		–	–	(62,017)	–	(62,017)	–	–	–	(62,017)
Currency translation differences		–	–	769,048	–	769,048	–	(220,337)	211,650	760,361
Total other comprehensive income,net of tax		–	–	686,422	2,866,283	3,552,705	266,554	(14,051)	1,555,402	5,360,610
Transactions with owners of the company										
Dividends relating to 2019		–	–	–	(181,298)	(181,298)	–	–	–	(181,298)
Dividends relating to 2020	44	–	–	–	(416,333)	(416,333)	–	–	–	(416,333)
Expenses on share-based payment	28	–	–	223,719	–	223,719	–	–	–	223,719
Transfer from retained earnings	28	–	–	47,799	(47,799)	–	–	–	–	–
Vesting of shares under Restricted Share Award Scheme	26	–	2,218	(2,218)	–	–	–	–	–	–
Purchase of shares for Restricted Share Award Scheme	26	–	(14,831)	–	–	(14,831)	–	–	–	(14,831)
Distribution relating to capital instrument		–	–	–	–	–	(266,554)	–	–	(266,554)
Distribution relating to non-controlling interest		–	–	–	–	–	–	–	(626,012)	(626,012)
Distribution relating to capital securities		–	–	–	–	–	–	(206,286)	–	(206,286)
Issue of capital instrument		–	–	–	–	–	3,378,000	–	–	3,378,000
Contribution from non-controlling interests		–	–	627,755	–	627,755	–	–	1,266,964	1,894,719
Capital reduction of subsidiaries		–	–	–	–	–	–	–	(3,460,000)	(3,460,000)
Cancellation of convertible preferred shares issued by the subsidiary		–	–	(44,001)	–	(44,001)	–	–	44,001	–
Total contributions by and distributions to owners of the company		–	(12,613)	853,054	(645,430)	195,011	3,111,446	(206,286)	(2,775,047)	325,124
Increase in non-controlling interest as a result of other acquisition		–	–	–	–	–	–	–	606,411	606,411
Decrease in non-controlling interest as a result of disposal of subsidiaries		–	–	(12,328)	–	(12,328)	–	–	(1,738,711)	(1,751,039)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries		–	–	6,362	–	6,362	–	–	(253,236)	(246,874)
Total transactions with owners of the company		–	(12,613)	847,088	(645,430)	189,045	3,111,446	(206,286)	(4,160,583)	(1,066,378)
Balance at 31 December 2020		27,329,232	(179,840)	400,974	26,098,570	53,648,936	4,359,000	4,144,189	7,753,202	69,905,327

		Attributable to owners of the Company					Non-controlling interests			
	Note	Share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other Reserves RMB'000	Retained Earnings RMB'000	Total RMB'000	Capital instrument RMB'000	Perpetual subordinated guaranteed capital securities RMB'000	Others RMB'000	Total equity RMB'000
Balance at 31 December 2018		27,328,810	(178,317)	(1,313,848)	22,548,161	48,384,806	3,500,000	4,069,691	7,184,008	63,138,505
Profit for the year		–	–	–	2,656,277	2,656,277	289,874	407,971	812,145	4,166,267
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	–	25,794	–	25,794	–	–	–	25,794
Fair value gains on property, plant and equipment transferred to investment properties		–	–	12,329	–	12,329	–	–	5,479	17,808
Currency translation differences		–	–	(197,189)	–	(197,189)	–	294,835	10,636	108,282
Total other comprehensive income, net of tax		–	–	(159,066)	2,656,277	2,497,211	289,874	702,806	828,260	4,318,151
Transactions with owners of the company										
Dividends relating to 2018		–	–	–	(489,258)	(489,258)	–	–	–	(489,258)
Dividends relating to 2019	44	–	–	–	(755,510)	(755,510)	–	–	–	(755,510)
Expenses on share-based payment	28	–	–	272,960	–	272,960	–	–	–	272,960
Transfer from retained earnings	28	–	–	81,953	(81,953)	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	26	422	–	(76)	–	346	–	–	–	346
Vesting of shares under Restricted Share Award Scheme	26	–	12,120	(12,120)	–	–	–	–	–	–
Purchase of shares for Restricted Share Award Scheme	26	–	(1,030)	–	–	(1,030)	–	–	–	(1,030)
Distribution relating to capital instrument		–	–	–	–	–	(289,874)	–	–	(289,874)
Distribution relating to non-controlling interest		–	–	–	–	–	–	–	(431,941)	(431,941)
Distribution relating to capital securities		–	–	–	–	–	–	(407,971)	–	(407,971)
Issue of capital instrument		–	–	–	–	–	3,168,900	–	–	3,168,900
Repayment of capital instrument		–	–	–	–	–	(3,500,000)	–	–	(3,500,000)
Contribution from non-controlling interests		–	–	–	–	–	–	–	4,491,101	4,491,101
Total contributions by and distributions to owners of the company		422	11,090	342,717	(1,326,721)	(972,492)	(620,974)	(407,971)	4,059,160	2,057,723
Increase in non-controlling interest as a result of business combination		–	–	–	–	–	–	–	409,204	409,204
Increase in non-controlling interest as a result of other acquisition		–	–	–	–	–	–	–	235,566	235,566
Decrease in non-controlling interest as a result of disposal of subsidiaries		–	–	–	–	–	(2,187,900)	–	(2,299,330)	(4,487,230)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries		–	–	(2,339)	–	(2,339)	–	–	(58,485)	(60,824)
Total transactions with owners of the company		422	11,090	340,378	(1,326,721)	(974,831)	(2,808,874)	(407,971)	2,346,115	(1,845,561)
Balance at 31 December 2019		27,329,232	(167,227)	(1,132,536)	23,877,717	49,907,186	981,000	4,364,526	10,358,383	65,611,095

The notes on pages 136 to 270 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	45	**20,296,875**	5,794,009
Interest paid		**(4,615,849)**	(5,088,722)
Income tax paid		**(4,264,467)**	(4,008,105)
Net cash generated from/(used in) operating activities		**11,416,559**	(3,302,818)
Cash flows from investing activities			
Purchases of property, plant and equipment	7	**(596,681)**	(551,364)
Proceeds from sale of property, plant and equipment		**17,463**	22,254
Proceeds from sale of investment properties		**–**	3,234
Purchases of investment properties		**(26,442)**	(86,398)
Purchases of intangible assets		**(46,148)**	(113)
Purchases of financial assets at fair value through profit or loss		**(615,314)**	(3,435,869)
Proceeds from disposal of financial assets at fair value through profit or loss		**579,296**	135,476
Dividends received	37	**226,121**	232,314
Purchases of land use rights	9	**–**	(132,439)
Acquisition of subsidiaries, net of cash acquired	49	**(8,933)**	(450,839)
Decrease due to disposal of interests in subsidiaries, net of cash disposed		**(1,291,165)**	(64,259)
Capital injection to joint ventures	14	**(6,597,645)**	(2,647,779)
Proceeds from disposal of joint ventures		**338,088**	1,722,364
Capital injection to associates	15	**(822,584)**	(160,047)
Proceeds from disposal of interests in associates		**813,584**	51,798
Dividends received from joint ventures and associates		**230,492**	697,260
Entrusted loans advanced		**(4,793,876)**	(25,403,881)
Repayment of entrusted loans		**12,918,342**	23,113,799
Interest received		**1,949,422**	2,390,318
Net cash generated from/(used in) investing activities		**2,274,020**	(4,564,171)

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**39,553,849**	40,045,123
Repayments of borrowings		**(45,040,939)**	(42,465,196)
Capital reduction from non-controlling interests		**(3,460,000)**	–
Capital injection from non-controlling interests		**1,744,719**	4,491,101
Dividends paid to non-controlling interests		**(626,012)**	(431,941)
Dividends paid to the shareholders of the Company		**(181,298)**	(1,244,768)
Distribution relating to capital securities		**(206,286)**	(407,971)
Repayment of capital instrument		**–**	(3,500,000)
Purchase of shares for Restricted Share Award Scheme		**(14,831)**	(1,030)
Issue of shares pursuant to exercise of employee share options		**–**	346
Issue of capital instruments	31	**3,378,000**	3,168,900
Consideration paid for transaction with non-controlling interests		**(246,874)**	(60,824)
Distribution relating to capital instrument		**(266,554)**	(289,874)
Net cash used in financing activities		**(5,366,226)**	(696,134)
Increase/(decrease) in cash and cash equivalents		**8,324,353**	(8,563,123)
Cash and cash equivalents at beginning of the year	25	**31,054,201**	39,208,481
Exchange (losses)/gains on cash and cash equivalents		**(249,112)**	408,843
Cash and cash equivalents at end of the year	25	**39,129,442**	31,054,201

The notes on pages 136 to 270 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Sino-Ocean Group Holding Limited (the "Company") is a limited liability company incorporated in Hong Kong on 12 March 2007. The address of its registered office is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the "Group") are principally engaged in investment holding, property development and property investment in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi("RMB"), unless otherwise stated. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2021.

Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak) in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. COVID-19 affected the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issue, COVID-19 doesn't have any material adverse impact on the financial position and operating result of the Group.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and liabilities at fair value through profit or loss ,financial assets at fair value through other comprehensive income, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- *Definition of Material — amendments to HKAS 1 and HKAS 8*
- *Definition of a Business — amendments to HKFRS 3*
- *Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7*
- *Revised Conceptual Framework for Financial Reporting*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3.2 Subsidiaries

3.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of interests in subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates (Continued)

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

When the Group begins to have significant influence but not control over another entity as a result of increasing its stake or having representation on the board, an existing investment becomes an associate for the first time, the investment in the associate is initially recognised at the cost of each purchase plus a share of investee's profits or losses which is recognised in the consolidated income statement and other comprehensive income which is recognised in other comprehensive income, and acquisition-related costs are deemed as part of the cost of investment. Any existing gains or losses recognised in respect of the previously held the investment are reversed to restate the investment to cost.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

The Group identifies the functional currency of each subsidiary for the purpose of defining that entity's foreign currency exposure. Different entities within the Group may have different functional currencies. Judgement is required in determining an entity's functional currency based on individual facts and circumstances.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. All the foreign exchange gains and losses are presented in the income statement within "other gains — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates(unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Properties

(a) Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under leases are classified and accounted for as investment property when the rest of the definition of investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Properties (Continued)

(b) Land use rights

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.13.

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and leasehold improvements	5–50 years
Machinery	5–15 years
Vehicles	4–8 years
Office equipment	3–5 years
Electronic equipment	3 years

Leasehold improvements' estimated useful life is shorter of remaining lease term of or useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised within "other gains — net", in the consolidated income statement.

Construction-in-progress represents buildings, machinery under construction and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.11 Financial assets

3.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

3.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.11.3 Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

3.11.3 Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5(g) for further details.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

3.12 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Derivatives and hedging activities (Continued)

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Derivatives and hedging activities (Continued)

(ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

3.13 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprise land use rights, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistents with the pattern of revenue recognition of the contract to which the asset relates.

(b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Trade and other receivables and prepayments

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables and prepayments is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and prepayments are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables and prepayments with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.11 for further information about the Group's accounting for trade and other receivables and prepayments, and Note 5(g) for a description of the Group's impairment policies.

3.15 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

3.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.17 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.18 Capital securities and capital instrument

Capital securities and capital instrument with no contracted obligation to repay its principal nor to pay any distribution are classified as part of equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.20 Borrowings and Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.21 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.21.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/territories where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Current and deferred income tax (Continued)

3.21.2 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

3.21.3 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.22 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

Expected costs of bonus payments are recognised as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Employee benefits (Continued)

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,500. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

3.23 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, including "share option scheme" and Restricted Share Award Scheme, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the Group.

- Share option scheme

  The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

  - including any market performance conditions (e.g. the entity's share price),
  - excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
  - including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Share-based payments (Continued)

- ### Share option scheme (Continued)

  The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The impact of the revision to original estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to equity.

  The cash subscribed for the shares issued when the options are exercised is credited to share capital, net of any directly attributable transaction costs.

- ### Restricted Shares Award Scheme

  The fair value of the employee services received in exchange for the grant of these share-based awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares awarded at the grant date.

  When Trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Restricted Share Award Scheme" in the consolidated statement of changes in equity and deducted from total equity. When the Trustee transfers the Company's shares to grantees upon vesting, the related costs of the awarded shares are credited to "Shares held for Restricted Share Award Scheme" with a corresponding adjustment to the share capital.

  At the end of each reporting period, the Group revises its estimates of the number of these share-based awards that are expected to become vested. The impact of the revision to original estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to equity.

3.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Provisions (Continued)

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and the amount initially recognised loss, where appropriate, the accumulated amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Group.

3.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties and construction services

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over time of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Revenue recognition (Continued)

(a) Sales of properties and construction services (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(b) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

(c) Property management and agency fee income

Property management and agency fee income is recognised in the accounting period in which the services are rendered.

(d) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 12). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3.27 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviews and approves policies for managing each of these risks and they are summarized below.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are not denominated in the Group's functional currency. Majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

As at 31 December 2020, if RMB had weakened/strengthened by 5% against HKD and USD with all other variable held constant, post-tax profit for the year of the Group would have been RMB620,176,000 lower/higher (2019: RMB972,222,000 lower/higher), mainly as the result of the foreign exchange losses/gains on translation of HKD/USD dominated borrowings, net of foreign exchange gains/losses on translation of HKD/USD dominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2020 and 2019, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowing and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2020, if interest rates have increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB24,494,000 (2019: RMB27,697,000).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there's a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward-looking information.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables and contract assets (Continued)

As at 31 December 2020, the loss allowance was determined as follows for trade receivables and contract assets:

	Within 6 months RMB'000	Between 6 months to 1 year RMB'000	Between 1 year to 2 years RMB'000	Between 2 years to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	**1.3%**	**1.9%**	**5.3%**	**20.3%**	**88.9%**	**3.0%**
Gross carrying amount — trade receivables	**2,765,858**	**865,767**	**606,844**	**80,743**	**54,328**	**4,373,540**
Gross carrying amount — contract assets	**935,689**	**–**	**–**	**–**	**–**	**935,689**
Loss allowance — trade receivables and contract assets	**47,371**	**16,877**	**32,383**	**16,374**	**48,282**	**161,287**

As at 31 December 2019, the loss allowance was determined as follows for trade receivables and contract assets:

	Within 6 months RMB'000	Between 6 months to 1 year RMB'000	Between 1 year to 2 years RMB'000	Between 2 years to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	0.8%	1.1%	4.2%	15.7%	86.4%	2.1%
Gross carrying amount — trade receivables	2,331,900	976,052	609,144	146,346	52,534	4,115,976
Gross carrying amount — contract assets	2,720,107	–	–	–	–	2,720,107
Loss allowance — trade receivables and contract assets	39,813	11,061	25,729	23,003	45,415	145,021

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made written-off of RMB30,697,000 for trade receivables and contract assets during the year ended 31 December 2020.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition.	Lifetime expected losses.
Stage three	Receivables for which there is a credit loss sine initial recognition.	Lifetime expected losses.

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables (Continued)

As at 31 December 2020, the loss allowance was determined as follows for other receivables:

	Entrusted loans to and amount due from third parties, joint ventures, associates and non-controlling interests RMB'000	**Receivables from other third parties excluding prepayments RMB'000**	**Total RMB'000**
Carrying amount of other receivables	**40,866,247**	**10,297,810**	**51,164,057**
Expected credit loss rate	**0.32%**	**0.90%**	**0.43%**
Loss allowance	**129,838**	**92,499**	**222,337**
Other receivables, net	**40,736,409**	**10,205,311**	**50,941,720**

As at 31 December 2019, the loss allowance was determined as follows for other receivables:

	Entrusted loans to and amount due from third parties, joint ventures, associates and non-controlling interests RMB'000	Receivables from other third parties excluding prepayments RMB'000	Total RMB'000
Carrying amount of other receivables	50,169,294	12,538,780	62,708,074
Expected credit loss rate	0.30%	0.75%	0.39%
Loss allowance	152,319	94,043	246,362
Other receivables, net	50,016,975	12,444,737	62,461,712

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made written-off of RMB747,000 for other receivables during the year ended 31 December 2020.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Financial guarantee

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group also provides guarantees to certain related parties of the Group to obtain borrowings after assessing the credit history of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020					
Borrowings	**29,413,230**	**19,752,537**	**30,862,855**	**13,468,844**	**93,497,466**
Lease liabilities	**51,769**	**39,075**	**44,337**	**37,885**	**173,066**
Trade and other payables excluding statutory liabilities	**54,341,506**	**–**	**18,269**	**–**	**54,359,775**
	83,806,505	**19,791,612**	**30,925,461**	**13,506,729**	**148,030,307**
At 31 December 2019					
Borrowings	13,545,683	32,861,491	34,064,087	17,202,000	97,673,261
Lease liabilities	72,950	45,352	66,335	42,271	226,908
Trade and other payables excluding statutory liabilities	51,223,546	–	18,581	–	51,242,127
	64,842,179	32,906,843	34,149,003	17,244,271	149,142,296

The amounts have not included financial guarantee contracts:

— which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (Note 46(a)). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

— which the Group make for its cooperation parties' bank borrowings (Note 46(b)). Such guarantees terminate upon the repayment of relevant bank borrowings.

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total borrowings (Note 32)	**82,203,728**	83,906,951
Less: cash and cash equivalents (Note 25)	**(39,129,442)**	(31,054,201)
Net debt	**43,074,286**	52,852,750
Total equity	**69,905,327**	65,611,095
Total capital	**112,979,613**	118,463,845
Gearing ratio	**38%**	45%

4.3 Fair value estimation

The table below analyses financial instatements carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets or liabilities that are measured at fair value at 31 December 2020 and 2019. See Note 12 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
At 31 December 2020				
Assets				
Financial assets at fair value through profit or loss (Note 18)	**11,160**	**889,956**	**4,173,814**	**5,074,930**
Financial assets at fair value through other comprehensive income (Note 17)	**488,890**	**573,004**	**5,690,025**	**6,751,919**
	500,050	**1,462,960**	**9,863,839**	**11,826,849**
Liabilities				
Financial liabilities at fair value through profit or loss (Note 36)	**–**	**(190,053)**	**–**	**(190,053)**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2019				
Assets				
Financial assets at fair value through profit or loss (Note 18)	266,304	1,195,096	5,250,978	6,712,378
Financial assets at fair value through other comprehensive income (Note 17)	48,164	656,483	2,011,000	2,715,647
	314,468	1,851,579	7,261,978	9,428,025
Liabilities				
Financial liabilities at fair value through profit or loss (Note 36)	–	(51,104)	–	(51,104)

There were no transfers between Level 1, Level 2 and Level 3 during the period.

During the period there were no significant changes in the business or economic circumstances that may affect the fair value of the Group's financial assets and financial liabilities.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily the listed United States and HKSE equity investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise primarily equity fund investments and other unlisted equity securities, for equity fund investments, the underlying portfolio invested by equity fund are all listed equity shares, the valuation of equity fund is determined based on the quoted market price of listed equity shares. The unlisted equity security is the convertible preferred shares issued by a listed company, comparison method was used for the valuation of convertible preferred shares,which is mainly based on the fair value of ordinary share of comparable companies.

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(c) Financial instruments in Level 3 (Continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2020.

	Financial asset at fair value through other comprehensive income and through profit or loss RMB'000
Financial assets in Level 3	
Opening balance	**7,261,978**
Addition	**616,000**
Increase due to disposal of a subsidiary (Note 17)	**3,643,025**
Fair value gains	**127,017**
Decrease due to disposal of a subsidiary	**(1,169,231)**
Currency translation difference	**(92,088)**
Disposal	**(522,862)**
Closing balance	**9,863,839**

The following table presents the changes in Level 3 instruments for the year ended 31 December 2019.

	Financial asset at fair value through other comprehensive income and through profit or loss RMB'000
Financial assets in Level 3	
Opening balance	2,684,069
Additions	3,222,833
Fair value gains	128,609
Increase due to disposal of a subsidiary	2,000,000
Decrease due to disposal of a subsidiary	(812,081)
Currency translation difference	40,494
Disposal	(1,946)
Closing balance	7,261,978

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(d) Information about level 3 fair value measurements

The following tables summarise the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of equity fund investments and unlisted equity investments.

As at 31 December 2020 and 2019, the underlying portfolio invested by equity fund are all properties located in Mainland China, United States and Hong Kong, the valuation of equity fund investment is determined based on the valuation of properties.

Description	Valuation technique	Significant unobservable inputs	Range/value	Relationship of unobservable inputs to fair value
Unlisted fund investments which principally invests in residential and commercial real estate	Market Approach	Premium or discount for quality of properties (e.g. view, level, size and condition of the properties)	-10% to 10%	The higher discount rate, the lower fair value
		Lack of marketability discount	13% to 25%	The higher discount rate, the lower fair value
Unlisted fund investments which invests in real estate project	Market approach	Premium or discount for quality of properties (e.g. location, view, size, condition and time of the properties)	-3% to 20%	The higher discount rate, the lower fair value

As at 31 December 2020 and 2019, the significant unlisted equity investments are mainly include perpetual and preferred equity instruments issued by Associates of the Group .

Description	Valuation technique	Significant unobservable inputs	Range/value	Relationship of unobservable inputs to fair value
Unlisted equity investments	Income Approach	Discount rate	1.16%–6.68%	The higher discount rate, the lower fair value

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(e) Valuation process

The finance department of the Group includes a team that performs the valuations of level 3 financial instruments required for financial reporting purposes. The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

The components of the level 3 instruments mainly include investments in private investment funds and unlisted companies. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows and comparable transactions approaches. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of discount rate and recent market transactions etc. The fair values of these instruments determined by the Group requires significant judgement, including the financial performance of the investee company, market value of comparable properties as well as discount rate, etc.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 12.

(b) Income taxes and land appreciation tax ("LAT")

The Group is primarily subject to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Income taxes and land appreciation tax ("LAT") (Continued)

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(c) Deferred income tax

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

(d) Estimations for total properties construction cost

The Group estimates properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognised.

(e) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.10. Assets are also reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts of the assets to exceed their recoverable amounts. The recoverable amount of an asset or a cash generating unit is determined as the higher of cash generating unit's fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates. In 2020, based on such reviews the directors have determined that certain of Group's properties under development (Note 19) and completed properties held for sale (Note 23) were impaired, and relevant provision had been made.

(g) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 4.

(h) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating committee (the “Committee”) that are used to make strategic decisions.

The Committee considers the business from both a geographic and product perspective. From the product perspective, management considers the performance of property development and property investment. Property development businesses are further segregated geographically.

Other operations as carried out by the Group mainly include property management services, property sales agency services, as well as upfitting services. These are not included within the reportable operating segments, as they are not included in the reports provided to the Committee. The results of these operations are included in the “All other segments” column.

The Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance costs and corporate finance income are not included in the result for each operating segment that is reviewed by the Committee, as they are driven by activities of the central treasury function, which manages the cash position of the Group. The measure also excludes the effects of any unrealized gains/losses from investments in joint ventures and associates as well as fair value gains/losses from investment properties and corporate overheads. Other information provided to the Committee, except as noted below, is measured in a manner consistent with that in the financial statements.

Total segment assets exclude corporate cash and cash equivalents, investments in joint ventures and associates, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and deferred income tax assets, all of which are managed on a central basis. Total segment liabilities exclude borrowings, deferred income tax liabilities and financial liabilities at fair value through profit or loss, all of which are managed on a central basis as well. These are part of the reconciliation to total balance sheet assets and liabilities.

Transactions between segments are carried out at arm’s length. The revenue from external parties reported to the Committee is measured in a manner consistent with that in the consolidated income statement.

6 SEGMENT INFORMATION (Continued)

The segment information provided to the Committee for the reportable segments for the years ended 31 December 2020 and 2019 is as follows:

	Property development								
	Beijing RMB'000	Bohai Rim Region RMB'000	Eastern China RMB'000	Southern China RMB'000	Central China RMB'000	Western China RMB'000	Investment property RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2020									
Total revenue	5,498,635	7,537,069	16,055,887	8,850,958	8,031,296	3,673,354	503,070	10,333,100	60,483,369
Inter-segment revenue	–	(29,762)	–	–	–	–	(9,374)	(3,933,607)	(3,972,743)
Revenue (from external customers)	5,498,635	7,507,307	16,055,887	8,850,958	8,031,296	3,673,354	493,696	6,399,493	56,510,626
Segment operating profit	655,830	2,300,445	2,712,843	1,342,111	957,140	243,170	312,774	2,033,037	10,557,350
Depreciation and amortization (Note 39)	(15,696)	(528)	(282)	(6,758)	(1,550)	(3,585)	(438)	(120,112)	(148,949)
Year ended 31 December 2019									
Total revenue	6,239,431	11,554,307	8,756,308	10,753,054	3,785,238	2,031,744	696,250	11,149,096	54,965,428
Inter-segment revenue	(1,031)	(238)	–	(18,518)	–	–	(18,077)	(4,001,074)	(4,038,938)
Revenue (from external customers)	6,238,400	11,554,069	8,756,308	10,734,536	3,785,238	2,031,744	678,173	7,148,022	50,926,490
Segment operating profit	552,761	2,429,396	928,427	2,796,985	272,810	231,966	290,719	2,967,479	10,470,543
Depreciation and amortization (Note 39)	(15,100)	(2,396)	(3,890)	(6,051)	(281)	(492)	(475)	(237,843)	(266,528)
As at 31 December 2020									
Total segment assets	23,829,030	25,071,789	26,666,760	29,019,396	16,134,961	5,288,440	11,725,479	80,000,922	217,736,777
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,169	1,006	41	1,456	1,256	1,060	271,081	885,628	1,162,697
Total segment liabilities	13,415,767	20,901,800	15,995,054	16,635,162	8,117,380	3,271,978	1,439,601	24,300,516	104,077,258
As at 31 December 2019									
Total segment assets	23,309,429	19,037,321	27,147,888	19,627,381	7,602,302	6,912,262	13,968,275	88,409,442	206,014,300
Additions to non-current assets (other than financial instruments and deferred income tax assets)	3,198	513	2,269	1,634	631	122	829,306	2,015,760	2,853,433
Total segment liabilities	9,825,876	14,728,753	16,909,639	9,102,388	2,193,862	3,075,154	691,947	34,655,477	91,183,096

6 SEGMENT INFORMATION (Continued)

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Segment operating profit	**10,557,350**	10,470,543
Corporate finance income	**59,663**	71,177
Corporate overheads	**(874,898)**	(738,156)
Fair value (losses)/gains on investment properties (Note 12)	**(156,045)**	373,381
Other gains — net (Note 38)	**1,334,593**	698,520
Finance costs (Note 41)	**(2,110,906)**	(2,393,714)
Share of results of joint ventures	**982,999**	1,519,370
Share of results of associates	**257,558**	415,361
Profit before income tax	**10,050,314**	10,416,482

6 SEGMENT INFORMATION (Continued)

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total segment assets	**217,736,777**	206,014,300
Corporate cash and cash equivalents	**437,856**	2,615,636
Investments in joint ventures (Note 14)	**21,218,447**	17,355,309
Investments in associates (Note 15)	**6,696,748**	6,846,347
Financial assets at fair value through other comprehensive income (Note 17)	**6,751,919**	2,715,647
Financial assets at fair value through profit or loss (Note 18)	**5,074,930**	6,712,378
Deferred income tax assets (Note 33)	**1,772,655**	1,439,498
Total assets per consolidated balance sheet	**259,689,332**	243,699,115
Total segment liabilities	**104,077,258**	91,183,096
Current borrowings (Note 32)	**25,933,873**	9,295,332
Non-current borrowings (Note 32)	**56,269,855**	74,611,619
Deferred income tax liabilities (Note 33)	**3,312,966**	2,946,869
Financial liabilities at fair value through profit or loss (Note 36)	**190,053**	51,104
Total liabilities per consolidated balance sheet	**189,784,005**	178,088,020

For the year ended 31 December 2020, included in the revenue of sales of properties, RMB44,378,836,000 was recognised as a point in time, RMB5,238,601,000 was recognised over time.

The Company is incorporated in Hong Kong, with most of its major subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the years ended 31 December 2020 and 2019.

As at 31 December 2020, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB42,772,506,000(2019: RMB38,178,235,000), the total of these non-current assets located in Hong Kong is RMB6,536,000 (2019: RMB431,394,000) and in the United States is RMB241,421,000 (2019: RMB1,292,270,000).

For the year ended 31 December 2020 and 2019, the Group does not have any single customer with the transaction value over 10% of the total external sales.

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2020							
Opening net book amount	**713,872**	**2,425**	**12,692**	**35,978**	**46,373**	**963,980**	**1,775,320**
Additions	**3,844**	**959**	**2,982**	**8,306**	**10,490**	**570,100**	**596,681**
Acquisition of subsidiaries	**–**	**82**	**39**	**54**	**811**	**–**	**986**
Transfer	**211,360**	**–**	**–**	**–**	**–**	**(211,360)**	**–**
Transfer from properties under development (Note 19)	**–**	**–**	**–**	**–**	**–**	**211,360**	**211,360**
Transfer to properties under development (Note 19)	**–**	**–**	**–**	**–**	**–**	**(23,948)**	**(23,948)**
Disposals	**(8,701)**	**(96)**	**(2,214)**	**(1,530)**	**(1,561)**	**(1,138)**	**(15,240)**
Depreciation charge (Note 39)	**(29,950)**	**(380)**	**(4,313)**	**(14,514)**	**(12,317)**	**–**	**(61,474)**
Disposal of interests in subsidiaries	**(5,369)**	**–**	**(57)**	**(281)**	**(2,275)**	**–**	**(7,982)**
Closing net book amount	**885,056**	**2,990**	**9,129**	**28,013**	**41,521**	**1,508,994**	**2,475,703**
At 31 December 2020							
Cost	**1,035,337**	**6,664**	**55,305**	**122,813**	**115,846**	**1,508,994**	**2,844,959**
Accumulated depreciation	**(150,281)**	**(3,674)**	**(46,176)**	**(94,800)**	**(74,325)**	**–**	**(369,256)**
Net book amount	**885,056**	**2,990**	**9,129**	**28,013**	**41,521**	**1,508,994**	**2,475,703**
Year ended 31 December 2019							
Opening net book amount	692,996	333,134	14,023	51,435	54,204	1,266,451	2,412,243
Additions	48,145	12,117	1,879	26,191	9,520	453,512	551,364
Acquisition of subsidiaries	160	605	663	2,723	852	–	5,003
Transfer	1,086,679	207,661	–	–	–	(1,294,340)	–
Transfer from properties under development (Note 19)	–	–	–	–	–	1,018,867	1,018,867
Transfer to Investment properties	(47,276)	–	–	–	–	–	(47,276)
Disposals	(4,873)	(3,439)	(186)	(13,160)	(5,417)	–	(27,075)
Depreciation charge (Note 39)	(35,619)	(31,851)	(3,029)	(15,909)	(9,972)	–	(96,380)
Disposal of interests in subsidiaries	(1,026,340)	(515,802)	(658)	(15,302)	(2,814)	(480,510)	(2,041,426)
Closing net book amount	713,872	2,425	12,692	35,978	46,373	963,980	1,775,320
At 31 December 2019							
Cost	839,399	6,040	56,251	122,947	113,233	963,980	2,101,850
Accumulated depreciation	(125,527)	(3,615)	(43,559)	(86,969)	(66,860)	–	(326,530)
Net book amount	713,872	2,425	12,692	35,978	46,373	963,980	1,775,320

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of RMB51,232,000 (2019: RMB67,528,000) has been charged in "cost of sales", RMB10,242,000 (2019: RMB28,852,000) in "administrative expenses".

Construction in progress as at 31 December 2020 represents building being constructed and debugged mainly in Beijing, Dalian, Hangzhou, and Suzhou with intent use of senior housing or health care related services.

As at 31 December 2020, property, plant and equipments of the Group with carrying values of RMB80,027,000 (2019: RMB80,194,000), respectively, were pledged as collateral for the Group's borrowings.

8 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2020 RMB'000	As at 1 January 2020 RMB'000
Right-of-use assets		
Buildings	**140,210**	190,472
Equipment	**76**	153
Vehicles	**–**	244
Total right-of-use assets per consolidated balance sheet	**140,286**	190,869
Lease liabilities		
Current	**50,513**	64,223
Non-current	**97,418**	130,257
Total lease liabilities per consolidated balance sheet	**147,931**	194,480

The Group has land lease arrangement with mainland China government and leasehold land in Hong Kong.

Decrease of the right-of-use assets during this financial year is RMB50,583,000, mainly due to the amortization of land-use rights.

8 LEASES (Continued)

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020 **RMB'000**	2019 RMB'000
Depreciation charge of right-of-use assets		
Buildings	**(77,660)**	(152,825)
Equipment	**(76)**	(115)
Vehicles	**(244)**	(352)
Total	**(77,980)**	(153,292)
Interest expense (Note 41)	**11,117**	72,222

(c) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices. Rental contracts are typically made for fixed periods of 15 months to 15 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

9 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of less than 50 years(including 50 years). The movements are as follows:

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
At beginning of the year	**180,566**	235,794
Addition	**–**	132,439
Transfer from properties under development (Note 19)	**–**	340,391
Amortization charge (Note 39)	**(3,246)**	(5,056)
Disposal of interests in subsidiaries	**–**	(523,002)
At end of the year	**177,320**	180,566

As at 31 December 2020, land use rights of the Group with carrying values of RMB4,979,000 (2019: RMB5,112,000), respectively, were pledged as collateral for the Group's borrowings.

10 INTANGIBLE ASSETS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**29,582**	453,278
Addition	**46,148**	113
Acquisition of subsidiaries	**39,265**	–
Disposal of interests in subsidiaries	–	(412,009)
Amortization charge (Note 39)	**(6,249)**	(11,800)
At end of the year	**108,746**	29,582

11 GOODWILL

	RMB'000
Year ended 31 December 2020	
Opening net book amount	**195,708**
Acquisition of subsidiaries	**29,744**
Derecognition of goodwill (Note 39)	**(78,037)**
Closing net book amount	**147,415**
At 31 December 2020	
Cost	**272,942**
Impairment charge	**(125,527)**
Net book amount	**147,415**
Year ended 31 December 2019	
Opening net book amount	514,039
Disposal of interests in subsidiaries	(324,463)
Acquisition of subsidiaries	35,560
Derecognition of goodwill (Note 39)	(29,428)
Closing net book amount	195,708
At 31 December 2019	
Cost	321,235
Impairment charge	(125,527)
Net book amount	195,708

Goodwill was generated from business combination and allocated to a cash generated unit or a group of cash generated units, from the acquisition date, that is expected to benefit from the synergies of the combination. Derecognition of goodwill allocated to a cash generated unit or a group of cash generated units was recognised due to disposal of the relevant properties.

11 GOODWILL (Continued)

Goodwill is allocated to the Group's cash generating units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Property management contracts and customer relationship (i)	**54,804**	54,804
Property development (ii)	**27,307**	81,677
Other (iii)	**65,304**	59,227
	147,415	195,708

(i) Goodwill relating to property management contracts and customer relationship arised from the acquisition of property management companies.

(ii) Goodwill relating to property development arised from the acquisition of properties development companies,the impairment of such goodwill is considered together with the impairment of the inventories of the Group.

(iii) Such goodwill raised from the acquisition of companies engaged in other fields, the impairment of such goodwill is considered together with the impairment of the inventories and intangible assets of the Group.

As of 31 December 2020 and 2019, the management performed impairment assessment on the goodwill. The recoverable amount of goodwill is determined based on value-in-use calculations, these calculations use cash flow projections based on management's financial budgets covering periods of no more than 5 years. The Group expects cash flows beyond such periods will be similar to that of the respective final forecast years on existing scale.

Key assumptions applied in the impairment test for the other goodwill include the expected growth in revenue and gross margin,operating costs,selling and administrative expenses and discount rates and so on. Management determined these key assumptions based on past performance and its expectation on market development. Management believes that any reasonably possible change in any of these key assumption on which recoverable amounts are based may cause carrying amounts of goodwill to exceed their recoverable amounts. The results of the tests undertaken as at 31 December 2020 indicated no impairment charge was necessary.

12 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
Year ended 31 December 2020			
At beginning of the year	**8,271,198**	**5,057,000**	**13,328,198**
Additions	**6,390**	**20,052**	**26,442**
Transfer from completed properties held for sale	**241,815**	**–**	**241,815**
Disposal of interests in a subsidiary (Note 48)	**(1,366,572)**	**–**	**(1,366,572)**
Currency translation differences	**(18,040)**	**–**	**(18,040)**
Fair value (losses)/gains recognised in profit or loss	**(157,993)**	**1,948**	**(156,045)**
At end of the year	**6,976,798**	**5,079,000**	**12,055,798**
Year ended 31 December 2019			
At beginning of the year	11,051,632	5,153,701	16,205,333
Additions	–	86,398	86,398
Transfer from completed properties held for sale	718,858	–	718,858
Transfer from property, plant and equipment	65,084	–	65,084
Disposal of interests in subsidiaries	(3,726,858)	(373,674)	(4,100,532)
Currency translation differences	18,482	–	18,482
Fair value gains recognised in profit or loss	182,806	190,575	373,381
Disposal of an investment property	(2,369)	–	(2,369)
Others	(36,437)	–	(36,437)
At end of the year	8,271,198	5,057,000	13,328,198

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Rental income (Note 6)	**493,696**	678,173
Direct operating expenses arising from investment properties that generate rental income	**(53,968)**	(91,313)
Direct operating expenses that did not generate rental income	**(17,235)**	(36,717)
	422,493	550,143

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis

Fair value measurements using significant unobservable inputs

	31 December 2020							
	Completed investment properties						Investment properties under development	
	Beijing RMB'000	Tianjin RMB'000	Dalian RMB'000	Hong Kong RMB'000	United States RMB'000	Sub total RMB'000	Beijing RMB'000	Total RMB'000
Opening balance as at 1 January	5,754,689	346,000	466,000	412,238	1,292,271	8,271,198	5,057,000	13,328,198
Additions	463	–	5,927	–	–	6,390	20,052	26,442
Disposal of interests in subsidiaries	–	–	–	(403,458)	(963,114)	(1,366,572)	–	(1,366,572)
Transfer from completed properties held for sale	239,455	–	–	–	–	239,455	–	239,455
Currency translation differences	–	–	–	7,964	(23,644)	(15,680)	–	(15,680)
Net gains or losses from fair value adjustment	(45,426)	(15,000)	(16,731)	(16,744)	(64,092)	(157,993)	1,948	(156,045)
Closing balance as at 31 December	5,949,181	331,000	455,196	–	241,421	6,976,798	5,079,000	12,055,798
Total gains or losses for the year ended 31 December 2020 included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	(45,426)	(15,000)	(16,731)	(16,744)	(64,092)	(157,993)	1,948	(156,045)
Change in unrealized gains or losses for the year ended 31 December 2020 included in profit or loss for assets held at the end of the year	(45,426)	(15,000)	(16,731)	(16,744)	(64,092)	(157,993)	1,948	(156,045)

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Fair value measurements using significant unobservable inputs

	31 December 2019										
	Completed investment properties							Investment properties under development			
	Beijing RMB'000	Tianjin RMB'000	Dalian RMB'000	Hangzhou RMB'000	Hong Kong RMB'000	United States RMB'000	Sub total RMB'000	Beijing RMB'000	Tianjin RMB'000	Wuhan RMB'000	Total RMB'000
Opening balance as at 1 January	5,637,646	342,000	460,000	2,977,000	355,808	1,279,178	11,051,632	4,844,000	246,026	63,675	16,205,333
Additions	–	–	–	–	–	–	–	22,425	119	63,854	86,398
Transfer from completed properties held for sale	–	718,858	–	–	–	–	718,858	–	–	–	718,858
Disposal of interests in subsidiaries	–	(718,858)	–	(3,008,000)	–	–	(3,726,858)	–	(246,145)	(127,529)	(4,100,532)
Transfer from property, plant and equipment	–	–	–	–	65,084	–	65,084	–	–	–	65,084
Disposal of an investment property	(2,369)	–	–	–	–	–	(2,369)	–	–	–	(2,369)
Currency translation differences	–	–	–	–	(6,207)	24,689	18,482	–	–	–	18,482
Net gains or losses from fair value adjustment	117,425	4,000	6,424	69,000	(2,447)	(11,596)	182,806	190,575	–	–	373,381
Others	1,987	–	(424)	(38,000)	–	–	(36,437)	–	–	–	(36,437)
Closing balance as at 31 December	5,754,689	346,000	466,000	–	412,238	1,292,271	8,271,198	5,057,000	–	–	13,328,198
Total gains or losses for the year ended 31 December 2019 included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	117,425	4,000	6,424	69,000	(2,447)	(11,596)	182,806	190,575	–	–	373,381
Change in unrealized gains or losses for the year ended 31 December 2019 included in profit or loss for assets held at the end of the year	117,425	4,000	6,424	69,000	(2,447)	(11,596)	182,806	190,575	–	–	373,381

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were mainly revalued by DTZ Cushman & Wakefield Limited, BMI Appraisals Limited and Colliers International, independent qualified valuers not related to the Group, who hold recognised relevant professional qualifications and have recent experiences in the location and segments of the investment properties valued, at 31 December 2020. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent qualified valuers.

Valuation techniques

Fair values of completed commercial properties in Beijing, Tianjin, Dalian, Hong Kong and the United States are generally derived using the income capitalization method. These valuation methods are based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair value of under development commercial property in Beijing is generally derived from residual method. Residual method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit margin and risk from the estimated capital value of the proposed development assuming completion as at the date of valuation.

There were no changes to the valuation techniques during the year and there were no transfers between fair value hierarchy during the year.

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Significant unobservable inputs used to determine fair value

- Completed investment properties

Description	Fair value at 31 Dec 2020 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs Prevailing market rents	Capitalization rates (%)	Premium or discount for quality of properties (%)
Completed investment properties — Beijing	**5,949,184**	Income capitalization	RMB35 to RMB575 per month per square meter	6.25 to 7.00	N/A
Completed investment properties — Tianjin	**331,000**	Income capitalization	RMB62 to RMB291 per month per square meter	3.50 to 7.00	N/A
Completed investment properties — Dalian	**455,195**	Income capitalization	RMB67 to RMB112 per month per square meter	4.50 to 6.00	N/A
Completed investment properties — United States	**241,419**	Income capitalization	USD5 per month per square feet	6.00	N/A

- Investment properties under development

Description	Fair value at 31 Dec 2020 (RMB'000)	Valuation technique(s)	Prevailing market rents	Range of significant unobservable inputs Capitalization rates (%)	Cost to completion	Premium or discount for quality of properties (%)
Investment properties under development — Beijing	**5,079,000**	Residual method taking reference to comparison approach	RMB421 to RMB702 per month per square meter	4.00 to 6.50	RMB13,804 per square meter	N/A

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Significant unobservable inputs used to determine fair value

- Completed investment properties

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs Prevailing market rents	Capitalization rates (%)	Premium or discount for quality of properties (%)
Completed investment properties — Beijing	5,754,691	Income capitalization	RMB35 to RMB575 per month per square meter	6.25 to 7.00	N/A
Completed investment properties — Tianjin	346,000	Income capitalization	RMB62 to RMB291 per month per square meter	3.50 to 7.00	N/A
Completed investment properties — Dalian	466,000	Income capitalization	RMB67 to RMB112 per month per square meter	4.50 to 6.00	N/A
Completed investment properties — Hong Kong	412,237	Income capitalization	HKD60 to HKD70 per month per square feet	2.80 to 3.50	N/A
Completed investment properties — United States	340,439	Income capitalization	USD5 per month per square feet	6.00	N/A

Significant unobservable inputs used to determine fair value

- Investment properties under development

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique(s)	Prevailing market rents	Range of significant unobservable inputs Capitalization rates (%)	Cost to completion	Premium or discount for quality of properties (%)
Investment properties under development — Beijing	5,057,000	Residual method	RMB421 to RMB702 per month per square meter	4.00 to 6.50	RMB13,804 per square meter	N/A

12 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalization rates are estimated by valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Premium or discount for quality of properties are estimated by valuers based on quality of properties, such as location, size, view, level and condition of the properties.

(c) Non-current assets pledged as security

As at 31 December 2020 and 2019, investment properties of the Group with carrying values of RMB3,505,421,300 and RMB3,615,439,000, respectively, were pledged as collateral for the Group's borrowings.

13 SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2020 which, in the opinion of the directors, materially affect the results or assets of the Group:

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2020	Ownership interest held by the Group 2019	Ownership interest held by non-controlling interest 2020	Ownership interest held by non-controlling interest 2019
(1)	Sino-Ocean Holding Group (China) Limited 遠洋控股集團(中國)有限公司	PRC, Limited liability company	Investment holding	RMB7,064,870	**100%**	100%	**–**	–
(2)	遠洋國際建設有限公司	PRC, Limited liability company	Renovation service in PRC	RMB600,000	**100%**	100%	**–**	–
(3)	北京遠盛置業有限公司	PRC, Limited liability company	Property development in PRC	RMB100,000	**100%**	100%	**–**	–
(4)	Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	PRC, Limited liability company	Investment holding	RMB500,000	**100%**	100%	**–**	–
(5)	北京萬洋世紀創業投資管理有限公司	PRC, Limited liability company	Investment holding	RMB341,000	**100%**	100%	**–**	–
(6)	北京碧城創業投資管理有限公司	PRC, Limited liability company	Investment holding	RMB336,000	**100%**	100%	**–**	–
(7)	Beijing Qianyuan Property Co., Ltd. 北京乾遠置業有限公司	PRC, Limited liability company	Investment holdings in PRC	RMB300,000	**100%**	100%	**–**	–
(8)	Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	PRC, Limited liability company	Investment property in PRC	USD 30,000	**72%**	72%	**28%**	28%
(9)	Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司	PRC, Limited liability company	Land development in PRC	RMB100,000	**75%**	75%	**25%**	25%
(10)	Beijing Jun De Land Development Company Limited 北京駿德置業有限公司	PRC, Limited liability company	Investment holding	RMB90,000	**100%**	100%	**–**	–
(11)	Beijing Dong Long Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	PRC, Limited liability company	Property development in PRC	USD 12,370	**85.72%**	85.72%	**14.28%**	14.28%
(12)	Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	PRC, Limited liability company	Land development in PRC	RMB75,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2020	2019	Ownership interest held by non-controlling interest 2020	2019
(13)	Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司	PRC, Limited liability company	Property development in PRC	RMB60,000	**100%**	100%	**–**	–
(14)	Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	PRC, Limited liability company	Investment holding	RMB30,000	**100%**	100%	**–**	–
(15)	北京遠東新地置業有限公司	PRC, Limited liability company	Investment holding	RMB30,000	**100%**	100%	**–**	–
(16)	Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	PRC, Limited liability company	Investment holdings in PRC	RMB10,000	**100%**	100%	**–**	–
(17)	Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB10,000	**100%**	100%	**–**	–
(18)	Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產建設開發有限公司	PRC, Limited liability company	Property development in PRC	RMB420,000	**100%**	100%	**–**	–
(19)	天津宇華房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB800,000	**100%**	100%	**–**	–
(20)	Tianjin Yuanying Real Estate Development Company, Limited 天津市遠贏置業有限公司	PRC, Limited liability company	Property development in PRC	RMB30,000	**100%**	100%	**–**	–
(21)	大連新悅置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD 241,000	**100%**	100%	**–**	–
(22)	大連匯洋置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD 66,122	**100%**	100%	**–**	–
(23)	大連廣宇置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD 363,200	**100%**	100%	**–**	–
(24)	大連世甲置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD 167,850	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2020	2019	**2020**	2019
(25)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD 80,000	**100%**	100%	**–**	–
(26)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD 76,860	**100%**	100%	**–**	–
(27)	大連源豐置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD 50,700	**100%**	100%	**–**	–
(28)	大連遠佳產業園開發有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD 35,000	**100%**	100%	**–**	–
(29)	遠洋地產(遼寧)有限公司	PRC, Limited liability company	Property development in PRC	RMB70,000	**100%**	100%	**–**	–
(30)	長春東方聯合置業有限公司	PRC, Limited liability company	Property development in PRC	RMB200,000	**100%**	100%	**–**	–
(31)	青島遠豪置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB150,000	**100%**	100%	**–**	–
(32)	遠洋地產(上海)有限公司	PRC, Limited liability company	Investment holding	RMB20,000	**100%**	100%	**–**	–
(33)	大連鑫融置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD 120,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2020	2019	**2020**	2019
(34)	天基房地產開發(深圳)有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	HKD 160,000	**84.70%**	84.70%	**15.30%**	15.30%
(35)	三亞南國奧林匹克花園有限公司	PRC, Limited liability company	Property development in PRC	RMB64,100	**100%**	100%	**–**	–
(36)	北京天江通睿置業有限公司	PRC, Limited liability company	Investment property in PRC	RMB4,123,112	**100%**	100%	**–**	–
(37)	天津遠頤房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(38)	大連利遠置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD 143,410	**100%**	100%	**–**	–
(39)	遠洋養老運營管理有限公司	PRC, Limited liability company	Senior housing service in PRC	RMB500,000	**100%**	100%	**–**	–
(40)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津市遠濱房地產開發有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB600,000	**100%**	100%	**–**	–
(41)	大連宏宇置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2020	2019	Ownership interest held by non-controlling interest 2020	2019
(42)	北京遠山置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(43)	盈創再生資源有限公司	PRC, Limited liability company	Environmental technology in PRC	RMB361,670	**96.19%**	96.19%	**3.81%**	3.81%
(44)	上海銳盈置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	RMB145,000	**100%**	100%	**–**	–
(45)	深圳市樂安房地產有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(46)	北京遠新資產管理有限公司	PRC, Limited liability company	Investment property in PRC	RMB20,000	**100%**	100%	**–**	–
(47)	北京市佳利華經濟開發有限責任公司	PRC, Limited liability company	Senior housing service in PRC	RMB30,000	**100%**	100%	**–**	–
(48)	Sino-Ocean Service Holding Limited 遠洋服務控股有限公司	Cayman Island, Limited liability company	Property Management in PRC	RMB99,829	**67.57%**	–	**32.43%**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2020	2019	**2020**	2019
(49)	上海遠滙置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	RMB2,200,000	**100%**	100%	**–**	–
(50)	深圳市金楓房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**60%**	60%	**40%**	40%
(51)	深圳市高誠達投資發展有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**80%**	80%	**20%**	20%
(52)	三亞德商房地產開發有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD 30,000	**100%**	100%	**–**	–
(53)	北京信馳置業有限公司	PRC, Limited liability company	Property development in PRC	RMB10,000	**100%**	100%	**–**	–
(54)	南京金遠置業有限公司	PRC, Limited liability company	Property development in PRC	RMB33,330	**70%**	70%	**30%**	30%
(55)	上海椿萱茂養老服務有限公司	PRC, Limited liability company	Senior housing service in PRC	RMB10,000	**100%**	100%	**–**	–
(56)	湖北福星惠譽常青置業有限公司 ("Hubei Fuxing")	PRC, Limited liability company	Property development in PRC	RMB10,000	**51%**	51%	**49%**	49%
(57)	成都嘉昱房地產有限責任公司	PRC, Limited liability company	Property development in PRC	RMB10,000	**60%**	–	**60%**	–
(58)	杭州宜品房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB170,000	**100%**	100%	**–**	–
(59)	北京遠奧置業有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2020	2019	**2020**	2019
(60)	天津濱海房地產經營有限公司	PRC, Limited liability company	Property development in PRC	RMB100,000	**60%**	60%	**40%**	40%
(61)	秦皇島市海洋置業房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB100,000	**100%**	100%	**–**	–
(62)	遠洋地產鎮江有限公司	PRC, Limited liability company	Property development in PRC	RMB50,000	**55%**	55%	**45%**	45%
(63)	瀋陽銀基新世紀置業有限公司	PRC, Limited liability company	Property development in PRC	RMB150,000	**100%**	100%	**–**	–
(64)	廣州市遠翔房地產開發有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB1,800,000	**100%**	100%	**–**	–
(65)	青島遠佳置業有限公司	PRC Limited liability company	Property development in PRC	RMB666,670	**100%**	100%	**–**	–
(66)	北京遠川房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(67)	成都恒茂置地有限公司	PRC Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(68)	溧陽宏景房地產開發有限公司 ("Liyang Hongjing")	PRC Limited liability company	Property development in PRC	RMB300,000	**40%**	40%	**60%**	60%
(69)	台州璟侖置業有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**40%**	40%	**60%**	60%
(70)	南京遠乾置業有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2020	2019	Ownership interest held by non-controlling interest 2020	2019
(71)	西安遠洋中央公園置業有限責任公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD80,000	**100%**	100%	**–**	–
(72)	天津城投濱海房地產經營有限公司	PRC Limited liability company	Property development in PRC	RMB200,000	**64.28%**	64.28%	**35.72%**	35.72%
(73)	中山市遠昇房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB20,400	**75%**	75%	**25%**	25%
(74)	重慶遠基房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB667,000	**50%**	50%	**50%**	50%
(75)	大連宏澤置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD15,106	**100%**	100%	**–**	–
(76)	福州世遠置業有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**50%**	50%	**50%**	50%
(77)	山西明遠房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB10,000	**80%**	80%	**20%**	20%
(78)	貴州築宸府置業有限公司	PRC Limited liability company	Property development in PRC	RMB12,500	**80%**	80%	**20%**	20%
(79)	秦皇島潤海房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB636,000	**100%**	100%	**–**	–
(80)	秦皇島潤濱房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB212,000	**100%**	100%	**–**	–
(81)	秦皇島潤鴻房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB21,200	**100%**	100%	**–**	–
(82)	秦皇島潤澤房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB21,200	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2020	2019	Ownership interest held by non-controlling interest 2020	2019
(83)	秦皇島潤港房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB21,200	**100%**	100%	**–**	–
(84)	秦皇島潤鑫房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB21,200	**100%**	100%	**–**	–
(85)	上海崇遠企業管理諮詢有限公司	PRC Limited liability company	Investment holding	RMB10,000	**100%**	100%	**–**	–
(86)	茂名市錦繡河山房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB19,000	**51%**	51%	**49%**	49%
(87)	龍巖遠盛房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB30,000	**51%**	51%	**49%**	49%
(88)	上海潤栩商務諮詢有限公司	PRC Limited liability company	Investment holding	RMB161,925	**56.77%**	56.77%	**43.23%**	43.23%
(89)	上海攬海房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB229,325	**41.03%**	41.03%	**58.97%**	58.97%
(90)	上海雋品置業有限公司	PRC Limited liability company	Property development in PRC	RMB50,000	**51%**	51%	**49%**	49%
(91)	杭州雋遠置業有限公司	PRC Limited liability company	Property development in PRC	RMB50,000	**51%**	51%	**49%**	49%
(92)	蘇州奧遠房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**34%**	34%	**66%**	66%
(93)	湖南樂住置業投資有限公司	PRC Limited liability company	Property development in PRC	RMB30,000	**95%**	95%	**5%**	5%
(94)	石家莊遠俊房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**51%**	51%	**49%**	49%
(95)	貴陽遠匯房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2020	2019	**2020**	2019
(96)	佛山昱辰房地產開發有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**50%**	–	**50%**	–
(97)	大連盈合置業有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**51%**	100%	**–**	–
(98)	宜興遠博置業有限公司	PRC Limited liability company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(99)	大連峰景美墅地產發展有限公司	PRC Limited liability company	Property development in PRC	RMB181,614	**100%**	100%	**–**	–
(100)	Shengjing Guoxin (Beijing) Ecological Garden Co., Ltd. 盛景國信(北京)生態園林有限公司 (Note 49)	PRC Limited liability company	Landscaping in PRC	RMB30,000	**100%**	–	**–**	–
(101)	Zhejiang Guoheng Xixi Real Estate Co., Ltd 浙江國恒西溪置業有限公司	PRC Limited liability company	Property development in PRC	RMB50,000	**100%**	–	**–**	–
(102)	Wuhan Yuanhui Real Estate Co., Ltd 武漢元慧置業有限公司	PRC Limited liability company	Property development in PRC	RMB50,000	**70%**	–	**30%**	–
(103)	Shenzhen Tianheng Chuangxing Industrial Co., Ltd 深圳市天恒創興實業有限公司	PRC Limited liability company	Property development in PRC	RMB100,000	**63.25%**	–	**36.75%**	–
(104)	Shenzhen Yuanguan Real Estate Co., Ltd 深圳市遠冠置業有限公司	PRC Limited liability company	Property development in PRC	RMB100,000	**63.25%**	–	**36.75%**	–
(105)	Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司	Hong Kong Limited company	Investment holding in Hong Kong	HKD 10	**100%**	100%	**–**	–
(106)	Shine Wind Development Limited 耀勝發展有限公司	BVI Limited company	Investment holding in BVI	USD 10	**100%**	100%	**–**	–
(107)	Mission Success Limited 穎博有限公司	Hong Kong Limited company	Investment holding in Hong Kong	HKD —	**100%**	100%	**–**	–
(108)	Dynamic Class Limited 昇能有限公司	Hong Kong Limited company	Investment holding in Hong Kong	HKD —	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group 2020	Ownership interest held by the Group 2019	Ownership interest held by non-controlling interest 2020	Ownership interest held by non-controlling interest 2019
(109)	Mega Precise Profits Limited	BVI Limited company	Investment holding in BVI	USD —	**100%**	100%	**–**	–
(110)	Smart State Properties Limited	BVI Limited company	Investment holding in BVI	USD —	**100%**	100%	**–**	–
(111)	Faith Ocean International Limited 信洋國際有限公司	BVI Limited company	Investment holding in BVI	USD —	**100%**	100%	**–**	–
(112)	World Luck Corporation Limited 寰福有限公司	Hong Kong Limited company	Investment holding in Hong Kong	HKD —	**100%**	100%	**–**	–
(113)	Fame Gain Holdings Limited 名得控股有限公司	BVI Limited company	Investment holding in BVI	USD —	**100%**	100%	**–**	–
(114)	Sino-Ocean Land Property Development Limited 遠洋地產國際發展有限 公司	Hong Kong Limited company	Investment holding in Hong Kong	HKD 20	**100%**	100%	**–**	–
(115)	Fast Fame Capital Investment Limited 迅榮創富有限公司	Hong Kong Limited company	Investment holding in Hong Kong	HKD —	**100%**	100%	**–**	–
(116)	Steed Wind Limited 驥風有限公司	BVI Limited company	Investment holding in BVI	HKD —	**50%**	50%	**50%**	50%
(117)	Max Star Ent. Ltd 盛星企業有限公司	BVI Limited company	Investment holding in BVI	RMB667,010	**50%**	50%	**50%**	50%
(118)	Glory Soar Limited 軒鵬有限公司	Hong Kong Limited company	Investment holding in Hong Kong	HKD —	**50%**	50%	**50%**	50%
(119)	Sino-Ocean Land Treasure Finance I Limited	BVI Limited company	Investment holding in BVI	HKD —	**100%**	100%	**–**	–
(120)	Sino-Ocean Land Treasure Finance II Limited	BVI Limited company	Investment holding in BVI	HKD —	**100%**	100%	**–**	–
(121)	Sino-Ocean Land Treasure Finance III Limited	BVI Limited company	Investment holding in BVI	HKD —	**100%**	100%	**–**	–
(122)	Sino-Ocean Land Treasure IV Limited	BVI Limited company	Investment holding in BVI	HKD —	**100%**	100%	**–**	–
(123)	New Advance Limited	Hong Kong Limited company	Property development in Hong Kong	HKD 1,000	**100%**	100%	**–**	–
(124)	Rich Group Creation Limited	Hong Kong Limited company	Property development in Hong Kong	HKD —	**100%**	100%	**–**	–

13 SUBSIDIARIES (Continued)

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2020 is RMB16,256,391,000 which mainly consists of non-controlling interest of RMB328,658,000 and non-controlling interest of RMB214,943,000 deriving from Hubei Fuxing and Liyang Hongjing, being 51% and 40% owned subsidiaries, respectively. The non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits held by Hubei Fuxing and Liyang Hongjing amounted to RMB477,446,000 in aggregate are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarized balance sheet

	Hubei Fuxing		Liyang Hongjin	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Assets	**3,104,483**	2,619,749	**443,755**	530,449
Liabilities	**(2,587,881)**	(1,669,058)	**(85,522)**	(183,470)
Total current net assets	**516,602**	950,691	**358,233**	346,979
Non-current				
Assets	**154,128**	216,617	**5**	172
Liabilities	**–**	(289,000)	**–**	–
Total non-current net assets	**154,128**	(72,383)	**5**	172
Net assets	**670,730**	878,308	**358,238**	347,151
Accumulated non-controlling Interest	**328,658**	430,371	**214,943**	208,291

13 SUBSIDIARIES (Continued)

(a) Material non-controlling interests (Continued)

Summarized income statement

	Hubei Fuxing		Liyang Hongjing	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**527,762**	2,567,705	**171,926**	773,795
(Losses)/profit before income tax	**(271,479)**	528,563	**15,471**	70,517
Income tax expense	**63,901**	(157,068)	**(4,384)**	(15,717)
Post-tax (losses)/profit	**(207,578)**	371,495	**11,087**	54,800
Total comprehensive income	**(207,578)**	371,495	**11,087**	54,800
Total comprehensive income allocated to non- controlling Interests	**(101,713)**	182,032	**6,652**	32,880

Summarized cash flows

	Hubei Fuxing		Liyang Hongjing	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities				
Cash generated from/(used) in operations	**103,087**	19,397	**94,474**	(176,968)
Interest paid	**(41,075)**	(69,490)	**–**	–
Income tax paid	**–**	(138,687)	**–**	–
Net cash generated from/(used) in operating activities	**62,012**	(188,780)	**94,474**	(176,968)
Net cash generated from investing activities	**170,327**	919,723	**–**	–
Net cash used in financing activities	**(326,774)**	(352,990)	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(94,435)**	377,953	**94,474**	(176,968)
Cash and cash equivalents at beginning of the year	**400,846**	22,893	**76,561**	253,529
Cash and cash equivalents at end of the year	**306,411**	400,846	**171,035**	76,561

The information above is the amount before inter-company eliminations.

14 INVESTMENTS IN JOINT VENTURES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**17,355,309**	20,330,505
Capital injection (i)	**6,597,645**	2,648,574
Dividend	**(88,193)**	(611,301)
Disposal	**(2,868,074)**	(1,633,415)
Deemed disposal of joint ventures	**(521,457)**	(2,082,769)
Increase due to disposal of interest in subsidiaries	**482,569**	170,541
Decrease due to disposal of interest in a subsidiary (Note 48)	**(716,419)**	(2,870,370)
Share of results of joint ventures — after adjustment for unrealized profit or loss from inter-company transactions between the Group and the joint ventures	**1,008,945**	1,389,216
Currency translation difference	**(31,878)**	14,328
At end of the year	**21,218,447**	17,355,309

(i) Capital injection to joint ventures mainly includes the subscription for the shares in Beijing Xingtaitonggang Properties Company Limited on 18 December 2020.

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held directly by the Group as at 31 December 2020, all of which are unlisted:

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019	Nature of relationship	Principal activities
(1)	Beijing Linlian Property Company Limited 北京麟聯置業有限公司	PRC	Limited liability company	RMB400,000	50%	50%	(iii)	Investment property development
(2)	Chengdu Qianhao Real Estate Company Limited 成都乾豪置業有限公司	PRC	Limited liability company	USD329,000	50%	50%	(iii)	Investment property development
(3)	Chengdu Yingang Real Estate Company Limited 成都銀港置業有限公司	PRC	Limited liability company	RMB8,000	50%	50%	(iii)	Investment property development
(4)	北京遠騰置業有限公司	PRC	Limited liability company	RMB1,820,000	50%	50%	(iii)	Land and property development
(5)	深圳市遠盛業投資有限公司	PRC	Limited liability company	RMB200,000	51%	51%	(i),(iv)	Investment management
(6)	北京遠洋新光商業管理有限公司	PRC	Limited liability company	RMB10,000	50%	50%	(iv)	Investment management
(7)	北京遠新房地產開發有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(iii)	Land and property development
(8)	北京遠洋新揚子資產管理有限公司	PRC	Limited liability company	RMB2,000	50%	50%	(iv)	Investment management
(9)	鴻基偉業(北京)房地產開發有限公司	PRC	Limited liability company	RMB20,000	50%	50%	(iii)	Land and property development
(10)	北京房地鑫洋房地產開發有限公司	PRC	Limited liability company	RMB30,000	30%	30%	(ii),(iii)	Land and property development
(11)	Tianjin Yijiahe Real Estate Company Limited 天津市億嘉合置業有限公司	PRC	Limited liability company	RMB80,000	51%	51%	(i),(iii)	Land and property development
(12)	南京綠洋置業有限公司	PRC	Limited liability company	RMB20,000	50%	50%	(iii)	Land and property development
(13)	SOL Investment Fund LP	Cayman island	Limited Partnership	HKD2,679,000	50%	50%	(iv)	Investment management
(14)	香河萬潤新元房地產開發有限公司	PRC	Limited liability company	RMB85,000	20%	20%	(ii),(iii)	Land and property development
(15)	北京穎暉置業有限公司	PRC	Limited liability company	RMB10,000	50%	50%	(iii)	Investment property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held directly by the Group as at 31 December 2020, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019	Nature of relationship	Principal activities
(16)	北京房地天鋭鑫洋房地產開發有限公司	PRC	Limited liability company	RMB41,180	30%	30%	(ii),(iii)	Land and property development
(17)	上海新證財經信息諮詢有限公司	PRC	Limited liability company	RMB142,500	45%	45%	(ii),(v)	Investment management
(18)	中山市大信融佳商業投資有限公司	PRC	Limited liability company	RMB1,000	50%	50%	(iv)	Land and property development
(19)	北京卓信瑞通投資有限公司	PRC	Limited liability company	RMB1,000	33%	33%	(ii),(iv)	Land and property development
(20)	天津旭浩房地產開發有限公司	PRC	Limited liability company	RMB120,000	25%	25%	(ii),(iii)	Land and property development
(21)	北京中聯置地房地產開發有限公司	PRC	Limited liability company	RMB560,000	15%	49%	(ii),(iii)	Land and property development
(22)	天津市遠銘置業有限公司	PRC	Limited liability company	RMB50,000	6%	42%	(ii),(iii)	Land and property development
(23)	北京新揚子投資基金管理中心（有限合夥）	PRC	Limited Liability Partnership	RMB1,000,000	50%	50%	(iv)	Investment management
(24)	廊坊市裕豐房地產開發有限公司	PRC	Limited liability company	RMB50,000	23.5%	25.5%	(ii),(iii)	Land and property development
(25)	北京房地銘洋房地產開發有限公司	PRC	Limited liability company	RMB30,000	49%	49%	(ii),(iii)	Land and property development
(26)	武漢遠正企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	15%	15%	(ii),(iv)	Land and property development
(27)	張家口富利嘉房地產開發有限公司	PRC	Limited liability company	RMB30,000	60%	60%	(i),(iii)	Land and property development
(28)	河北川匯房地產開發有限公司	PRC	Limited liability company	RMB5,000	51%	51%	(i),(iii)	Land and property development
(29)	石家莊永熹房地產開發有限公司	PRC	Limited liability company	RMB10,000	20%	20%	(ii),(iii)	Land and property development
(30)	深圳市遠康置地投資有限公司	PRC	Limited liability company	RMB50,000	65%	65%	(i),(iv)	Land and property development
(31)	長春王府井遠洋商業投資有限公司	PRC	Limited liability company	RMB50,000	40%	40%	(ii),(iv)	Land and property development
(32)	中山祥盛房地產開發有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(iii)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held directly by the Group as at 31 December 2020, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019	Nature of relationship	Principal activities
(33)	合肥永拓置業發展有限公司	PRC	Limited liability company	RMB400,000	25%	25%	(ii),(iii)	Land and property development
(34)	深圳市國通厚德房地產開發有限公司	PRC	Limited liability company	RMB10,000	70%	70%	(i),(iii)	Land and property development
(35)	鄭州建業十八城置業有限公司	PRC	Limited liability company	RMB200,000	50%	50%	(iii)	Land and property development
(36)	北京潭柘興業房地產開發有限公司	PRC	Limited liability company	RMB300,000	10%	10%	(ii),(iii)	Land and property development
(37)	北京遠創興茂置業有限公司	PRC	Limited liability company	RMB100,000	40%	40%	(ii),(iii)	Land and property development
(38)	昆明古興達房地產開發有限公司	PRC	Limited liability company	RMB200,000	20%	20%	(ii),(iii)	Land and property development
(39)	愛車(天津)房地產開發有限公司	PRC	Limited liability company	RMB150,000	49.98%	49.98%	(ii),(iii)	Land and property development
(40)	贏家(天津)房地產開發有限公司	PRC	Limited liability company	RMB850,000	49.98%	49.98%	(ii),(iii)	Land and property development
(41)	山西龍城遠洋置業有限公司	PRC	Limited liability company	RMB10,000	44%	44%	(ii),(iii)	Land and property development
(42)	北京創遠亦程置業有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(iii)	Land and property development
(43)	太倉遠匯置業有限公司	PRC	Limited liability company	RMB200,000	34%	34%	(ii),(iii)	Land and property development
(44)	北京遠和置業有限公司	PRC	Limited liability company	RMB810,000	25%	25%	(ii),(iii)	Land and property development
(45)	杭州雋洋置業有限公司	PRC	Limited liability company	RMB50,000	49%	49%	(ii),(iii)	Land and property development
(46)	河南優居房地產開發有限公司	PRC	Limited liability company	RMB20,000	25.5%	25.5%	(ii),(iii)	Land and property development
(47)	上海遠緒置業有限公司	PRC	Limited liability company	RMB10,000	50%	50%	(iii)	Land and property development
(48)	天津吉慶置業有限公司	PRC	Limited liability company	RMB30,000	50%	50%	(iii)	Land and property development
(49)	鄭州遠啟博奧企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	70%	70%	(i),(iv)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held directly by the Group as at 31 December 2020, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019	Nature of relationship	Principal activities
(50)	北京遠創興城置業有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(iii)	Land and property development
(51)	中山市遠聞房地產開發有限公司	PRC	Limited liability company	RMB40,000	51%	51%	(i),(iii)	Land and property development
(52)	中山盛哲房地產開發有限公司	PRC	Limited liability company	RMB20,000	30%	30%	(ii),(iii)	Land and property development
(53)	重慶國際高爾夫俱樂部有限公司	PRC	Limited liability company	RMB96,290	42.5%	42.5%	(ii),(iii)	Land and property development
(54)	西安恒正隆房地產有限公司	PRC	Limited liability company	UDS132,274	34%	34%	(ii),(iii)	Land and property development
(55)	北京穎融企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	70%	70%	(i),(iv)	Land and property development
(56)	北京穎創企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	70%	70%	(i),(iv)	Land and property development
(57)	長沙遠曜投資管理合夥企業	PRC	Limited liability company	RMB632,642	24.96%	24.96%	(ii),(iv)	Land and property development
(58)	北京樂優富拓投資有限公司	PRC	Limited liability company	RMB1,000	25%	25%	(ii),(iv)	Land and property development
(59)	嘉興金久房地產開發有限公司	PRC	Limited liability company	RMB8,000	33%	33%	(ii),(iii)	Land and property development
(60)	龍洋生命(開曼)有限公司	Cayman Island	Limited liability company	RMB6,500	50%	50%	(iii)	Land and property development
(61)	SO CTCO Investments, L.P.	Cayman Islands	Limited Partnership	USD 100,000	50%	50%	(iv)	Investment management
(62)	石家莊新聯遠鴻房地產開發有限公司	PRC	Limited liability company	RMB100,000	31%	31%	(ii),(iii)	Land and property development
(63)	石家莊州賀房地產開發有限公司	PRC	Limited liability company	RMB5,000	31%	31%	(ii),(iii)	Land and property development
(64)	西安遠瑞置業有限公司	PRC	Limited liability company	RMB10,000	60%	60%	(i),(iii)	Land and property development
(65)	溫州龍巖陵園有限公司	PRC	Limited liability company	USD 66,700	50%	50%	(iii)	Land and property development
(66)	天津市遠馳房地產開發有限公司	PRC	Limited liability company	RMB400,000	30%	50%	(iii)	Land and property development
(67)	北京睿暉商業管理有限公司	PRC	Limited liability company	RMB1,000	30%	50%	(iii)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held directly by the Group as at 31 December 2020, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019	Nature of relationship	Principal activities
(68)	北京睿鴻商業管理有限公司	PRC	Limited liability company	RMB1,000	30%	50%	(iii)	Land and property development
(69)	Sino-Ocean Meridian Holding, LLC	USA	Limited liability company	USD11,659	40%	40%	(ii),(iv)	Elderly care
(70)	Sino-Ocean Meridian Fund I,LP	Cayman Islands	Limited Partnership	USD64,794	97.5%	97.5%	(i),(iv)	Elderly care
(71)	TSKY Carirnhill Pte. Ltd	SG	Limited liability company	USD 20,000	30%	30%	(ii),(iii)	Land and property development
(72)	杭州遠洋新河酒店置業有限公司	PRC	Limited liability company	USD132,590	60%	60%	(i),(iii)	Investment property development
(73)	杭州遠洋運河商務區開發有限公司	PRC	Limited liability company	USD143,210	60%	60%	(i),(iii)	Land and property development
(74)	杭州遠洋天祺置業有限公司	PRC	Limited liability company	USD147,760	60%	60%	(i),(iii)	Land and property development
(75)	蘇州嶼秀房地產開發有限公司	PRC	Limited liability company	RMB480,000	16.5%	16.5%	(ii),(iii)	Land and property development
(76)	Shandong Yuanquan Real Estate Company Limited 山東遠泉置業有限公司	PRC	Limited liability company	RMB20,000	51%	–	(i),(iv)	Land and property development
(77)	Hangzhou Yuanchen Real Estate Company Limited 杭州遠宸建祥置業有限公司	PRC	Limited liability company	RMB100,000	51%	–	(i),(iv)	Land and property development
(78)	Nanjing Yuanhong Real Estate Company Limited 南京遠鴻置業有限公司	PRC	Limited liability company	RMB20,000	60%	–	(i),(iv)	Land and property development
(79)	北京建遠萬譽房地產開發有限公司	PRC	Limited liability company	RMB100,000	51%	–	(i),(iv)	Land and property development
(80)	深圳市恆裕國宏房地產開發有限公司	PRC	Limited liability company	RMB101,000	51%	–	(i),(iv)	Land and property development
(81)	無錫雅遠房地產開發有限公司	PRC	Limited liability company	RMB20,000	50%	–	(iv)	Land and property development
(82)	北京商務中心區開發建設有限責任公司	PRC	Limited liability company	RMB681,000	47%	47%	(ii),(iv)	Land and property development
(83)	武漢設計之心建設發展有限公司	PRC	Limited liability company	RMB50,000	70%	70%	(ii),(iii)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held directly by the Group as at 31 December 2020, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019	Nature of relationship	Principal activities
(84)	來安縣遠錦房地產開發有限公司	PRC	Limited liability company	RMB12,000	30%	100%	(ii),(iv)	Land and property development
(85)	北京遠盛泰房地產開發有限公司	PRC	Limited liability company	RMB10,000	60%	100%	(i),(iv)	Land and property development
(86)	天津市遠拓置業有限公司	PRC	Limited liability company	RMB50,000	58%	–	(i),(iv)	Land and property development
(87)	山東遠舜置業有限公司	PRC	Limited liability company	RMB1,306,000	53.3%	–	(i),(iv)	Land and property development
(88)	上海遠閔企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	60%	100%	(i),(v)	Land and property development
(89)	重慶遠香房地產開發有限公司	PRC	Limited liability company	RMB32,000	30%	50%	(ii),(iv)	Land and property development
(90)	山東泰洋置業有限公司	PRC	Limited liability company	RMB20,000	50%	–	(iv)	Land and property development
(91)	山東遠赫房地產開發有限公司	PRC	Limited liability company	RMB10,000	60%	–	(i),(iv)	Land and property development
(92)	北京遠景中安置業有限公司	PRC	Limited liability company	RMB2,100,000	31%	–	(ii),(iv)	Land and property development
(93)	濟南匯遠產業園開發有限公司	PRC	Limited liability company	RMB30,000	42%	–	(ii),(iv)	Land and property development
(94)	福州遠榕興置業有限公司	PRC	Limited liability company	RMB30,000	51%	–	(i),(iv)	Land and property development
(95)	北京盛霖市政園林有限公司	PRC	Limited liability company	RMB50,000	74.5%	–	(i),(v)	Landscaping Services
(96)	北京星泰通港置業有限公司	PRC	Limited liability company	RMB9,500,000	64.79%	–	(i),(iii)	Investment property development
(97)	PT MAKNA ALAM SEJAHTERA	Indonesian	Limited liability company	Rupiah 10,000,000	30%	–	(ii),(iv)	Land and property development
(98)	北京椿萱茂投資有限公司	PRC	Limited liability company	RMB300,000	70%	70%	(i),(v)	Elderly care
(99)	Sunrise River Ventures Limited	BVI	Limited company	USD–	49%	49%	(ii),(v)	Landscaping Services
(100)	天津睿鴻企業管理有限公司	PRC	Limited liability company	RMB1,000	40%	40%	(ii),(iv)	Land and property development

14 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of part of the joint ventures held directly by the Group as at 31 December 2020, all of which are unlisted: (Continued)

(i) Although the Group holds more than 50% of the equity shares of these entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of these entities. Accordingly, these entities are considered as joint ventures of the Group by the directors.

(ii) Although the Group holds less than 50% of the equity shares of these entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of these entities. Accordingly, these entities are considered as joint ventures of the Group by the directors.

(iii) Investments in these joint ventures provide more business opportunities in property development and investment properties.

(iv) Investments in these joint ventures provide more business opportunities in real estate investment activities.

(v) Investments in these joint ventures provide more business opportunities for the Group in other business activities.

(vi) As at 31 December 2020, the Group has the outstanding capital commitment to joint ventures amounting to RMB1,315,378,000 (2019:RMB271,125,000).

(b) Individually immaterial joint venture

The Group has interests in individually immaterial joint ventures that are accounted for using the equity method.

	2020 **RMB'000**	2019 RMB'000
Aggregate carrying amount of individually immaterial joint ventures	**21,218,447**	17,355,309
Aggregate amounts of the Group's share of: Profit from continuing operations	**982,999**	1,519,370
Total comprehensive income	**982,999**	1,519,370

15 INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**6,846,347**	7,177,355
Capital injection	**822,584**	164,009
Disposal	**(768,312)**	(32,729)
Transfer to financial assets at fair value through other comprehensive income	**(457,177)**	–
Dividend	**(142,299)**	(85,959)
Increase due to disposal of interest in subsidiaries	**374,121**	2,001,590
Decrease due to disposal of interest in a subsidiary	**–**	(2,777,569)
Deemed disposal of associate	**(223,472)**	–
Share of results of associates — after adjustment for unrealized profit or loss from inter-company transactions between the Group and the associates	**318,169**	335,257
Currency translation difference	**(73,213)**	64,393
At end of the year	**6,696,748**	6,846,347

15 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of part of the associates of the Group at 31 December 2020:

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019	Nature of the relationship	Principal activities
(1)	Guoshou Yuantong Real Estate Company Limited 國壽遠通置業有限公司	PRC	Limited liability company	RMB2,500,000	10%	10%	(i),(ii)	Investment property development
(2)	Beijing Shengyong Property Development and investment Company Limited 北京盛永置業投資有限公司	PRC	Limited liability company	RMB500,000	35%	35%	(ii)	Investment property development
(3)	CIGIS (China) Company Limited 建設綜合勘察研究設計院有限公司	PRC	Limited liability company	RMB50,000	35%	35%	(iii)	Survey and design
(4)	Chongqing Yuanteng Real Estate Development Limited 重慶遠騰房地產開發有限公司	PRC	Limited liability company	RMB1,100,000	42.5%	42.5%	(ii)	Land and property development
(5)	北京興佰君泰房地產開發有限公司	PRC	Limited liability company	RMB90,000	21%	21%	(ii)	Land and property development
(6)	北京達成光遠置業有限公司	PRC	Limited liability company	RMB100,000	23%	23%	(ii)	Land and property development
(7)	廣州宏軒房地產開發有限公司	PRC	Limited liability company	RMB300,000	16.66%	16.66%	(i),(ii)	Land and property development
(8)	廣州宏嘉房地產開發有限公司	PRC	Limited liability company	RMB300,000	16.66%	16.66%	(i),(ii)	Land and property development
(9)	廣州璟曄房地產開發有限公司	PRC	Limited liability company	RMB300,000	16.66%	16.66%	(i),(ii)	Land and property development
(10)	Beijing Capital Juda Limited. 首創鉅大有限公司	Cayman Islands	Limited liability company	HKD 20,345	9.9%	9.9%	(i),(ii)	Land and property development
(11)	重慶遠朗房地產開發有限公司	PRC	Limited liability company	RMB233,540	50%	50%	(ii)	Land and property development
(12)	杭州北晨房地產開發有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(ii)	Land and property development
(13)	武漢遠駿置業有限公司	PRC	Limited liability company	RMB50,000	34%	34%	(ii)	Land and property development
(14)	天津中建致恒地產有限公司	PRC	Limited liability company	RMB70,000	42.86%	42.86%	(ii)	Land and property development
(15)	石家莊安聯房地產開發有限公司	PRC	Limited liability company	RMB20,000	30%	30%	(ii)	Land and property development
(16)	江西軍邦房地產開發有限公司	PRC	Limited liability company	RMB30,000	51%	51%	(ii)	Land and property development
(17)	成都青銅匯股權投資基金合夥企業(有限合夥)	PRC	Limited Liability Partnership	RMB700,000	42.86%	42.86%	(iv)	Investment management

15 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of part of the associates of the Group at 31 December 2020: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019	Nature of the relationship	Principal activities
(18)	北京瑞成永創科技有限公司	PRC	Limited liability company	RMB50,000	22.2%	22.2%	(v)	Scientific research and technical services
(19)	廈門國遠同豐置業有限公司	PRC	Limited liability company	RMB98,000	51.02%	51.02%	(ii)	Land and property development
(20)	南昌國遠盈潤置業有限公司	PRC	Limited liability company	RMB98,000	49%	49%	(ii)	Land and property development
(21)	北京融德房地產開發有限公司	PRC	Limited liability company	RMB687,000	49%	49%	(ii)	Land and property development
(22)	Coldwest Fund I LP	Cayman Islands	Limited Partnership	USD105,000	47.62%	47.62%	(iv)	Investment management
(23)	Delos China (HK) Limited	HK	Limited company	USD 16,000	25%	25%	(ii)	Healthy renovation service
(24)	北京融平企業管理服務有限公司	PRC	Limited liability company	RMB687,000	49%	49%	(iii)	Land and property development
(25)	上海棟鼎企業管理有限公司	PRC	Limited liability company	RMB30,000	49%	49%	(iv)	Land and property development
(26)	北京誼誠置業有限公司	PRC	Limited liability company	RMB10,000	21%	21%	(ii)	Land and property development
(27)	Fortune Joy Ventures Limited	BVI	Limited company	USD 580,000	49%	49%	(v)	Investment management
(28)	上饒市棕遠生態環境有限公司	PRC	Limited liability company	RMB320,000	28.98%	28.98%	(v)	Environmental governance
(29)	北京雲泰數通互聯網科技有限公司 ("Beijing Yuntai")	PRC	Limited liability company	RMB252,000	30%	–	(v)	Data Center Services
(30)	北京遠創置業有限公司	PRC	Limited liability company	RMB300,000	51%	75%	(ii)	Land and property development
(31)	北京金開旭泰房地產開發有限公司	PRC	Limited liability company	RMB1,000,000	16%	–	(i),(ii)	Land and property development
(32)	北京駿洋時代置業有限公司	PRC	Limited liability company	RMB32,000	51%	–	(ii)	Land and property development
(33)	納什空間創業科技(北京)有限公司	PRC	Limited liability company	RMB73,000	20%	–	(iv)	Office services
(34)	Gemini Investments (Holdings) Limited 盛洋投資(控股)有限公司	Hong Kong	HK Listed company	HKD22,550	25%	69.23%	(vi)	Investment management
(35)	深圳市益田假日廣場有限公司	PRC	Limited liability company	RMB150,000	30%	–	(ii)	Investment property development

15 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of part of the associates of the Group at 31 December 2020: (Continued)

Among the associates mentioned above, Beijing Capital Juda Limited and Gemini Investments (Holdings) Limited are listed on Stock Exchange of Hong Kong Ltd,the quoted fair value and carrying amount thereof presented as below:

	Name	Country of incorporation and operation	Legal status	Quoted market value		Carrying amount	
				2020	2019	**2020**	2019
				RMB'000	RMB'000	**RMB'000**	RMB'000
(1)	Beijing Capital Juda Limited	PRC	Limited liability company	**96,000**	110,000	**132,014**	149,023
(2)	Gemini Investments (Holdings) Limited	Hong Kong	HK Listed company	**181,000**	–	**154,095**	–

Even though quoted market value of Beijing Capital Juda Limited is less than carrying amount, the fair value of net assets of the company attributable to the Group is higher than the carrying amount, no impairment charge is recognised for the investment.

(i) Although the Group holds less than 20% of the equity shares of these entities, the Group exercises significant influence under the contractual agreements in the strategic financial and operating policy decisions of these companies.

(ii) Investments in these associates provide more business opportunities in property development.

15 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of part of the associates of the Group at 31 December 2020: (Continued)

(iii) Investments in these associates provide more opportunities to involve in related services to support property development, such as architectural design and property management.

(iv) Investments in these associates provide more business opportunities in real estate investment activities.

(v) Investments in these associates provide more business opportunities in other activities.

(vi) As at 31 December 2020, the Group has the outstanding capital commitment to associates amounting to RMB296,244,000 (2019: RMB320,441,000).

(b) Individually immaterial associates

The Group has interests in individually immaterial associates that are accounted for using the equity method.

	2020 **RMB'000**	2019 RMB'000
Aggregate carrying amount of individually immaterial associates	**6,696,748**	6,846,347
Aggregate amounts of the Group's share of:		
Profit from continuing operations	**257,558**	415,361
Total comprehensive income	**257,558**	415,361

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December 2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables and prepayments	**63,486,576**	74,004,370
Less: Prepayments	**(8,320,514)**	(7,559,614)
— Trade and other receivables and prepayments excluding prepayments	**55,166,062**	66,444,756
— Restricted bank deposits	**4,799,837**	2,511,683
— Cash and cash equivalents (Note 25)	**39,129,442**	31,054,201
— Contract assets	**923,600**	2,708,018
Financial assets at fair value through other comprehensive income (Note 17)	**6,751,919**	2,715,647
Financial assets at fair value through profit or loss (Note 18)	**5,074,930**	6,712,378
	111,845,790	112,146,683
Financial liabilities		
Liabilities at amortised cost:		
— Borrowings (Note 32)	**82,203,728**	83,906,951
— Lease liabilities (Note 8)	**147,931**	194,480
— Trade and other payables excluding tax payables	**54,359,775**	51,242,127
Financial liabilities at fair value through profit or loss (Note 36)	**190,053**	51,104
	136,901,487	135,394,662

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) Equity investments at fair value through other comprehensive income

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Listed securities (a)	**488,890**	48,164
Unlisted securities (b)	**6,263,029**	2,667,483
	6,751,919	2,715,647
Less: Non-current portion	**(6,751,919)**	(2,715,647)
Current portion	**–**	–

(a) Investment in listed equity securities is stated at fair value based on the quoted price of the equity securities.

(b) Investment in unlisted equity securities are denominated in HKD and RMB. For the valuation of unlisted equity securities, please refer to Note 4.3.

The following table presents the changes in equity investments at fair value through other comprehensive income for the year ended 31 December 2020:

	Equity investments at fair value through other comprehensive income RMB'000
Opening balance	**2,715,647**
Fair value losses	**(23,269)**
Increase due to disposal of a subsidiary (Note 48)	**3,643,025**
Increase due to deemed disposal of an associate (Note 15)	**457,177**
Currency translation difference	**(40,661)**
Closing balance	**6,751,919**

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

(ii) Equity investments at fair value through other comprehensive income (Continued)

The following table presents the changes in equity investments at fair value through other comprehensive income for the year ended 31 December 2019:

	Equity investments at fair value through other comprehensive income RMB'000
Opening balance	679,952
Additions	2,000,000
Fair value gains	20,427
Currency translation difference	15,268
Closing balance	2,715,647

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(i) Classification of financial assets at fair value through profit or loss (Continued)

Financial assets mandatorily measured at FVPL include the following:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Investment in fund investments	**4,756,524**	6,111,352
Investment in other unlisted equity securities	**307,246**	327,428
Investment in listed equity securities	**11,160**	266,304
Others	**–**	7,294
	5,074,930	6,712,378
Less: Non-current portion	**(5,063,770)**	(6,446,074)
Current portion	**11,160**	266,304

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains — net" in the income statement.

(ii) Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Fair value gains recognised in other gains	**516,728**	187,872

(iii) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in 4.1. For information about the methods and assumptions used in determining fair value please refer to Note 4.3.

19 PROPERTIES UNDER DEVELOPMENT

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**60,378,181**	54,655,796
Additions	**63,341,934**	34,522,513
Transfer from deposits for land use rights	**–**	177,165
Transfer from construction in progress	**23,948**	–
Acquisition of subsidiaries	**–**	12,020,221
Disposal of interests in subsidiaries	**(8,345,752)**	(2,739,385)
Provision for impairment	**(262,720)**	(106,973)
Transfer to property, plant and equipment (Note 7)	**(211,360)**	(1,018,867)
Transfer to land use rights (Note 9)	**–**	(340,391)
Transfer to completed properties held for sale	**(39,965,841)**	(36,339,661)
Recognised in cost of sales	**(239,888)**	(452,237)
At end of the year	**74,718,502**	60,378,181
Properties under development comprises:		
Land use rights	**45,826,754**	32,666,483
Construction costs and capitalized expenditure	**21,215,934**	19,415,825
Interest capitalized	**7,675,814**	8,295,873
	74,718,502	60,378,181

Properties under development are mainly located in the PRC. As at 31 December 2020,properties under development of approximately RMB8,975,042,000 (2019: RMB11,337,759,000) were pledged as collateral for the Group's borrowings.

All properties under development are expected to be completed within the normal operating cycle of the Group, in which RMB47,821,507,000 (2019: RMB44,571,757,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

20 LAND DEVELOPMENT COST RECOVERABLE

Land development cost recoverable refers to capitalized costs on primary land development projects. The land use right certificates belong to the government for these projects. Main activities for primary land development projects included house dismantlement and land leveling works, in order to make sure the land is connected to water, gas, and electric power supplies.

21 PREPAYMENTS FOR LAND USE RIGHTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deposits to local land authorities	**–**	2,228,844

The prepayments were paid to local land authorities for land use rights as at 31 December 2019. The title of lands have been obtained by the Group and were transferred to properties under development.

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Trade receivables (a)	**4,224,342**	3,983,044
Other receivables and prepayments (b)	**59,262,234**	70,021,326
	63,486,576	74,004,370
Less: non-current portion	**(12,289,424)**	(12,841,234)
Current portion	**51,197,152**	61,163,136

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**4,373,540**	4,115,976
Less: provision for impairment of trade receivables	**(149,198)**	(132,932)
	4,224,342	3,983,044
Less: non-current portion	**–**	–
Current portion	**4,224,342**	3,983,044

Proceeds from services and sales rendered are to be received in accordance with the term of respective agreement, and the credit term is brief, an ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 6 months	**2,765,858**	2,331,900
Between 6 months to 1 year	**865,767**	976,052
Between 1 year to 2 years	**606,844**	609,144
Between 2 years to 3 years	**80,743**	146,346
Over 3 years	**54,328**	52,534
	4,373,540	4,115,976

As at 31 December 2020, no trade receivables (2019: nil) were pledged as collateral for the Group's borrowings.

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
At 1 January	**(132,932)**	(113,315)
Provision for receivable impairment	**(46,963)**	(20,189)
Write-off	**30,697**	572
At 31 December	**(149,198)**	(132,932)

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments

	As at 31 December					
	2020			2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Entrusted loans to third parties (i)	**749,767**	**1,027,967**	**1,777,734**	189,204	459,385	648,589
Entrusted loans to joint ventures (ii)	**708,680**	**5,659,756**	**6,368,436**	1,327,399	8,475,766	9,803,165
Entrusted loans to associates (iii)	**160,384**	**3,434,933**	**3,595,317**	725,589	706,156	1,431,745
Entrusted loans to non-controlling interests (iv)	**312,700**	**325,000**	**637,700**	512,700	325,000	837,700
Amounts due from third parties (i)	**1,998,467**	**–**	**1,998,467**	1,688,936	–	1,688,936
Amounts due from joint ventures (v)	**18,329,200**	**–**	**18,329,200**	18,654,638	–	18,654,638
Amounts due from associates (v)	**2,944,124**	**–**	**2,944,124**	8,901,985	–	8,901,985
Amounts due from non-controlling interests (v)	**5,215,269**	**–**	**5,215,269**	8,202,536	–	8,202,536
Tax prepayments	**6,398,941**	**199,626**	**6,598,567**	5,446,496	403,286	5,849,782
Receivables from government (vi)	**2,702,459**	**–**	**2,702,459**	2,516,377	–	2,516,377
Payment for the cooperation of potential properties development projects (vii)	**2,048,222**	**1,025,010**	**3,073,232**	3,916,922	2,260,317	6,177,239
Receivables from disposal of interest in subsidiaries	**1,018,951**	**–**	**1,018,951**	972,977	–	972,977
Other prepayments	**1,304,815**	**417,132**	**1,721,947**	1,709,832	–	1,709,832
Other receivables	**3,303,168**	**200,000**	**3,503,168**	2,612,934	259,253	2,872,187
Less: provision for impairment of other receivables	**(222,337)**	**–**	**(222,337)**	(198,433)	(47,929)	(246,362)
Other receivables and prepayments	**46,972,810**	**12,289,424**	**59,262,234**	57,180,092	12,841,234	70,021,326

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments (Continued)

(i) Entrusted loans to and amounts due from third parties represent amounts paid to joint ventures and associates' joint ventures and associates in order to support the development of real estate projects. As the Group has no direct equity interests in these companies to which the amounts paid are classified as entrusted loans to and amounts due from third parties.

As at 31 December 2020 and 2019, entrusted loans to third parties comprised:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Unsecured loans	**1,777,734**	648,589
Less: Non-current portion	**(1,027,967)**	(459,385)
	749,767	189,204

- Unsecured loans bear interest ramping from 5.50% to 13% per annum (2019: from 3.5% to 15%).

Amounts due from third parties are unsecured, interest free, and repayable on demand.

(ii) Entrusted loans to joint ventures are unsecured, interest bearing from 3.38% to 13% per annum (31 December 2019: from 3.38% to 16%). RMB708,680,000 (31 December 2019: RMB1,327,399,000) of the balances are repayable within one year. The remaining balances of RMB5,659,756,000 (31 December 2019: RMB8,475,766,000) are repayable after one year and included in the non-current portion.

(iii) Entrusted loans to associates are unsecured, interest bearing from 8% to 15% per annum (31 December 2019: from 8% to 15%). RMB160,384,000 (31 December 2019: RMB725,589,000) of the balances are repayable within one year. The remaining balances of RMB3,434,933,000(31 December 2019: RMB706,156,000) are repayable after one year and included in the non-current portion.

(iv) Entrusted loans to non-controlling interests are unsecured, bearing interest from 8% to 9% per annum (31 December 2019: from 8% to 10%). RMB312,700,000 (31 December 2019: RMB512,700,000) of the balances are repayable within one year. The remaining balances of RMB325,000,000 (31 December 2019: RMB325,000,000) are repayable after one year and included in the non-current portion.

(v) Amounts due from joint ventures, associates and non-controlling interests are unsecured, interest free, and repayable on demand.

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments (Continued)

(vi) Receivables from government mainly represent payment made for land development cost, some deposits paid to government to ensure the business activities of properties development, and the amounts paid to government with the intention of possible future cooperation in real estate project development, which will be subsequently reimbursed by the government.

(vii) Amounts mainly represent the payment for cooperation of potential properties development projects. As at 31 December 2020, such cooperation is still in negotiation stage.

RMB1,375,010,000 (2019: RMB4,475,117,000) out of the balance are unsecured, interest bearing from 5% to 8.8% (2019:from 5% to 11%). The remaining balances of RMB1,698,222,000 (2019: RMB1,702,122,000) are unsecured and interest free.

RMB2,048,222,000 (2019: RMB3,916,922,000) out of the balance are repayable on demand. The remaining balance of RMB1,025,010,000 (2019: RMB2,260,317,000) will be repayable in 2022 and included in the non-current portion.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above. The carrying amounts of the Group’s trade and other receivables and prepayments are mainly denominated in RMB.

The carrying amounts of trade and other receivables and prepayments approximate their respective fair values as at 31 December 2020 and 2019.

23 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leasehold lands with lease terms between 40 to 70 years.

	As at 31 December	
	2020	2019
	RMB’000	RMB’000
Completed properties held for sale comprised:		
Land use rights	**4,869,447**	4,225,274
Construction costs and capitalized expenditure	**10,537,928**	10,432,959
Interest capitalized	**2,667,367**	3,694,945
	18,074,742	18,353,178

23 COMPLETED PROPERTIES HELD FOR SALE (Continued)

Movements on the provision for impairment of completed properties held for sale are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**620,733**	678,245
Addition	**176,525**	313,912
Transfer from properties under development	**–**	170,180
Write-off upon sales of completed properties held for sale	**(456,868)**	(541,604)
At end of the year	**340,390**	620,733

As at 31 December 2020, RMB513,727,000 completed properties held for sale (2019: RMB3,010,113,000) were pledged as collateral for the Group's borrowings.

24 RESTRICTED BANK DEPOSITS

Restricted bank deposits are mainly denominated in RMB, which are guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balances also include guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements. The effective interest rate on restricted bank deposits ranging from 0.35% to 2.175% for the year ended 31 December 2020.

25 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and in hand	**34,086,609**	30,862,813
Short-term bank deposits	**5,042,833**	191,388
Cash and cash equivalents	**39,129,442**	31,054,201
Denominated in:		
— RMB	**35,422,378**	25,990,454
— HKD	**2,090,101**	294,885
— USD	**1,616,952**	4,736,177
— Other currencies	**11**	32,685
	39,129,442	31,054,201

The Group's cash and cash equivalents denominated are deposited with banks in the Mainland China and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within the PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

26 CAPITAL

	Number of ordinary shares	Share capital HKD'000	Equivalent share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
Opening balance 1 January 2020	**7,616,095,657**	**30,413,634**	**27,329,232**	**–**	**27,329,232**
Issue of shares pursuant to exercise of employee share options	–	–	–	–	–
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–
	7,616,095,657	**30,413,634**	**27,329,232**	**–**	**27,329,232**
Restricted Share Award Scheme (a)					
Opening balance 1 January 2020	**(49,800,640)**	**–**	**–**	**(167,227)**	**(167,227)**
Shares purchased during the year	**(5,221,555)**	**–**	**–**	**(14,831)**	**(14,831)**
Vesting of shares under Restricted Share Award Scheme	**657,450**	**–**	**–**	**2,218**	**2,218**
	(54,364,745)	**–**	**–**	**(179,840)**	**(179,840)**
At 31 December 2020	**7,561,730,912**	**30,413,634**	**27,329,232**	**(179,840)**	**27,149,392**
Opening balance 1 January 2019	7,615,995,657	30,413,141	27,328,810	–	27,328,810
Issue of shares pursuant to exercise of employee share options	100,000	493	422	–	422
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–
	7,616,095,657	30,413,634	27,329,232	–	27,329,232
Restricted Share Award Scheme (a)					
Opening balance 1 January 2019	(53,101,242)	–	–	(178,317)	(178,317)
Shares purchased during the year	(306,667)	–	–	(1,030)	(1,030)
Vesting of shares under Restricted Share Award Scheme	3,607,269	–	–	12,120	12,120
	(49,800,640)	–	–	(167,227)	(167,227)
At 31 December 2019	7,566,295,017	30,413,634	27,329,232	(167,227)	27,162,005

26 CAPITAL (Continued)

(a) On 22 March 2010, the board of the Company resolved to adopt a Restricted Share Award Scheme, the purpose of the Scheme is to recognise and motivate the contribution of certain employees and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Restricted Share Award Scheme was administered by an independent trustee appointed by the Group, the trustee shall purchase from the market such number of shares awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Restricted Share Award Scheme Rules. When the selected employee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that employee.

Movements in the number of awarded shares for the years ended 31 December 2020 and 2019 are as follows:

	Shares (thousands)
At 1 January 2020	**658**
Granted	**68,663**
Vested	**(658)**
At 31 December 2020	**68,663**
At 1 January 2019	4,580
Vested	(3,607)
Lapsed	(315)
At 31 December 2019	658

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the year ended 31 December 2020 was RMB3.54 per share(2019: nil per share).

The outstanding awarded shares as of 31 December 2020 were divided into several tranches on an equal basis as at their grant dates. The outstanding awarded shares will be exercised after a specified period ranging from one to three years from the grant date.

27 RETAINED EARNINGS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At 1 January	**23,877,717**	22,548,161
Profit for the year	**2,866,283**	2,656,277
Dividends relating to 2018	**–**	(489,258)
Dividends relating to 2019 (Note 44)	**(181,298)**	(755,510)
Dividends relating to 2020 (Note 44)	**(416,333)**	–
Transfer to statutory reserve fund	**(47,799)**	(81,953)
At 31 December	**26,098,570**	23,877,717

28 RESERVES

	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted Share Award Scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2020	(763,427)	1,525,046	(387,228)	(1,092,650)	436,790	2,158	(853,225)	(1,132,536)
Fair value losses on financial assets at fair value through other comprehensive income	–	–	–	(20,609)	–	–	–	(20,609)
Deferred hedging gains and losses	–	–	–	–	–	–	(62,017)	(62,017)
Currency translation differences	–	–	769,048	–	–	–	–	769,048
Expense on share-based payment	–	–	–	–	154,805	68,914	–	223,719
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–	(2,218)	–	(2,218)
Transfer from retained earnings	–	47,799	–	–	–	–	–	47,799
Contribution from non-controlling interests	–	–	–	–	–	–	627,755	627,755
Cancellation of convertible preferred shares issued by the subsidiary	–	–	–	–	–	–	(44,001)	(44,001)
Decrease in non-controlling interests as a result of disposal of subsidiaries	–	–	–	–	–	–	(12,328)	(12,328)
Increase in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	6,362	6,362
At 31 December 2020	(763,427)	1,572,845	381,820	(1,113,259)	591,595	68,854	(337,454)	400,974

28 RESERVES (Continued)

	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted Share Award Scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2019	(763,427)	1,443,093	(190,039)	(1,118,444)	167,464	10,720	(863,215)	(1,313,848)
Fair value losses on financial assets at fair value through other comprehensive income	–	–	–	25,794	–	–	–	25,794
Fair value gains on property, plant and equipment transferred to investment properties	–	–	–	–	–	–	12,329	12,329
Currency translation differences	–	–	(197,189)	–	–	–	–	(197,189)
Expense on share-based payment	–	–	–	–	269,402	3,558	–	272,960
Issue of shares pursuant to exercise of employee share options	–	–	–	–	(76)	–	–	(76)
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–	(12,120)	–	(12,120)
Transfer from retained earnings	–	81,953	–	–	–	–	–	81,953
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	(2,339)	(2,339)
At 31 December 2019	(763,427)	1,525,046	(387,228)	(1,092,650)	436,790	2,158	(853,225)	(1,132,536)

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

29 SHARE OPTIONS

The establishment of the Group's share options schemes was approved on 3 September 2007 and 6 August 2018, respectively by the shareholders. The share option plan is designed to provide long-term incentives for senior managers and above to deliver long-term shareholder returns. Under the schemes,participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Share options granted from 2015 to 2017 are granted to several directors and to selected employees, in which 40% of the options are exercisable after 1 year from the grant date; additional 30% of the options are exercisable after 2 years from the grant date, and remaining 30% of the options are exercisable after 3 years from the grant date.

Share options granted from 2018 to 2019 are granted to several directors and to selected employees, in which 50% of the options are exercisable after 1 year from the grant date, and remaining 50% of the options are exercisable after 2 years from the grant date.

Share options granted in 2020 are granted to several directors and to selected employees, in which 50% of the options are exercisable after 1 year from the grant date, and remaining 50% of the options are exercisable after 2 years from the grant date.

The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share HKD	**Shares** (thousands)
At 1 January 2020	3.66	928,334
Granted during the year	2.11	3,000
Lapsed during the year	4.02	(58,215)
At 31 December 2020	3.63	873,119

Out of the 873,119,000 outstanding options (2019: 928,334,000), 870,119,000 (2019: 281,275,000) were exercisable as at 31 December 2020.

As a result of the options exercised during the year ended 31 December 2020, Nil ordinary shares (2019: 100,000 ordinary shares) were issued by the Company. The weighted average price of the shares at 2019 was HK$3.53 per share.

29 SHARE OPTIONS (Continued)

Share options outstanding as at 31 December 2020 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
13 Apr 2021	3.800	84,490
24 Aug 2022	4.700	43,300
04 Sep 2023	3.960	233,800
27 Mar 2024	3.370	508,529
25 Mar 2025	2.106	3,000
		873,119

The directors of the Company have used the Binomial Model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the year ended 31 December 2020 was RMB0.4965 per option (2019: RMB0.7145 per option).

The model inputs for options granted during the year ended 31 December 2020 included:

(a) exercise price: HK$2.106 (2019: HK$3.37)

(b) grant date: 25 March 2020 (2019: 27 March 2019)

(c) expiry date: 25 March 2025 (2019: 27 March 2024)

(d) share price at grant date: HK$2.07 (2019: HK$3.28)

(e) expected price volatility of the company's share: 38.53% (2019: 38.26%)

(f) expected dividend yields: 3.67% (2019: 5.00%)

(g) risk-free interest rate: 0.72% (2019: 1.34%)

30 CAPITAL SECURITIES

On 21 September 2017, Sino-Ocean Land Treasure III Limited ("Sino-Ocean Land III"), a wholly owned subsidiary, issued perpetual subordinated guaranteed capital securities ("capital securities"), which are callable, with initial aggregate principal amount of USD 600,000,000.

The capital securities have no maturity date, and the payments of distribution of such capital securities can be deferred at the discretion of Sino-Ocean Land III. When Sino-Ocean Land III and the Company elects to declare dividends to their shareholders, Sino-Ocean Land III should make a distribution at an inition rate of 4.9% per annum, as defined in the subscription agreement. Such capital securities are guaranteed by the Company.

31 CAPITAL INSTRUMENT

(a) On 18 and 25 February 2020, Sino-Ocean Holding Group (China) Limited ("Sino-Ocean Holding"), a wholly owned subsidiary, issued capital instruments, which are callable, as at 31 December 2020 the amounts raised is RMB3,378,000,000.The capital instrument have no maturity date, and the payments of distribution of such capital instrument can be deferred at the discretion of Sino-Ocean Holding. When Sino-Ocean Holding and the Company elect to declare dividends to their shareholders, Sino-Ocean Holding should make a distribution to the holders of the capital instrument at the distribution rate as defined in the subscription agreement.

(b) On 26 June 2019, Sino-Ocean Holding issued a capital instrument, which is callable, as at 31 December 2020 the amounts raised is RMB981,000,000.The capital instrument have no maturity date, and the payments of distribution of such capital instrument can be deferred at the discretion of Sino-Ocean Holding. When Sino-Ocean Holding and the Company elect to declare dividends to their shareholders, Sino-Ocean Holding should make a distribution to the holders of the capital instrument at the distribution rate as defined in the subscription agreement.

32 BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current		
Bank borrowings (a)	**20,627,366**	20,305,097
Other borrowings (b)	**35,642,489**	54,306,522
Total non-current borrowings	**56,269,855**	74,611,619
Current		
Current portion of long-term bank borrowings (a)	**3,317,423**	1,165,063
Current portion of long-term other borrowings (b)	**21,469,137**	7,378,713
Short-term bank borrowings (a)	**647,313**	751,556
Short-term other borrowings (b)	**500,000**	–
Total current borrowings	**25,933,873**	9,295,332
Total borrowings	**82,203,728**	83,906,951

32 BORROWINGS (Continued)

(a) As at 31 December 2020, bank borrowings amounting to RMB5,012,388,000 were secured by investment properties, properties under development, completed properties held for sale and equity interest in certain subsidiaries of the Group.

As at 31 December 2019, bank borrowings amounting to RMB3,541,981,000 were secured by investment properties, properties under development, completed properties held for sale and equity interest in certain subsidiaries of the Group.

(b) Other borrowings

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bond issuance (i)	**29,303,139**	28,883,861
Guaranteed notes (ii)	**21,890,554**	20,691,260
Borrowings from trust companies (iii)	**3,276,900**	6,737,250
Asset-backed securitisation (iv)	**2,564,173**	5,174,774
Borrowings from a non-controlling interest (v)	**576,860**	198,090
	57,611,626	61,685,235
Less: non-current portion	**(35,642,489)**	(54,306,522)
Current portion	**21,969,137**	7,378,713

(i) In 2020, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the company, issued bonds with a total principle amount of RMB500,000,000 with coupon rate of 5.70% per year of a term of two years.

In 2020, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the company, issued bonds with a total principle amount of RMB490,000,000 with coupon rate of 5.20% per year of a term of two years.

In 2020, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the company, issued bonds with a total principle amount of RMB2,000,000,000 with coupon rate of 3.35% per year of a term of three years.

In 2019, Shenzhen Tianheng Chuangxing Properties Company Limited, a wholly owned subsidiary of the company, issued bonds with a total principle amount of RMB2,000,000,000 with coupon rate of 5.35% to 5.78% per year of a term of three years, the amounts to RMB957,600,000 has been repaid in 2020.

In 2019, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the company, issued bonds with a total principle amount of RMB118,000,000 with coupon rate of 6.00% per year of a term of two years.

In 2019, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the company, issued bonds in an aggregate amount of RMB2,900,000,000 in two series: (i) RMB1,700,000,000 with coupon rate of 4.06% per year of a term of five years; (ii) RMB1,200,000,000 with coupon rate of 4.59% per year of a term of seven years.

In 2018, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB2,000,000,000 with maturity period of 5 years and annual interest rate of 4.7%.

In 2018, the Company issued Medium-term Notes in an aggregate amount of RMB6,000,000,000 in two series: (i) RMB3,000,000,000 with coupon rate of 5.87% per year of a term of three years;(ii) RMB3,000,000,000 with coupon rate of 5.95% per year of a term of three years.

In 2017, the Company issued the first tranche Medium-term Notes in an aggregate amount of RMB4,000,000,000 in two series:(i) RMB2,000,000,000 with coupon rate of 4.77% per year of a term of three years;(ii) RMB2,000,000,000 with coupon rate of 5.05% per year of a term of five years, the first series of bond amounts to RMB2,000,000,000 has been repaid in 2020.

32 BORROWINGS (Continued)

(b) Other borrowings (Continued)

(i) (Continued)

In 2017, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB1,000,000,000 with maturity period of 5 years and annual interest rate of 5.29%.

In 2016, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB4,000,000,000 with maturity period of 5 years and annual interest rate of 3.50%.

In 2015, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB10,000,000,000. The first phase of the bonds is issued in August with an aggregate principal amount of RMB5,000,000,000 in three series: (i) RMB2,000,000,000 with maturity period of 5 years and annual interest rate of 3.78%; (ii) RMB1,500,000,000 with maturity period of 7 years and annual interest rate of 4.15%; (iii) RMB1,500,000,000 with maturity period of 10 years and annual interest rate of 5.00%. The second phase of the bonds is issued in October with an aggregate principal amount of RMB5,000,000,000 in two series: (i) RMB2,000,000,000 with maturity period of 6 years and annual interest rate of 3.85%; (ii) RMB3,000,000,000 with maturity period of 10 years and annual interest rate of 4.76%, the first series of bond amounts to RMB2,000,000,000 has been repaid in 2020. The bonds are unsecured.

(ii) In January 2020, Sino-Ocean Land Treasure Finance IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD400,000,000 with a maturity period of 10 years and annual interest rate of 4.75%.

In August 2019, Sino-Ocean Land Treasure Finance IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD600,000,000 with a maturity period of 10 years and annual interest rate of 4.75%.

In January 2019, Sino-Ocean Land Treasure Finance IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD500,000,000 with a maturity period of 3 years and annual interest rate of 5.25%.

In July 2018, Sino-Ocean Land Treasure Finance IV Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD700,000,000 at interest rate equal to three-month USD London Interbank Offered Rate plus 2.30% due in 2021 (the "2021 Notes"). The Notes are unsecured and are guaranteed by the Company.

In January 2015, Sino-Ocean Land Treasure Finance II Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD 500,000,000 at a rate of 5.95% per annum due in 2027 (the "2027 Notes"). The notes are unsecured and guaranteed by the Company.

In July 2014, Sino-Ocean Land Treasure Finance I Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD700,000,000 at a rate of 6.00% per annum due in 2024 (the "2024 Notes").

(iii) Such loans bear interest rate from 4.2% to 6.7% per annum, and RMB1,906,900,000 of the loan portion (2019: RMB5,536,250,000) repayable after one year are included in non-current portion.

As at 31 December 2020, loans amounting to RMB1,632,900,000 were secured by properties under development and equity interests in a certain subsidiary of the Group.

As at 31 December 2019, loans amounting to RMB3,058,250,000 were secured by properties under development and equity interests in a certain subsidiary of the Group.

(iv) In September 2018, Sino-Ocean Holding Group (China) Limited entered into asset-backed special agreement with a third-party financing company in the form of asset securitisation. Asset-backed securities are divided into priority level and subprime level with total principal of RMB2,710,000,000 and RMB143,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended 31 December 2018. The priority level securities were guaranteed by Sino-Ocean Holding Group (China) Limited, and secured by property,plant and equipment, land use rights and investment properties of the Group. As at 31 December 2020, RMB2,564,173,000 of the principal remained outstanding.

(v) Such Loan bears interest rate from 7.13% to 8.00% per annum, and RMB576,860,000 (2019: RMB198,090,000) repayable after one year are included in non-current portion.

32 BORROWINGS (Continued)

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December	
	2020	2019
	Bank and other borrowings	Bank and other borrowings
	RMB'000	RMB'000
Total borrowings		
— Within 1 year	**25,933,873**	9,295,332
— Between 1 and 2 years	**17,459,404**	29,765,995
— Between 2 and 5 years	**27,004,933**	29,579,976
— Over 5 years	**11,805,518**	15,265,648
	82,203,728	83,906,951

(d) The Group's borrowings denominated in RMB, HKD and USD respectively are set out as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Denominated in:		
— RMB	**43,768,748**	45,589,835
— HKD	**13,756,489**	13,943,021
— USD	**24,678,491**	24,374,095
	82,203,728	83,906,951

32 BORROWINGS (Continued)

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank borrowings	**3.96%**	4.83%
Other borrowings	**5.53%**	5.78%

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 6 months	**20,878,490**	22,677,592
Between 6 and 12 months	**906,600**	3,032,750
Between 1 and 5 years	**60,418,638**	58,196,609
	82,203,728	83,906,951

(g) The fair value of non-current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.96% (2019: 4.83%) and are within Level 2 of the fair value hierarchy.

33 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**1,170,896**	987,241
— to be recovered within 12 months	**601,759**	452,257
	1,772,655	1,439,498
Deferred income tax liabilities:		
— to be recovered after more than 12 months	**(2,719,813)**	(2,459,865)
— to be recovered within 12 months	**(593,153)**	(487,004)
	(3,312,966)	(2,946,869)
Deferred income tax liabilities, net	**(1,540,311)**	(1,507,371)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**1,507,371**	1,535,415
Recognised in the income statement (Note 42)	**59,032**	(547,271)
(Credited)/Charged to other comprehensive income	**(4,503)**	8,179
Acquisition of subsidiaries (Note 49)	**11,113**	653,145
Disposal of interests in subsidiaries	**(32,702)**	(142,097)
At end of the year	**1,540,311**	1,507,371

33 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Recognition of expenses RMB'000	Unrealized gains RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	**1,299,689**	**77,348**	**155,968**	**3,003**	**1,536,008**
Credited/(Charged) to income statement	**438,261**	**(45,953)**	**1,553**	**–**	**393,861**
Credited to other comprehensive income	**–**	**–**	**–**	**4,503**	**4,503**
Disposal of interests in subsidiaries	**(11,507)**	**16,364**	**(15,324)**	**–**	**(10,467)**
At 31 December 2020	**1,726,443**	**47,759**	**142,197**	**7,506**	**1,923,905**
At 1 January 2019	1,178,730	–	108,972	3,003	1,290,705
Credited to income statement	238,988	77,348	49,621	–	365,957
Disposal of interests in subsidiaries	(118,029)	–	(2,625)	–	(120,654)
At 31 December 2019	1,299,689	77,348	155,968	3,003	1,536,008

33 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Depreciation difference RMB'000	Investment properties revaluation RMB'000	Property revaluation RMB'000	Unrealized gain RMB'000	Recognition of revenue over time RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	**(55,037)**	**(1,683,527)**	**(828,826)**	**–**	**(167,795)**	**(237,887)**	**(70,307)**	**(3,043,379)**
(Charged)/credited to income statement	**(7,254)**	**9,305**	**(27,212)**	**–**	**(348,693)**	**(73,039)**	**(6,000)**	**(452,893)**
Acquisition of subsidiaries (Note 49)	**–**	**–**	**(11,113)**	**–**	**–**	**–**	**–**	**(11,113)**
Disposal of interests in subsidiaries	**–**	**–**	**11,635**	**–**	**–**	**–**	**31,534**	**43,169**
At 31 December 2020	**(62,291)**	**(1,674,222)**	**(855,516)**	**–**	**(516,488)**	**(310,926)**	**(44,773)**	**(3,464,216)**
At 1 January 2019	(55,037)	(1,749,643)	(483,156)	(55,860)	(186,396)	(237,887)	(58,141)	(2,826,120)
(Charged)/credited to income statement	–	(89,458)	200,298	55,860	18,601	–	(3,987)	181,314
Acquisition of subsidiaries	–	–	(653,145)	–	–	–	–	(653,145)
Disposal of interests in subsidiaries	–	155,574	107,177	–	–	–	–	262,751
Credited to other comprehensive income	–	–	–	–	–	–	(8,179)	(8,179)
At 31 December 2019	(55,037)	(1,683,527)	(828,826)	–	(167,795)	(237,887)	(70,307)	(3,043,379)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognise deferred income tax assets of RMB1,053,360,000 (2019: RMB960,522,000) in respect of losses amounting to RMB4,213,440,000 (2019: RMB3,842,088,000) that can be carried forward against future taxable income.

At 31 December 2020, the Group recognised deferred tax liabilities of approximately RMB310,926,000 (2019: RMB237,887,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining available unremitted earnings of the Group's subsidiaries will be distributed in the foreseeable future according to the distribution and reinvestment plans of the Group. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately RMB3,739,098,000 at 31 December 2020 (2019: RMB4,662,671,000).

34 TRADE AND OTHER PAYABLES

	As at 31 December 2020 RMB'000	2019 RMB'000
Trade payables (i)	**19,685,589**	17,789,750
Accrued expenses	**6,915,241**	3,308,010
Amounts due to joint ventures (ii)	**7,979,029**	8,791,353
Amounts due to associates (ii)	**2,462,410**	3,179,119
Amounts due to non-controlling interests (ii)	**4,419,311**	8,247,547
Amounts due to government	**135,416**	77,627
Other taxes payable	**3,185,649**	3,787,197
Deposits received	**7,324,472**	2,924,384
Other payables	**5,438,307**	6,924,337
	57,545,424	55,029,324
Less: non-current portion	**(18,269)**	(18,581)
Current portion	**57,527,155**	55,010,743

The carrying amounts of trade payables and other payables approximate their fair values.

(i) An ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at 31 December 2020 RMB'000	2019 RMB'000
Within 6 months	**9,548,134**	7,067,779
Between 6 months to 12 months	**3,819,304**	3,652,058
Between 1 year to 2 years	**4,728,907**	4,711,607
Between 2 years to 3 years	**1,085,312**	1,819,411
Over 3 years	**503,932**	538,895
	19,685,589	17,789,750

(ii) Amounts due to joint ventures, associates and non-controlling interests are unsecured, interest free, and repayable on demand.

35 CONTRACT LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Advances receipts directly coming from		
Customers	**34,318,360**	25,458,320
	34,318,360	25,458,320

36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Derivatives-held for trading		
— Forward foreign exchange contracts	**686**	51,104
Derivatives hedging instrument		
— Forward rate contract	**189,367**	–
	190,053	51,104

37 INTEREST AND OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest income:		
— Interest income from bank deposits	**129,858**	230,391
— Interest income from entrusted loans	**1,949,422**	2,203,619
Dividend income	**226,121**	232,314
Others	**88,587**	104,614
	2,393,988	2,770,938

38 OTHER GAINS — NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(Losses)/gains on disposal of interests in subsidiaries	**(338,396)**	716,413
Gains on revaluation of financial assets and financial liabilities at fair value through profit or loss	**486,219**	228,937
(Losses)/gains on disposal of joint ventures and associates	**(73,622)**	108,018
Gains on deemed disposal of joint ventures and associates	**64,072**	107,513
Gains on disposal of financial assets at fair value through profit or loss	**87,896**	32,379
Exchange gains/(losses)	**1,213,393**	(408,843)
Payment for the settlement of contracted obligations	**(107,918)**	(79,903)
Gains/(losses) on disposal of property, plant and equipment	**2,223**	(4,821)
Gains on disposal of investment properties	**–**	865
Negative goodwill on business combinations	**–**	798
Other gains/(losses)	**726**	(2,836)
	1,334,593	698,520

39 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	**18,192,150**	14,347,125
— Capitalized interest	**4,420,866**	4,992,252
— Construction related cost	**17,930,857**	14,805,832
Cost of up fitting services rendered	**2,895,285**	3,674,757
Direct investment property expenses (Note 12)	**71,203**	128,030
Employee benefit expense (Note 40)	**1,742,316**	1,829,689
Consultancy fee	**522,038**	435,839
Auditor's remuneration	**15,484**	11,650
— Audit services	**12,255**	8,850
— Non-audit services	**3,229**	2,800
Depreciation (Note 7)	**61,474**	96,380
Depreciation of right-of-use assets (Note 8)	**77,980**	153,292
Amortization of land use rights and intangible asset (Note 9, Note 10)	**9,495**	16,856
Advertising and marketing	**1,074,244**	1,007,917
Business taxes and other levies	**364,455**	370,757
Impairment charges	**262,720**	601,695
Derecognition of goodwill (Note 11)	**78,037**	29,428
Office expenditure	**75,594**	179,158
Properties maintenance expenses	**895,891**	1,000,995
Energy expenses	**105,035**	160,328
Others	**367,375**	51,884
	49,162,499	43,893,864

40 EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,978,395**	2,139,954
Retirement benefits contribution	**44,373**	198,434
Share options granted to directors and employees	**154,805**	269,402
Restricted Share Award Scheme	**68,914**	3,558
Other allowances and benefits	**370,530**	432,324
	2,617,017	3,043,672
Less: capitalized in properties under development	**874,701**	(1,213,983)
	1,742,316	1,829,689

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2020 and 2019.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD30,000).

40 EMPLOYEE BENEFITS EXPENSE (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2019: three) directors whose emoluments are reflected in the analysis shown in Note 53. The emoluments payable to the remaining two (2019: two) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries and allowance	**4,062**	4,300
Bonuses	**1,041**	1,920
Retirement scheme contributions	**257**	253
Share-based payments	**3,462**	3,255
	8,822	9,728

The emoluments fell within the following bands:

	Year ended 31 December	
	2020	2019
RMB3,477,000 (equivalent to HK$4,000,000) to RMB4,346,000 (equivalent to HK$5,000,000)	**1**	–
RMB4,346,000 (equivalent to HK$5,000,000) to RMB5,215,000 (equivalent to HK$6,000,000)	**–**	2
RMB5,215,000 (equivalent to HK$6,000,000) to RMB6,084,000 (equivalent to HK$7,000,000)	**1**	–
	2	2

(b) During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

41 FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expense:		
— Bank borrowings	**1,027,805**	1,346,499
— Other borrowings	**3,792,991**	3,817,131
— Lease Liabilities	**11,117**	72,222
Less: interest capitalized at a capitalization rate of 5.10% (2019: 5.50%) per annum	**(2,721,007)**	(2,842,138)
	2,110,906	2,393,714

42 INCOME TAX EXPENSE

Majority of the Group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these Group entities for the years ended 31 December 2020 and 2019. Other Group entities are mainly subject to Hong Kong profits tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**2,491,100**	3,082,775
— PRC land appreciation tax	**2,817,307**	3,714,711
Deferred income tax (Note 33)	**59,032**	(547,271)
	5,367,439	6,250,215

42 INCOME TAX EXPENSE (Continued)

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**10,050,314**	10,416,482
Adjust for: Share of results of joint ventures	**(982,999)**	(1,519,370)
Share of results of associates	**(257,558)**	(415,361)
	8,809,757	8,481,751
Tax calculated at a tax rate of 25%	**2,202,439**	2,120,438
Effect of higher tax rate for the appreciation of land in the PRC	**2,112,980**	2,786,033
Income not subject to tax	**(17,239)**	(30,315)
Expenses not deductible for tax purposes	**760,560**	1,029,447
Tax losses not recognised	**442,972**	429,910
Utilization of previously unrecognised tax losses and expenses	**(360,610)**	(212,075)
Reversal of previously recognised deferred income tax assets	**92,679**	54,034
Deductible temporary differences not recognised	**60,619**	22,843
Dividend withholding tax	**73,039**	49,900
Income tax expense	**5,367,439**	6,250,215

43 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as share held for Restricted Share Award Scheme (Note 27).

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**2,866,283**	2,656,277
Profit used to determine basic earnings per share (RMB'000)	**2,866,283**	2,656,277
Weighted average number of ordinary shares in issue (thousands)	**7,616,096**	7,616,063
Basic earnings per share (RMB per share)	**0.376**	0.349

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to, assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held for the Restricted Share Award Scheme. For the share options and shares held for the Restricted Share Award Scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options and awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awarded shares.

43 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

	Year ended 31 December 2020	2019
Profit attributable to owners of the Company (RMB'000)	**2,866,283**	2,656,277
Profit used to determine diluted earnings per share (RMB'000)	**2,866,283**	2,656,277
Weighted average number of ordinary shares in issue (thousands)	**7,616,096**	7,616,063
Adjustment for:		
— share options (thousands)	**–**	–
— shares held for the Restricted Share Award scheme (thousands)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**7,616,096**	7,616,063
Diluted earnings per share (RMB per share)	**0.376**	0.349

44 DIVIDENDS

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Interim dividend paid	**416,333**	755,510
Proposed final dividend of RMB0.075 (2019: RMB0.024) per ordinary share (a)	**571,207**	181,298

(a) On 23 March 2021, the Company proposed a final dividend of RMB571,207,000 for the year ended 31 December 2020.

45 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the year	**4,682,875**	4,166,267
Adjustments for:		
— Income tax expense (Note 42)	**5,367,439**	6,250,215
— Depreciation (Note 7)	**61,474**	96,380
— Amortization of land use rights (Note 9)	**3,246**	5,056
— Amortization of lntangible assets (Note 10)	**6,249**	11,800
— Amortization of Right-of-use Assets (Note 8)	**77,980**	153,292
— Valuation losses/(gains) on investment properties (Note 12)	**156,045**	(373,381)
— Share of results of joint ventures (Note 14)	**(1,008,945)**	(1,389,216)
— Share of results of associates (Note 15)	**(318,169)**	(335,257)
— Losses/(gains) on disposal of joint ventures and associate (Note 38)	**73,622**	(108,018)
— Gains on deemed disposal of joint ventures and an associate (Note 38)	**(64,072)**	(107,513)
— Dividend income (Note 37)	**(226,121)**	(232,314)
— Interest income (Note 37)	**(1,949,422)**	(2,390,318)
— Losses/(gains) on disposal of interests in subsidiaries (Note 38)	**338,396**	(716,413)
— Gains on disposal of financial assets at fair value through profit or loss (Note 38)	**(87,896)**	(32,379)
— (Gains)/losses on sale of property, plant and equipment (Note 38)	**(2,223)**	4,821
— Fair value gains on financial assets and financial liabilities at fair value through profit or loss (Note 38)	**(486,219)**	(228,937)
— Impairment charges (Note 39)	**262,720**	601,695
— Derecognition of goodwill (Note 39)	**78,037**	29,428
— Finance costs (Note 41)	**2,110,906**	2,393,714
— Gains on acquisition of a subsidiary (Note 38)	**–**	(798)
— Gains on disposal of an investment property (Note 38)	**–**	(865)
— Exchange gains (Note 38)	**(1,213,393)**	(408,843)
— Share-based payments (Note 40)	**223,719**	272,960
	8,086,248	7,661,376

45 CASH FLOW INFORMATION (Continued)

(a) Cash generated from operations (Continued)

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	**(2,323,319)**	(201,886)
— Inventories, at cost	**253,450**	(367,079)
— Amounts due from customers for contract work	**1,777,510**	(314,411)
— Trade and other receivables and prepayments	**1,633,143**	(7,878,647)
— Land development cost recoverable	**(34,655)**	(114,659)
— Prepayments for land use rights	**1,034,084**	(486,396)
— Trade and other payables	**11,229,677**	657,874
— Advance receipts from customers	**11,043,137**	(4,245,382)
— Properties under development	**(10,114,246)**	10,232,026
— Restricted bank deposits	**(2,288,154)**	851,193
Cash generated from operations	**20,296,875**	5,794,009

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Net book amount (Note 7)	**15,240**	27,075
Gains/(losses) on disposal of property, plant and equipment (Note 38)	**2,223**	(4,821)
Proceeds from disposal of property, plant and equipment	**17,463**	22,254

45 CASH FLOW INFORMATION (Continued)

(c) The reconciliation of liabilities from financing activities

This section sets out an analysis of liabilities from financing activities and the movements in liabilities from financing activities for each of the periods presented.

	2020 **RMB'000**	2019 RMB'000
Borrowings-repayable within one year (Note 32)	**(25,933,873)**	(9,295,332)
Borrowings-repayable after one year (Note 32)	**(56,269,855)**	(74,611,619)
Net debt	**(82,203,728)**	(83,906,951)
Gross debt — fixed interest rates	**(55,134,637)**	(58,196,609)
Gross debt — variable interest rates	**(27,069,091)**	(25,710,342)
Net debt	**(82,203,728)**	(83,906,951)

	Liabilities from financing activities		
	Borrowing due within 1 year RMB'000	**Borrowing due after 1 year** RMB'000	**Total** RMB'000
Net debt at 31 December 2019	(9,295,332)	(74,611,619)	(83,906,951)
Cash flows	10,181,630	(4,694,539)	5,487,091
Increase due to business combination (Note 49)	(1,000,000)	–	(1,000,000)
Decrease due to disposal of interests in subsidiaries	333,417	1,378,808	1,712,225
Foreign exchange adjustments	630,639	1,988,939	2,619,578
Other non-cash movements	(26,784,227)	19,668,556	(7,115,671)
Net debt at 31 December 2020	(25,933,873)	(56,269,855)	(82,203,728)

Other non-cash movement is mainly the reclassification of long-term borrowing and borrowing within 1 year and the amortization of issuing cost of bond and guaranteed notes.

46 FINANCIAL GUARANTEES

(a) The Group had the following financial guarantees as 31 December 2020 and 2019:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**9,799,686**	9,595,026

As at 31 December 2020 and 31 December 2019, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) As at 31 December 2020, the Group provided guarantees amounted to approximately RMB3,307,590,000 for borrowings of joint ventures and third party. (2019:RMB1,059,420,000). Properties under development owned by these joint ventures and associates are the primary collateral of such borrowings.

47 COMMITMENTS

(a) Capital commitments

Capital commitments in respect of development costs attributable to properties under development and land use rights at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Land use rights	**–**	–
Properties under development	**11,451,720**	7,842,456
Commitment of Investment	**1,611,622**	591,566
Contracted but not provided for	**13,063,342**	8,434,022

(b) Commitments to a joint venture

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Commitments to provide funding to a joint venture for its investment properties development	**8,769,540**	–

(c) Operating lease rental receivables

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**290,407**	325,455
Between 1 to 5 years	**465,144**	540,192
Over 5 years	**96,775**	261,565
	852,326	1,127,212

48 DISPOSAL OF INTERESTS IN A SUBSIDIARY

During the year, the significant disposal of interests in a subsidiary of the Group are presented as below:

Disposal of Gemini Investments

In April 2020, Gemini Investments (Holdings) Limited ("Gemini Investments"), a subsidiary of the Group, agreed to issue a total of 180,556,000 subscription shares at the aggregate subscription price of HKD180,000,000 to Hongkong Presstar Enterprise Co., Limited, Trend Best Investment Limited and Glory Class Ventures Limited respectively, (together, the" Investors").

The subscription shares represent approximately 28.60% of the total number of issued shares of Gemini Investments. Upon completion of the subscription, Gemini Investments is owned as to approximately 49.45% by the Group and controlled by the Group.

In July 2020, Gemini Investments changed its directorship and board committee composition. Upon completion of the change, the Group lost control over Gemini Investments as it has no power to govern the financial and operating policies of Gemini Investments, which became an associate of the Group.

The effect of disposal of interests in the subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 July 2020 RMB'000
Fair value of the Group's remaining interests	**357,377**
Capital instrument investment in Gemini Investments measured as financial assets at fair value through other comprehensive income	**3,643,025**
Carrying value of the Gemini Investments's net assets disposed — shown as below	**(4,308,840)**
Losses on disposal of interests in Gemini Investments that resulted in loss of control	**(308,438)**

48 DISPOSAL OF INTERESTS IN A SUBSIDIARY (Continued)

Disposal of Gemini Investments (Continued)

The assets and liabilities disposed of are as follows:

	As at 31 July 2020 RMB'000
Cash and cash equivalents	1,172,206
Property, plant and equipment	7,388
Investment properties	1,366,572
Investments in joint ventures	716,419
Properties under development	715,594
Financial assets at fair value through profit or loss	2,765,075
Trade and other receivables and prepayments	413,920
Borrowings	(712,225)
Trade and other payables	(1,157,269)
Income tax payables	(2,064)
Deferred income tax assets	8,720
Deferred income tax liabilities	(25,533)
Non-controlling interests	(959,963)
Net assets disposed	4,308,840
Outflow of cash to dispose the subsidiary, net of cash disposed	
Proceeds received in cash	–
Cash and cash equivalents in the subsidiary disposed of	(1,172,206)
Net cash outflow on disposal	(1,172,206)

49 BUSINESS COMBINATION

During the year,the business combination of the Group is presented as below:

Acquisition of Shengjing Guoxin

The Group owned 49% equity stakes in Shengjing Guoxin, which is engaged in the landscaping for real estate development and accounted by way of equity method by the group.

In November 2020, in order to enhance the group's competitiveness in up fitting services and real estate project development and the synergy with Shengjing Guoxin, the Group acquired 51% of the equity interests of Shengjing Guoxin, at a consideration of RMB38,000,000. As a result of the acquisition, Shengjing Guoxin became a wholly-owned subsidiary of the Group .

The following table summarises the consideration paid for Shengjing Guoxin, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 30 November 2020 RMB'000
Consideration:	
— Consideration transferred	**38,000**
— Book value of equity Interest in Shengjing Guoxin held before business combination	**–**
— Deemed disposal gains of equity Interest	**18,610**
Identifiable net assets acquired	**(26,866)**
Goodwill	**29,744**

Recognised amounts of identifiable assets acquired and liabilities acquired

	RMB'000
Cash and cash equivalents	29,067
Property, plant and equipment	986
Intangible assets	39,265
Inventories, at cost	464,243
Trade and other receivables and prepayments	1,593,172
Trade and other payables	(754,474)
Borrowings	(1,000,000)
Income tax payables	(87)
Contract liabilities	(334,193)
Deferred income tax liabilities	(11,113)
Total identifiable net assets	26,866

49 BUSINESS COMBINATION (Continued)

Acquisition of Shengjing Guoxin (Continued)

The revenue included in the condensed consolidated income statement since 30 November contributed by Shengjing Guoxin was RMB81,236,000. Shengjing Guoxin also contributed loss of RMB3,806,000 over the same period.

Had Shengjing Guoxin been consolidated from 1 January 2020, the condensed consolidated income statement would show pro-forma revenue of RMB57,009,220,000 and profit of RMB4,760,741,000.

50 TRANSACTIONS WITH NON-CONTROLLING INTERESTS WITHOUT CHANGE OF CONTROL

During the year ended 31 December 2020, the Group has acquired additional equity interests of its non-wholly owned subsidiaries and disposed of certain equity interests to its non-controlling shareholders through certain transactions with non-controlling interests which resulted in the total increase in non-controlling interests of RMB854,355,000 and total increase in net assets attributable to the owners of the Company of RMB634,117,000.

51 RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere, the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2020 and 2019:

(a) Provision of services to:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
— A shareholder	**95,395**	4,639
— Joint ventures	**1,997,544**	3,270,886
— Associates	**537,067**	833,095
	2,630,006	4,108,620

Provision of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreement.

51 RELATED PARTY TRANSACTIONS (Continued)

(b) Investment to a subsidiary of an associate:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Capital injection to Beijing Yuntai	**380,000**	–

(c) Transaction with joint ventures:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Gains on disposal of a joint venture to a joint venture	**9,275**	–

(d) Key management compensation:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**44,606**	40,325
Post-employment benefits	**5,143**	3,469
Other long-term welfare	**1,074**	1,126
Share-based payments	**24,294**	45,745
	75,117	90,665

51 RELATED PARTY TRANSACTIONS (Continued)

(e) Year-end balances arising from sales and purchases of properties and services and disposal of interests in subsidiaries:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Receivables from related parties:		
— A shareholder	**7,058**	35,771
— Joint ventures	**2,972,257**	2,023,274
— Associates	**357,532**	258,967
	3,336,847	2,318,012
Other receivables from related parties:		
— A joint venture	**–**	–
Advance from related parties:		
— Joint ventures	**182**	–
— Associates	**–**	–
	182	–
Trade payables due to related parties:		
— A joint venture	**8,021**	37,836
— An associate	**6,737**	4,252
	14,758	42,088

(f) Interest income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest received:		
— Joint ventures	**492,628**	1,190,595
— Associates	**349,933**	323,018
	842,561	1,513,613

51 RELATED PARTY TRANSACTIONS (Continued)

(g) Loans to related parties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**9,803,165**	11,516,089
Loans advanced during year	**11,325,454**	17,501,000
Loans repayments received	**(12,218,187)**	(19,528,323)
Decrease due to disposal of joint ventures	**(2,316,515)**	–
Increase due to disposal of interests in subsidiaries	**965,726**	778,049
Decrease due to disposal of interest in subsidiaries	**(1,191,207)**	(463,650)
interest charged	**(492,628)**	(1,190,595)
Interest received	**492,628**	1,190,595
At 31 December (Note 22(b)(ii))	**6,368,436**	9,803,165
Associates:		
At 1 January	**1,431,745**	1,129,255
Loans advanced during year	**2,863,727**	1,814,210
Loans repayments received	**(700,155)**	(811,450)
Decrease due to deemed disposal of Associates	**–**	(402,895)
Increase due to disposal of interests in subsidiaries	**–**	376,015
Decrease due to disposal of interest in subsidiaries	**–**	(673,390)
Interest charged	**(349,933)**	(323,018)
Interest received	**349,933**	323,018
At 31 December (Note 22(b)(iii))	**3,595,317**	1,431,745

51 RELATED PARTY TRANSACTIONS (Continued)

(h) Amounts due from related parties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**18,654,638**	16,598,387
Amounts advanced during year	**76,101,503**	56,292,021
Repayments during year	**(76,996,000)**	(54,542,950)
Decrease due to deemed disposal of joint ventures	**(229,549)**	(672,869)
Increase due to disposal of interests in subsidiaries	**856,098**	980,049
Decrease due to disposal of interests in subsidiaries	**(14,101)**	–
Decrease due to disposal of joint ventures	**(43,389)**	–
At 31 December (Note 22(b)(v))	**18,329,200**	18,654,638
Associates:		
At 1 January	**8,901,985**	9,723,159
Amounts advanced during year	**1,631,050**	7,689,906
Repayments during year	**(7,737,329)**	(9,744,890)
Increase due to deemed disposal of associates	**414,533**	–
Decrease due to deemed disposal of an associate	**(266,115)**	(329,765)
Increase due to disposal of subsidiaries	**–**	1,563,575
At 31 December (Note 22(b)(v))	**2,944,124**	8,901,985

51 RELATED PARTY TRANSACTIONS (Continued)

(i) Amounts due to related parties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**8,791,353**	9,388,039
Amounts advanced during year	**23,625,838**	17,648,483
Repayments during year	**(25,303,658)**	(19,665,564)
Decrease due to deemed disposal of joint ventures	**(212,849)**	(538,638)
Decrease due to disposal of interest in a subsidiary	**(48,800)**	(2,091)
Increase due to disposal of interest in subsidiaries	**1,127,145**	1,961,124
At 31 December (Note 34(ii))	**7,979,029**	8,791,353
Associates:		
At 1 January	**3,179,119**	4,274,001
Amounts advanced during year	**2,932,020**	6,550,590
Repayments during year	**(3,648,729)**	(7,215,109)
Decrease due to deemed disposal of an associate	**–**	(432,549)
Increase due to disposal of interest in a subsidiary	**–**	2,186
At 31 December (Note 34(ii))	**2,462,410**	3,179,119

(j) Investment in limited partners' share issued by an associate

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Fair value of investment in limited partners' share issued by an associate	**2,254,862**	2,126,795

(k) Investment in capital instrument issued by associates

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Fair value of investments in capital instruments issued by associates	**5,690,025**	2,011,000

52 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
		2020	2019
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**3,421,198**	3,428,410
Current assets			
Amounts due from subsidiaries		**33,599,525**	34,875,510
Other receivables		**2,060**	2,060
Cash and cash equivalents		**197,777**	384,395
		33,799,362	35,261,965
Total assets		**37,220,560**	38,690,375
EQUITY			
Capital	(a)	**27,329,232**	27,329,232
Reserves	(b)	**876,596**	426,789
Retained earnings	(c)	**589,048**	447,542
Total equity		**28,794,876**	28,203,563
LIABILITIES			
Non-current liabilities			
Borrowings		**7,994,892**	9,985,954
Current liabilities			
Other payables		**430,792**	500,858
		430,792	500,858
Total liabilities		**8,425,684**	10,486,812
Total equity and liabilities		**37,220,560**	38,690,375

Approved by the Board of Directors on 23 March 2021.

LI Ming
Executive Director

WANG Honghui
Executive Director

52 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Capital movement of the Company

	RMB'000
At 1 January 2020	**27,329,232**
Issue of shares pursuant to exercise of employee share options	–
At 31 December 2020	**27,329,232**
At 1 January 2019	27,328,810
Issue of shares pursuant to exercise of employee share options	422
At 31 December 2019	27,329,232

(b) Reserve movement of the Company

	RMB'000
At 1 January 2020	**667,708**
Share based payment	**223,719**
Purchase of shares for Restricted Share Award Scheme	**(14,831)**
At 31 December 2020	**876,596**
At 1 January 2019	395,854
Share based payment	272,960
Issue of shares pursuant to exercise of employee share options	(76)
Purchase of shares for Restricted Share Award Scheme	(1,030)
At 31 December 2019	667,708

52 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(c) Retained earnings

	RMB'000
At 1 January 2020	**447,542**
Profit for the year	**739,137**
Dividends relating to 2019	**(181,298)**
Dividends relating to 2020	**(416,333)**
At 31 December 2020	**589,048**
At 1 January 2019	483,576
Profit for the year	1,208,734
Dividends relating to 2018	(489,258)
Dividends relating to 2019	(755,510)
At 31 December 2019	447,542

53 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director for the years is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking											
	Year ended 31 December											
	2020						2019					
	Fees RMB'000	**Salary and bonus RMB'000**	**Employer's contribution to retirement benefit scheme RMB'000**	**Other long-term welfare RMB'000**	**Subtotal RMB'000**	**Share-based payments RMB'000**	Fees RMB'000	Salary and bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other long-term welfare RMB'000	Subtotal RMB'000	Share-based payments RMB'000
Chairman												
Mr. Li Ming	**–**	**7,233**	**3,872**	**1,074**	**12,179**	**14,455**	–	6,310	1,715	1,126	9,151	23,715
Executive directors												
Mr. Wang Honghui (ii)	**–**	**3,084**	**54**	**–**	**3,138**	**785**	–	–	–	–	–	–
Mr. Cui Hongjie (ii)	**–**	**1,891**	**44**	**–**	**1,935**	**833**	–	–	–	–	–	–
Mr. Wen Haicheng (i)	**–**	**1,227**	**30**	**–**	**1,257**	**–**	–	3,410	126	–	3,536	5,889
Mr. Sum Pui Ying (i)	**–**	**550**	**55**	**–**	**605**	**–**	–	2,383	238	–	2,621	4,601
Non-executive directors												
Ms. Li Liling	**–**	**–**	**–**	**–**	**–**	**107**	–	–	–	–	–	174
Mr. Fu Fei	**–**	**–**	**–**	**–**	**–**	**107**	–	–	–	–	–	174
Mr. Fang Jun (i)	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	422
Mr.Zhao Peng	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Mr. Hou Jun (ii)	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Independent non-executive directors												
Mr. Han Xiaojing	**330**	**–**	**–**	**–**	**330**	**410**	337	–	–	–	337	596
Mr. Suen Man Tak	**330**	**–**	**–**	**–**	**330**	**410**	337	–	–	–	337	495
Mr. Wang Zhifeng	**330**	**–**	**–**	**–**	**330**	**410**	337	–	–	–	337	495
Mr. Jin Qingjun	**330**	**–**	**–**	**–**	**330**	**410**	337	–	–	–	337	495
Ms. Lam Sin Lai Judy	**330**	**–**	**–**	**–**	**330**	**410**	337	–	–	–	337	493
	1,650	**13,985**	**4,055**	**1,074**	**20,764**	**18,337**	1,685	12,103	2,079	1,126	16,993	37,549

53 BENEFITS AND INTERESTS OF DIRECTORS(Continued)

(a) Directors' emoluments (Continued)

(i) On 5 June 2020, Mr. Wen Haicheng, an executive director, has resigned.

On 25 March 2020, Mr. Sum Pui Ying, an executive director, has resigned.

On 14 April 2020, Mr. Fang Jun, a non-executive director, has resigned.

(ii) On 25 March 2020, Mr. Wang Honghui was appointed as an executive director.

On 5 June 2020, Mr. Cui Hongjie was appointed as an executive director.

On 14 April 2020, Mr. Hou Jun was appointed as a non-executive director.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sino-Ocean Group Holding Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Sino-Ocean Group Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 127 to 280, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Recoverability of entrusted loans to and amounts due from third parties, joint ventures, associates and non-controlling interests
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of entrusted loans to and amounts due from third parties, joint ventures, associates and non-controlling interests (collectively, the "Counterparties")	
Refer to note 23 to the consolidated financial statements As at 31 December 2019, the balance of entrusted loans to and amounts due from the Counterparties is RMB50,169 million, and loss allowance amounting to RMB152 million is recognised in profit or loss. Such amounts were provided to the Counterparties for the launch and development of the projects of real estate. The Group took into account reasonable and substantiated historical data such as principal and interest payment schedule, ageing, repayment history, subsequent repayment and financial information of the Counterparties, and available forward-looking information to determine whether or not the credit risk has significantly increased since initial recognition and to calculate expected credit losses. The assessment of the recoverability of entrusted loans to and amounts due from the Counterparties involves significant management judgements and estimates as it involves the consideration of a number of factors including historical data and forward-looking information.	We had interviews with the management to get knowledge of each Counterparty and the status of projects cooperated with or developed by the Counterparties. We performed site visit to the projects of real estate, on a sample basis, to collaborate with the understanding from management. We examined the historical data used by the Group to determine whether or not the credit risk has significantly increased since initial recognition and to calculate expected credit losses. We had interviews with the management for the consideration of forward-looking information such as the forecasts of future economic conditions. We found the judgements and estimates made by the management in the assessment of recoverability of entrusted loans to and amounts due from the Counterparties were supportable in light of available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to note 13 to the consolidated financial statements The Group's investment properties were measured at fair value and carried at RMB13,328 million as at 31 December 2019 with a fair value gain of RMB373 million for the year then ended. The fair values of investment properties were determined by the Group based on the valuations performed by independent professional valuers (the "Valuers") engaged by the Group. The Group's investment property portfolio mainly included completed investment properties in Mainland China, Hong Kong and the United States and investment properties under development in Mainland China. • Completed investment properties: the valuation of these was derived using the income capitalization method and comparison approach; the relevant key assumptions included capitalization rates, prevailing market rents and price per square feet. • Investment properties under development: the valuation of these was derived using the residual method; the relevant key assumptions included capitalization rates, prevailing market rents, development costs to completion and developer's profit margin. All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum to the consolidated financial statements, and relevant key assumptions in valuation involved significant judgements and estimates.	We assessed the competence, capabilities and objectivity of the Valuers. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied. We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, and prevailing market rents by gathering and analysing the data of comparable properties in the market and characteristics of the Group's properties such as location, size, occupancy rate, current rental and age. We checked the assumption on development costs to completion of investment property under construction with the approved budget, whose reasonableness was assessed by comparison with the actual cost of completed investment properties of the Group. We assessed the reasonableness of the assumption on developer's profit margin by reference to the range of estimated and empirical developer's profit margin in the industry. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuers and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were in the acceptable range.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2020

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**1,775,320**	2,412,243
Right-of-use assets	9	**190,869**	–
Land use rights	10	**180,566**	235,794
Intangible assets	11	**29,582**	453,278
Goodwill	12	**195,708**	514,039
Investment properties	13	**13,328,198**	16,205,333
Investments in joint ventures	15	**17,355,309**	20,330,505
Investments in associates	16	**6,846,347**	7,177,355
Financial assets at fair value through other comprehensive income	18	**2,715,647**	679,952
Financial assets at fair value through profit or loss	19	**6,446,074**	3,961,645
Trade and other receivables and prepayments	23	**12,841,234**	15,520,575
Deferred income tax assets	34	**1,439,498**	1,145,474
Total non-current assets		**63,344,352**	68,636,193

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Current assets			
Prepayments for land use rights	22	**2,228,844**	2,160,585
Properties under development	20	**60,378,181**	54,655,796
Inventories, at cost		**457,001**	92,437
Land development cost recoverable	21	**1,234,217**	1,119,558
Completed properties held for sale	24	**18,353,178**	20,083,298
Financial assets at fair value through profit or loss	19	**266,304**	182,504
Trade and other receivables and prepayments	23	**61,163,136**	57,454,635
Contract assets		**2,708,018**	2,405,696
Restricted bank deposits	25	**2,511,683**	3,362,876
Cash and cash equivalents	26	**31,054,201**	39,208,481
Total current assets		**180,354,763**	180,725,866
Total assets		**243,699,115**	249,362,059
EQUITY			
Equity attributable to owners of the Company			
Capital	27	**27,329,232**	27,328,810
Shares held for Restricted Share Award Scheme	27	**(167,227)**	(178,317)
Reserves	29	**(1,132,536)**	(1,313,848)
Retained earnings	28	**23,877,717**	22,548,161
		49,907,186	48,384,806
Non-controlling interests		**15,703,909**	14,753,699
Total equity		**65,611,095**	63,138,505

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	33	**74,611,619**	73,150,254
Lease liabilities	9	**130,257**	–
Trade and other payables	35	**18,581**	167,531
Deferred income tax liabilities	34	**2,946,869**	2,680,889
Total non-current liabilities		**77,707,326**	75,998,674
Current liabilities			
Borrowings	33	**9,295,332**	15,424,825
Lease liabilities	9	**64,223**	–
Trade and other payables	35	**55,010,743**	59,198,070
Contract liabilities	36	**25,458,320**	26,789,737
Income tax payable		**10,500,972**	8,665,309
Financial liabilities at fair value through profit or loss	37	**51,104**	146,939
Total current liabilities		**100,380,694**	110,224,880
Total liabilities		**178,088,020**	186,223,554
Total equity and liabilities		**243,699,115**	249,362,059

Approved by the Board of Directors on 24 March 2020

LI Ming
Executive Director

SUM Pui Ying
Executive Director

The notes on pages 136 to 280 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	7	**50,926,490**	41,422,099
Cost of sales	40	**(40,704,418)**	(33,135,597)
Gross profit		**10,222,072**	8,286,502
Interest and other income	38	**2,770,938**	2,542,684
Other gains — net	39	**698,520**	1,339,960
Fair value gains on investment properties	13	**373,381**	2,361,070
Selling and marketing expenses	40	**(1,270,120)**	(1,205,559)
Administrative expenses	40	**(1,919,326)**	(1,730,205)
Operating profit		**10,875,465**	11,594,452
Finance costs	42	**(2,393,714)**	(1,774,760)
Share of results of joint ventures		**1,519,370**	1,103,464
Share of results of associates		**415,361**	52,065
Profit before income tax		**10,416,482**	10,975,221
Income tax expense	43	**(6,250,215)**	(6,309,400)
Profit for the year		**4,166,267**	4,665,821
Attributable to:			
Owners of the Company		**2,656,277**	3,573,745
Non-controlling interests		**1,509,990**	1,092,076
		4,166,267	4,665,821
Earnings per share attributable to owners of the Company during the year (expressed in RMB)			
Basic earnings per share	44	**0.349**	0.473
Diluted earnings per share	44	**0.349**	0.470

The notes on pages 136 to 280 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit for the year		**4,166,267**	4,665,821
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value gain/(losses) on financial assets at fair value through other comprehensive income, net of tax		**25,794**	(28,923)
Items that may be reclassified to profit or loss			
Fair value gains on property, plant and equipment transferred to investment properties		**17,808**	–
Currency translation differences		**108,282**	(24,923)
Share of other comprehensive income of investments accounted for using the equity method	29	**–**	(1,463,874)
Other comprehensive income for the year		**151,884**	(1,517,720)
Total comprehensive income for the year, net of tax		**4,318,151**	3,148,101
Total comprehensive income attributable to:			
— Owners of the Company		**2,497,211**	1,851,135
— Non-controlling interests		**1,820,940**	1,296,966
		4,318,151	3,148,101

The notes on pages 136 to 280 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company					Non-controlling interests			
	Note	Share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Capital instrument RMB'000	Perpetual subordinated guaranteed capital securities RMB'000	Others RMB'000	Total equity RMB'000
Balance at 31 December 2018		27,328,810	(178,317)	(1,313,848)	22,548,161	48,384,806	3,500,000	4,069,691	7,184,008	63,138,505
Profit for the year		–	–	–	2,656,277	2,656,277	289,874	407,971	812,145	4,166,267
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	–	25,794	–	25,794	–	–	–	25,794
Fair value gains on property, plant and equipment transferred to investment properties		–	–	12,329	–	12,329	–	–	5,479	17,808
Currency translation differences		–	–	(197,189)	–	(197,189)	–	294,835	10,636	108,282
Total other comprehensive income, net of tax		–	–	(159,066)	2,656,277	2,497,211	289,874	702,806	828,260	4,318,151
Transactions with owners of the company										
Dividends relating to 2018		–	–	–	(489,258)	(489,258)	–	–	–	(489,258)
Dividends relating to 2019	45	–	–	–	(755,510)	(755,510)	–	–	–	(755,510)
Expenses on share-based payment	29	–	–	272,960	–	272,960	–	–	–	272,960
Transfer from retained earnings	29	–	–	81,953	(81,953)	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	422	–	(76)	–	346	–	–	–	346
Vesting of shares under Restricted Share Award Scheme	27	–	12,120	(12,120)	–	–	–	–	–	–
Purchase of shares for Restricted Share Award Scheme	27	–	(1,030)	–	–	(1,030)	–	–	–	(1,030)
Distribution relating to capital instrument		–	–	–	–	–	(289,874)	–	–	(289,874)
Distribution relating to non-controlling interest		–	–	–	–	–	–	–	(431,941)	(431,941)
Distribution relating to capital securities		–	–	–	–	–	–	(407,971)	–	(407,971)
Issue of capital instrument		–	–	–	–	–	3,168,900	–	–	3,168,900
Repayment of capital instrument		–	–	–	–	–	(3,500,000)	–	–	(3,500,000)
Contribution from non-controlling interests		–	–	–	–	–	–	–	4,491,101	4,491,101
Total contributions by and distributions to owners of the company		422	11,090	342,717	(1,326,721)	(972,492)	(620,974)	(407,971)	4,059,160	2,057,723
Increase in non-controlling interest as a result of business combination		–	–	–	–	–	–	–	409,204	409,204
Increase in non-controlling interest as a result of other acquisition		–	–	–	–	–	–	–	235,566	235,566
Decrease in non-controlling interest as a result of disposal of subsidiaries		–	–	–	–	–	(2,187,900)	–	(2,299,330)	(4,487,230)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries	51	–	–	(2,339)	–	(2,339)	–	–	(58,485)	(60,824)
Total transactions with owners of the company		422	11,090	340,378	(1,326,721)	(974,831)	(2,808,874)	(407,971)	2,346,115	(1,845,561)
Balance at 31 December 2019		27,329,232	(167,227)	(1,132,536)	23,877,717	49,907,186	981,000	4,364,526	10,358,383	65,611,095

The notes on pages 136 to 280 are an integral part of these consolidated financial statements.

		Attributable to owners of the Company					Non-controlling interests			
	Note	Share capital RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Capital instrument RMB'000	Perpetual subordinated guaranteed capital securities RMB'000	Others RMB'000	Total equity RMB'000
Balance at 1 January 2018		27,129,614	(140,746)	768,023	20,745,229	48,502,120	3,500,000	3,930,367	2,795,741	58,728,228
Adjustment on adoption of HKFRS 9, net of tax		–	–	(199,031)	199,031	–	–	–	–	–
Adjustment on adoption of HKFRS 15, net of tax		–	–	–	57,529	57,529	–	–	56,001	113,530
Restated balance at 1 January 2018		27,129,614	(140,746)	568,992	21,001,789	48,559,649	3,500,000	3,930,367	2,851,742	58,841,758
Profit for the year		–	–	–	3,573,745	3,573,745	175,000	198,913	718,163	4,665,821
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	–	(28,923)	–	(28,923)	–	–	–	(28,923)
Currency translation differences		–	–	(229,813)	–	(229,813)	–	195,959	8,931	(24,923)
Share of other comprehensive income of investments accounted for using the equity method	29	–	–	(1,463,874)	–	(1,463,874)	–	–	–	(1,463,874)
Total other comprehensive income, net of tax		–	–	(1,722,610)	3,573,745	1,851,135	175,000	394,872	727,094	3,148,101
Transactions with owners of the company										
Dividends relating to 2017		–	–	–	(999,882)	(999,882)	–	–	–	(999,882)
Dividends relating to 2018	45	–	–	–	(938,280)	(938,280)	–	–	–	(938,280)
Expenses on share-based payment	29	–	–	71,680	–	71,680	–	–	–	71,680
Transfer from retained earnings	29	–	–	89,211	(89,211)	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	197,298	–	(35,380)	–	161,918	–	–	–	161,918
Vesting of shares under Restricted Share Award Scheme	27	1,898	36,446	(38,344)	–	–	–	–	–	–
Purchase of shares for Restricted Share Award Scheme	27	–	(74,017)	–	–	(74,017)	–	–	–	(74,017)
Distribution relating to capital instrument		–	–	–	–	–	(175,000)	–	–	(175,000)
Distribution relating to non-controlling interest		–	–	–	–	–	–	–	(347,175)	(347,175)
Distribution relating to capital securities		–	–	–	–	–	–	(255,548)	–	(255,548)
Contribution from non-controlling interests		–	–	–	–	–	–	–	2,097,500	2,097,500
Total contributions by and distributions to owners of the company		199,196	(37,571)	87,167	(2,027,373)	(1,778,581)	(175,000)	(255,548)	1,750,325	(458,804)
Increase in non-controlling interest as a result of business combination		–	–	–	–	–	–	–	413,674	413,674
Increase in non-controlling interest as a result of other acquisition		–	–	–	–	–	–	–	1,566,012	1,566,012
Decrease in non-controlling interest as a result of disposal of subsidiaries		–	–	–	–	–	–	–	(68,891)	(68,891)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries		–	–	(247,397)	–	(247,397)	–	–	(55,948)	(303,345)
Total transactions with owners of the company		199,196	(37,571)	(160,230)	(2,027,373)	(2,025,978)	(175,000)	(255,548)	3,605,172	1,148,646
Balance at 31 December 2018		27,328,810	(178,317)	(1,313,848)	22,548,161	48,384,806	3,500,000	4,069,691	7,184,008	63,138,505

The notes on pages 136 to 280 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	46	**5,794,009**	7,472,323
Interest paid		**(5,088,722)**	(3,721,491)
Income tax paid		**(4,008,105)**	(3,795,365)
Net cash used in operating activities		**(3,302,818)**	(44,533)
Cash flows from investing activities			
Purchases of property, plant and equipment	8	**(551,364)**	(877,098)
Proceeds from sale of property, plant and equipment	46	**22,254**	14,018
Proceeds from sale of investment properties		**3,234**	16,813
Purchases of investment properties		**(86,398)**	(805,327)
Purchases of intangible assets	11	**(113)**	(29,468)
Purchases of financial assets at fair value through other comprehensive income		**–**	(8,725)
Purchases of financial assets at fair value through profit or loss		**(3,435,869)**	(634,359)
Redemption of financial assets at fair value through profit or loss		**–**	6,717
Proceeds from disposal of financial assets at fair value through profit or loss		**135,476**	7,579
Dividends received		**232,314**	248,043
Purchases of land use rights	10	**(132,439)**	(179,676)
Acquisition of subsidiaries, net of cash acquired		**(450,839)**	(1,151,357)
Proceeds from disposal of interests in subsidiaries, net of cash disposed		**(64,259)**	5,038,590
Capital injection to joint ventures		**(2,647,779)**	(5,147,711)
Proceeds from disposal of joint ventures		**1,722,364**	493
Capital injection to associates		**(160,047)**	(2,788,550)
Proceeds from disposal of interests in an associate		**51,798**	–
Dividends received from joint ventures and associates		**697,260**	542,812
Entrusted loans advanced		**(25,403,881)**	(22,262,541)
Repayment of entrusted loans		**23,113,799**	12,727,130
Interest received		**2,390,318**	2,188,857
Net cash used in investing activities		**(4,564,171)**	(13,093,760)

	Note	Year ended 31 December **2019** **RMB'000**	 2018 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**40,045,123**	47,977,453
Repayments of borrowings		**(42,465,196)**	(22,055,932)
Amounts due to a non-controlling interest		**–**	5,000,000
Consideration paid for transactions with non-controlling interests		**(60,824)**	(303,345)
Capital injection from non-controlling interests		**4,491,101**	2,097,500
Dividends paid to non-controlling interests		**(431,941)**	(347,175)
Dividends paid to the shareholders of the Company		**(1,244,768)**	(1,938,162)
Distribution relating to capital securities		**(407,971)**	(255,548)
Repurchase of capital instrument		**(3,500,000)**	–
Purchase of shares for Restricted Share Award Scheme		**(1,030)**	(74,017)
Issue of shares pursuant to exercise of employee share options		**346**	161,918
Issue of capital securities		**3,168,900**	–
Distribution relating to capital instrument		**(289,874)**	(175,000)
Net cash (used in)/generated from financing activities		**(696,134)**	30,087,692
(Decrease)/Increase in cash and cash equivalents		**(8,563,123)**	16,949,399
Cash and cash equivalents at beginning of the year	26	**39,208,481**	21,968,819
Exchange gains on cash and cash equivalents		**408,843**	290,263
Cash and cash equivalents at end of the year	26	**31,054,201**	39,208,481

The notes on pages 136 to 280 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Sino-Ocean Group Holding Limited (the "Company") is a limited liability company incorporated in Hong Kong on 12 March 2007. The address of its registered office is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the "Group") are principally engaged in investment holding, property development and property investment in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2020.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 6.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

- HKFRS 16 *Leases*
- *Prepayment Features with Negative Compensation — Amendments to HKFRS 9*
- *Long-term Interests in Associates and Joint Ventures — Amendments to HKAS 28*
- Annual Improvements *to HKFRS Standards 2015–2017 Cycle*
- *Plan Amendment, Curtailment or Settlement — Amendments to HKAS 19*
- Interpretation 23 *Uncertainty over Income Tax Treatments*

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Changes in accounting policy and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

The Group also elected to adopt the following amendments early.

- Definition of Material — Amendments to HKAS 1 and HKAS 8

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 4. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3.2 Subsidiaries

3.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of interests in subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

When the Group begins to have significant influence but not control over another entity as a result of increasing its stake or having representation on the board, an existing investment becomes an associate for the first time, the investment in the associate is initially recognized at the cost of each purchase plus a share of investee's profits or losses which is recognized in the consolidated income statement and other comprehensive income which is recognized in other comprehensive income, and acquisition-related costs are deemed as part of the cost of investment. Any existing gains or losses recognized in respect of the previously held the investment are reversed to restate the investment to cost.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

3.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

The Group identifies the functional currency of each subsidiary for the purpose of defining that entity's foreign currency exposure. Different entities within the Group may have different functional currencies. Judgement is required in determining an entity's functional currency based on individual facts and circumstances.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation (Continued)

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within ”finance income or cost”. All other foreign exchange gains and losses are presented in the income statement within “other gains — net”.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates(unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Properties

(a) *Investment properties*

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Properties (Continued)

(b) *Land use rights*

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.12.

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and leasehold improvements	5–50 years
Machinery	5–15 years
Vehicles	4–8 years
Office equipment	3–5 years
Electronic equipment	3 years

Leasehold improvements' estimated useful life is shorter of remaining lease term of or useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other gains — net", in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Property, plant and equipment (Continued)

Construction-in-progress represents buildings, machinery under construction and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

3.9 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets

3.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.11.3 Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

3.11.3 Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

3.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5.1 for further details.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

3.12 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

(b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Trade and other receivables and prepayments

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables and prepayments is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and prepayments are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables and prepayments with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.11 for further information about the Group's accounting for trade and other receivables and prepayments, and Note 5.1 for a description of the Group's impairment policies.

3.14 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

3.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.16 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Capital securities and capital instrument

Capital securities and capital instrument with no contracted obligation to repay its principal nor to pay any distribution are classified as part of equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.19 Borrowings and Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.20.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/territories where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Current and deferred income tax (Continued)

3.20.2 Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

3.20.3 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.21 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Employee benefits (Continued)

(c) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,500. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

3.22 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, including "share option scheme" and Restricted Share Award Scheme, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the Group.

- *Share option scheme*

  The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

  - including any market performance conditions (eg the entity's share price)

  - excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

  - including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

  The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The impact of the revision to original estimates, if any, is recognized in the consolidated income statement, with a corresponding adjustment to equity.

  The cash subscribed for the shares issued when the options are exercised is credited to share capital, net of any directly attributable transaction costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Share-based payments (Continued)

- *Restricted Shares Award Scheme*

  The fair value of the employee services received in exchange for the grant of these share-based awards is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares awarded at the grant date.

  When Trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Restricted Share Award Scheme" in the consolidated statement of changes in equity and deducted from total equity. When the Trustee transfers the Company's shares to grantees upon vesting, the related costs of the awarded shares are credited to "Shares held for Restricted Share Award Scheme" with a corresponding adjustment to the share capital.

  At the end of each reporting period, the Group revises its estimates of the number of these share-based awards that are expected to become vested. The impact of the revision to original estimates, if any, is recognized in the consolidated income statement, with a corresponding adjustment to equity.

3.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.24 Financial guarantee liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Financial guarantee liabilities (Continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS/HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of profit or loss within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the company.

3.25 Contract work

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable by reference to the stage of completion.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected losses are recognized as expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work-in-progress is valued at the cost price of the work done, plus a part of the expected profit upon completion of the project in proportion to the progress made and less progress receivables and provisions. Provisions are recognized for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost price. The cost price includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, other direct costs, rental charges and maintenance costs for the equipment used. The progress of a project is determined on the basis mentioned in preceding paragraph. Profits are not recognized unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress receivables is determined on a project by project basis.

The Group presents as an asset the "amounts due from customers for contract work" for all contracts in progress for which costs incurred plus recognized profits exceed progress receivables. Progress receivables not yet paid by customers and retention are included within "contract assets".

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) *Sales of properties and construction services*

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over the period or at a point in time. Control of the asset is transferred over the period if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over the period, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over the period, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Revenue recognition (Continued)

(b) *Rental income*

Rental income is recognized on a straight-line basis over the lease terms.

(c) *Property management and agency fee income*

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(d) *Interest income*

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(e) *Dividend income*

Dividend income is recognized when the right to receive payment is established.

3.27 Leases

As explained in note 3.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 4.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Leases (Continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Leases (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 13). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4 CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses.

As indicated in Note 3.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019. The Group has applied the simplified transition approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.7%.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 determining whether an arrangement contains a lease.

4 CHANGE IN ACCOUNTING POLICIES (Continued)

(b) Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments as at 31 December 2018	3,878,980
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,527,818
Lease liability recognised as at 1 January 2019	2,527,818
Of which are:	
Current lease liabilities	247,437
Non-current lease liabilities	2,280,381
	2,527,818

(c) Measurement of right-of-use assets

Under the simplified transition method, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognised in the balance sheet as at 31 December 2018.

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB2,563,533,000.
- prepayments — decrease by RMB35,715,000.
- lease liabilities — increase by RMB2,527,818,000.

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviews and approves policies for managing each of these risks and they are summarized below.

(a) *Market risk*

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the Group's functional currency. Majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy. However, management of the Group monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

As at 31 December 2019, if RMB had weakened/strengthened by 5% against HKD and USD with all other variable held constant, post-tax profit for the year of the Group would have been RMB972,222,000 lower/higher (2018: RMB961,864,000 lower/higher), mainly as the result of the foreign exchange losses/gains on translation of HKD/USD dominated borrowings, net of foreign exchange gains/losses on translation of HKD/USD dominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2019 and 2018, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowing and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2019, if interest rates have increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB27,697,000 (2018: RMB23,874,000).

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there's a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward-looking information.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables and contract assets (Continued)

As at 31 December 2019, the loss allowance was determined as follows for trade receivables and contract assets:

	Within 6 months RMB'000	**Between 6 months to 1 year RMB'000**	**Between 1 year to 2 years RMB'000**	**Between 2 years to 3 years RMB'000**	**Over 3 years RMB'000**	**Total RMB'000**
Expected loss rate	**0.8%**	**1.1%**	**1.7%**	**4.0%**	**7.0%**	**1.0%**
Gross carrying amount — trade receivables	**2,331,900**	**976,052**	**593,358**	**128,559**	**7,652**	**4,037,521**
Gross carrying amount — contract assets	**2,720,107**	**–**	**–**	**–**	**–**	**2,720,107**
Loss allowance — trade receivables and contract assets	**39,813**	**11,061**	**9,943**	**5,216**	**533**	**66,566**

As at 31 December 2018, the loss allowance was determined as follows for trade receivables and contract assets:

	Within 6 months RMB'000	Between 6 months to 1 year RMB'000	Between 1 year to 2 years RMB'000	Between 2 years to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Expected loss rate	0.8%	1.7%	3.0%	6.0%	7.0%	1.2%
Gross carrying amount — trade receivables	1,272,137	894,529	349,763	27,903	19,074	2,563,406
Gross carrying amount — contract assets	2,417,785	–	–	–	–	2,417,785
Loss allowance — trade receivables and contract assets	29,548	15,256	10,743	1,674	1,335	58,556

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables and contract assets during the year ended 31 December 2019.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition.	Lifetime expected losses.
Stage three	Receivables for which there is a credit loss sine initial recognition.	Lifetime expected losses.

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables (Continued)

As at 31 December 2019, the loss allowance was determined as follows for other receivables:

	Entrusted loans to and amount due from third parties, joint ventures, associates and non-controlling interests RMB'000	**Receivables from other third parties excluding prepayments RMB'000**	**Total RMB'000**
Carrying amount of other receivables	**50,169,294**	**12,538,780**	**62,708,074**
Expected credit loss rate	**0.30%**	**0.75%**	**0.39%**
Loss allowance	**152,319**	**94,043**	**246,362**
Other receivables,net	**50,016,975**	**12,444,737**	**62,461,712**

As at 31 December 2018, the loss allowance was determined as follows for other receivables:

	Entrusted loans to and amount due from third parties, joint ventures, associates and non-controlling interests RMB'000	Receivables from other third parties excluding prepayments RMB'000	Total RMB'000
Carrying amount of other receivables	53,593,425	9,792,311	63,385,736
Expected credit loss rate	0.1%	0.3%	0.1%
Loss allowance	55,390	30,262	85,652
Other receivables,net	53,538,035	9,762,049	63,300,084

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2019.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Financial guarantee

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group also provides guarantees to certain related parties of the Group to obtain borrowings after assessing the credit history of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(c) *Liquidity risk*

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
At 31 December 2019					
Borrowings	**13,545,683**	**32,861,491**	**34,064,087**	**17,202,000**	**97,673,261**
Lease liabilities	**72,950**	**45,352**	**66,335**	**42,271**	**226,908**
Trade and other payables excluding statutory liabilities	**51,223,546**	**–**	**18,581**	**–**	**51,242,127**
	64,842,179	**32,906,843**	**34,149,003**	**17,244,271**	**149,142,296**
At 31 December 2018					
Borrowings	19,815,080	16,160,629	50,664,482	15,791,756	102,431,947
Trade and other payables excluding statutory liabilities	57,464,653	–	167,531	–	57,632,184
	77,279,733	16,160,629	50,832,013	15,791,756	160,064,131

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The amounts have not included financial guarantee contracts:

— which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (Note 47(a)). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

— which the Group make for its cooperation parties' bank borrowings (Note 47(b)). Such guarantees terminate upon the repayment of relevant bank borrowings.

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2019 and 2018 were as follows.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total borrowings (Note 33)	**83,906,951**	88,575,079
Less: cash and cash equivalents (Note 26)	**(31,054,201)**	(39,208,481)
Net debt	**52,852,750**	49,366,598
Total equity	**65,611,095**	63,138,505
Total capital	**118,463,845**	112,505,103
Gearing ratio	**45%**	44%

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation

The table below analyses financial instatements carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets or liabilities that are measured at fair value at 31 December 2019 and 2018. See Note 13 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2019				
Assets				
Financial assets at fair value through profit or loss (Note 19)	**266,304**	**1,195,096**	**5,250,978**	**6,712,378**
Financial assets at fair value through other comprehensive income (Note 18)	**48,164**	**656,483**	**2,011,000**	**2,715,647**
	314,468	**1,851,579**	**7,261,978**	**9,428,025**
Liabilities				
Financial liabilities at fair value through profit or loss (Note 37)	**–**	**(51,104)**	**–**	**(51,104)**

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2018				
Assets				
Financial assets at fair value through profit or loss (Note 19)	379,147	1,080,933	2,684,069	4,144,149
Financial assets at fair value through other comprehensive income (Note 18)	54,806	625,146	–	679,952
	433,953	1,706,079	2,684,069	4,824,101
Liabilities				
Financial liabilities at fair value through profit or loss (Note 37)	–	(146,939)	–	(146,939)

There were no transfers between Level 1, Level 2 and Level 3 during the period.

During the period there were no significant changes in the business or economic circumstances that may affect the fair value of the Group's financial assets and financial liabilities.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

(a) *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily the listed United States and HKSE equity investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

(b) *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise primarily equity fund investments and other unlisted equity securities, for equity fund investments, the underlying portfolio invested by equity fund are all listed equity shares, the valuation of equity fund is determinded based on the quoted market price of listed equity shares. The unlisted equity security is the convertible preferred shares issued by a listed company, comparison method was used for the valuation of convertible preferred shares,which is mainly based on the fair value of ordinary share of comparable companies.

(c) *Financial instruments in Level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

(c) Financial instruments in Level 3 (Continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2019

	Financial asset at fair value through other comprehensive income and through profit or loss RMB'000
Financial assets in Level 3	
Opening balance	2,684,069
Additions	3,222,833
Fair value gains	128,609
Increase due to disposal of a subsidiary	2,000,000
Decrease due to disposal of a subsidiary	(812,081)
Currency translation difference	40,494
Disposal	(1,946)
Closing balance	7,261,978

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

(c) Financial instruments in Level 3 (Continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2018.

	Financial asset at fair value through other comprehensive income and through profit or loss RMB'000
Financial assets in Level 3	
Opening balance	1,825,451
Additions	496,911
Fair value gains	301,795
Capital return	(6,717)
Currency translation difference	70,831
Disposal	(4,202)
Closing balance	2,684,069

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

(d) *Valuation process*

The finance department of the Group includes a team that performs the valuations of level 3 financial instruments required for financial reporting purposes. The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

The components of the level 3 instruments mainly include investments in private investment funds and unlisted companies. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows and comparable transactions approaches. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of discount rate and recent market transactions etc. The fair values of these instruments determined by the Group requires significant judgement, including the financial performance of the investee company, market value of comparable properties as well as discount rate, etc.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 13.

(b) Income taxes and land appreciation tax ("LAT")

The Group is primarily subject to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Income taxes and land appreciation tax ("LAT") (Continued)

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(c) Deferred income tax

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

(d) Estimations for total properties construction cost

The Group estimates properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

(e) Revenue recognition

Revenue from sales of properties is recognised over the period when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Revenue recognition (Continued)

The Group recognises property development revenue over the period by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

(f) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.10. Assets are also reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts of the assets to exceed their recoverable amounts. The recoverable amount of an asset or a cash generating unit is determined as the higher of cash generating unit's fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates. In 2019, based on such reviews the directors have determined that certain of Group's properties under development (Note 20) and completed properties held for sale (Note 24) were impaired, and relevant provision had been made.

(g) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 5.

(h) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

7 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating committee (the "Committee") that are used to make strategic decisions.

The Committee considers the business from both a geographic and product perspective. From the product perspective, management considers the performance of property development and property investment. Property development businesses are further segregated geographically.

Other operations as carried out by the Group mainly include property management services, property sales agency services, as well as upfitting services. These are not included within the reportable operating segments, as they are not included in the reports provided to the Committee. The results of these operations are included in the "All other segments" column.

The Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance costs and corporate finance income are not included in the result for each operating segment that is reviewed by the Committee, as they are driven by activities of the central treasury function, which manages the cash position of the Group. The measure also excludes the effects of any unrealized gains from investments in joint ventures and associates as well as fair value gains from investment properties and corporate overheads. Other information provided to the Committee, except as noted below, is measured in a manner consistent with that in the financial statements.

Total segment assets exclude corporate cash and cash equivalents, investments in joint ventures and associates, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and deferred income tax assets, all of which are managed on a central basis. Total segment liabilities exclude borrowings, deferred income tax liabilities and financial liabilities at fair value through profit or loss, all of which are managed on a central basis as well. These are part of the reconciliation to total balance sheet assets and liabilities.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Committee is measured in a manner consistent with that in the consolidated income statement.

7 SEGMENT INFORMATION (Continued)

The segment information provided to the Committee for the reportable segments for the years ended 31 December 2019 and 2018 is as follows:

	Property development							
	Beijing-Tianjin-Hebei	Yangtze River Delta	Yangtze Mid-stream and Chengdu-Chongqing	Pearl River Delta	Others	Investment property	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019								
Total revenue	**12,520,979**	**8,756,308**	**5,816,982**	**10,753,054**	**5,272,759**	**696,250**	**11,149,096**	**54,965,428**
Inter-segment revenue	**(1,269)**	**–**	**–**	**(18,518)**	**–**	**(18,077)**	**(4,001,074)**	**(4,038,938)**
Revenue (from external customers)	**12,519,710**	**8,756,308**	**5,816,982**	**10,734,536**	**5,272,759**	**678,173**	**7,148,022**	**50,926,490**
Segment operating profit	**2,395,490**	**918,890**	**505,025**	**2,806,522**	**586,417**	**290,719**	**2,967,480**	**10,470,543**
Depreciation and amortization (Note 40)	**(16,957)**	**(3,915)**	**(775)**	**(6,027)**	**(536)**	**(475)**	**(237,843)**	**(266,528)**
Year ended 31 December 2018								
Total revenue	9,603,837	6,968,862	4,150,029	8,018,733	7,113,782	1,105,395	9,003,598	45,964,236
Inter-segment revenue	(81,416)	(218,170)	–	(53,424)	(9,561)	(28,805)	(4,150,761)	(4,542,137)
Revenue (from external customers)	9,522,421	6,750,692	4,150,029	7,965,309	7,104,221	1,076,590	4,852,837	41,422,099
Segment operating profit	1,638,437	1,161,292	271,029	2,523,464	1,435,041	747,944	679,916	8,457,123
Depreciation and amortization (Note 40)	(2,221)	(1,246)	(500)	(1,289)	(726)	(898)	(89,060)	(95,940)
As at 31 December 2019								
Total segment assets	**29,136,779**	**27,139,851**	**14,467,982**	**19,635,419**	**13,256,552**	**13,968,275**	**88,409,442**	**206,014,300**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**3,593**	**2,441**	**753**	**1,462**	**118**	**829,306**	**2,015,760**	**2,853,433**
Total segment liabilities	**15,834,204**	**16,320,481**	**5,266,442**	**9,691,546**	**8,722,999**	**691,947**	**34,655,477**	**91,183,096**
As at 31 December 2018								
Total segment assets	32,535,979	16,035,925	13,350,224	28,608,288	15,042,635	18,311,388	88,006,682	211,891,121
Additions to non-current assets (other than financial instruments and deferred income tax assets)	56	2,842	1,614	1,371	4,291	4,806,533	2,027,106	6,843,813
Total segment liabilities	22,233,398	7,320,687	6,733,471	15,732,406	10,041,201	1,324,583	31,434,901	94,820,647

7 SEGMENT INFORMATION (Continued)

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Segment operating profit	**10,470,543**	8,457,123
Corporate finance income	**71,177**	49,420
Corporate overheads	**(738,156)**	(613,121)
Fair value gains on investment properties (Note 13)	**373,381**	2,361,070
Other gains — net (Note 39)	**698,520**	1,339,960
Finance costs (Note 42)	**(2,393,714)**	(1,774,760)
Share of results of joint ventures	**1,519,370**	1,103,464
Share of results of associates	**415,361**	52,065
Profit before income tax	**10,416,482**	10,975,221

7 SEGMENT INFORMATION (Continued)

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total segment assets	**206,014,300**	211,891,121
Corporate cash and cash equivalents	**2,615,636**	3,993,503
Investments in joint ventures (Note 15)	**17,355,309**	20,330,505
Investments in associates (Note 16)	**6,846,347**	7,177,355
Financial assets at fair value through other comprehensive income (Note 18)	**2,715,647**	679,952
Financial assets at fair value through profit or loss (Note 19)	**6,712,378**	4,144,149
Deferred income tax assets (Note 34)	**1,439,498**	1,145,474
Total assets per consolidated balance sheet	**243,699,115**	249,362,059
Total segment liabilities	**91,183,096**	94,820,647
Current borrowings (Note 33)	**9,295,332**	15,424,825
Non-current borrowings (Note 33)	**74,611,619**	73,150,254
Deferred income tax liabilities (Note 34)	**2,946,869**	2,680,889
Financial liabilities at fair value through profit or loss (Note 37)	**51,104**	146,939
Total liabilities per consolidated balance sheet	**178,088,020**	186,223,554

For the year ended 31 December 2019, included in the revenue of sales of properties, RMB39,849,341,000 was recognised as a point in time, RMB3,250,954,000 was recognised over the period due to the adoption of HKFRS 15.

The Company is incorporated in Hong Kong, with most of its major subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the years ended 31 December 2019 and 2018.

As at 31 December 2019, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB38,178,235,000 (2018: RMB45,638,734,000), the total of these non-current assets located in Hong Kong is RMB431,394,000 (2018: RMB410,635,000) and in the United States is RMB1,292,270,000 (2018: RMB1,279,178,000).

For the year ended 31 December 2019 and 2018, the Group does not have any single customer with the transaction value over 10% of the total external sales.

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2019							
Opening net book amount	**692,996**	**333,134**	**14,023**	**51,435**	**54,204**	**1,266,451**	**2,412,243**
Additions	**48,145**	**12,117**	**1,879**	**26,191**	**9,520**	**453,512**	**551,364**
Acquisition of subsidiaries	**160**	**605**	**663**	**2,723**	**852**	**–**	**5,003**
Transfer	**1,086,679**	**207,661**	**–**	**–**	**–**	**(1,294,340)**	**–**
Transfer from properties under development (Note 20)	**–**	**–**	**–**	**–**	**–**	**1,018,867**	**1,018,867**
Transfer to Investment properties	**(47,276)**	**–**	**–**	**–**	**–**	**–**	**(47,276)**
Disposals	**(4,873)**	**(3,439)**	**(186)**	**(13,160)**	**(5,417)**	**–**	**(27,075)**
Depreciation charge (Note 40)	**(35,619)**	**(31,851)**	**(3,029)**	**(15,909)**	**(9,972)**	**–**	**(96,380)**
Disposal of interests in subsidiaries	**(1,026,340)**	**(515,802)**	**(658)**	**(15,302)**	**(2,814)**	**(480,510)**	**(2,041,426)**
Closing net book amount	**713,872**	**2,425**	**12,692**	**35,978**	**46,373**	**963,980**	**1,775,320**
At 31 December 2019							
Cost	**839,399**	**6,040**	**56,251**	**122,947**	**113,233**	**963,980**	**2,101,850**
Accumulated depreciation	**(125,527)**	**(3,615)**	**(43,559)**	**(86,969)**	**(66,860)**	**–**	**(326,530)**
Net book amount	**713,872**	**2,425**	**12,692**	**35,978**	**46,373**	**963,980**	**1,775,320**
Year ended 31 December 2018							
Opening net book amount	292,089	4,309	14,985	27,896	63,236	858,873	1,261,388
Additions	54,969	1,946	4,862	48,890	6,674	759,757	877,098
Acquisition of subsidiaries	–	344,461	882	183	503	118,845	464,874
Transfer	467,765	3,259	–	–	–	(471,024)	–
Transfer from Investment properties (Note 13)	46,639	–	–	–	–	–	46,639
Disposals	(5,642)	(76)	(1,262)	(757)	(1,360)	–	(9,097)
Depreciation charge (Note 40)	(16,961)	(20,332)	(4,670)	(20,058)	(14,644)	–	(76,665)
Disposal of interests in subsidiaries	(145,863)	(433)	(774)	(4,719)	(205)	–	(151,994)
Closing net book amount	692,996	333,134	14,023	51,435	54,204	1,266,451	2,412,243
At 31 December 2018							
Cost	793,406	414,791	62,914	127,049	120,607	1,266,451	2,785,218
Accumulated depreciation	(100,410)	(81,657)	(48,891)	(75,614)	(66,403)	–	(372,975)
Net book amount	692,996	333,134	14,023	51,435	54,204	1,266,451	2,412,243

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of RMB67,528,000 (2018: RMB59,255,000) has been charged in "cost of sales", RMB28,852,000 (2018: RMB17,410,000) in "administrative expenses".

Construction in progress as at 31 December 2019 and 2018 represents building and machinery being constructed and debugged mainly in Beijing, Dalian, Hangzhou, Guangzhou, Changzhou and Suzhou with intent use of senior housing or health care related services and operation of data centers.

As at 31 December 2019, Property, plant and equipments of the Group with carrying values of RMB80,194,000 (2018: RMB67,971,000), respectively, were pledged as collateral for the Group's borrowings.

9 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Right-of-use assets		
Buildings	**190,472**	2,562,826
Equipment	**153**	634
Vehicles	**244**	73
Total right-of-use assets per consolidated balance sheet	**190,869**	2,563,533
Lease liabilities		
Current	**64,223**	247,437
Non-current	**130,257**	2,280,381
Total lease liabilities per consolidated balance sheet	**194,480**	2,527,818

For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to Note 4.

Decrease of the right-of-use assets and lease liabilities during this year is mainly due to the disposal of the relevant business line (Note 49 (b)(c)).

9 LEASES (Continued)

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets		
Buildings	**(152,825)**	–
Equipment	**(115)**	–
Vehicles	**(352)**	–
Total	**(153,292)**	–
Interest expense (Note 42)	**72,222**	–

(c) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices. Rental contracts are typically made for fixed periods of 15 months to 15 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

10 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of less than 50 years (including 50 years). The movements are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**235,794**	59,535
Addition	**132,439**	179,676
Transfer from properties under development (Note 20)	**340,391**	–
Amortization charge (Note 40)	**(5,056)**	(3,417)
Disposal of interests in subsidiaries (Note 49)	**(523,002)**	–
At end of the year	**180,566**	235,794

As at 31 December 2019, Land use rights of the Group with carrying values of RMB5,112,000 (2018: RMB5,245,000), respectively, were pledged as collateral for the Group's borrowings.

11 INTANGIBLE ASSETS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**453,278**	–
Addition	**113**	29,468
Acquisition of subsidiaries	**–**	439,668
Disposal of interests in subsidiaries (Note 49(a))	**(412,009)**	–
Amortization charge (Note 40)	**(11,800)**	(15,858)
At end of the year	**29,582**	453,278

12 GOODWILL

	RMB'000
Year ended 31 December 2019	
Opening net book amount	**514,039**
Disposal of interests in subsidiaries	**(324,463)**
Acquisition of subsidiaries	**35,560**
Derecognition of goodwill (Note 40)	**(29,428)**
Closing net book amount	**195,708**
At 31 December 2019	
Cost	**321,235**
Impairment charge	**(125,527)**
Net book amount	**195,708**
Year ended 31 December 2018	
Opening net book amount	99,168
Effects of the adoption of HKFRS 15	(9,582)
Acquisition of subsidiaries	578,963
Derecognition of goodwill (Note 40)	(154,510)
Closing net book amount	514,039
At 31 December 2018	
Cost	639,566
Impairment charge	(125,527)
Net book amount	514,039

Goodwill was generated from business combination and allocated to a cash generated unit or a group of cash generated units, from the acquisition date, that is expected to benefit from the synergies of the combination. Derecognition of goodwill allocated to a cash generated unit or a group of cash generated units was recognized due to disposal of the relevant properties.

12 GOODWILL (Continued)

Goodwill is allocated to the Group's cash generating units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Property development (i)	**81,677**	111,104
Other (ii)	**114,031**	402,935
	195,708	514,039

(i) Goodwill relating to property development arised from the acquisition of properties development companies, the impairment of such goodwill is considered together with the impairment of the inventories of the Group.

(ii) As at 31 December 2019, such goodwill mainly arised from the companies engaging in the provision of property management service.

The recoverable amount of goodwill is determined based on value-in-use calculations, these calculations use cash flow projections based on management's financial budgets covering periods of no more than 5 years. The Group expects cash flows beyond such periods will be similar to that of the respective final forecast years on existing scale.

Key assumptions applied in the impairment test include the expected growth in revenue and gross margin, operating costs, selling and administrative expenses and discount rates and so on. Management determined these key assumptions based on past performance and its expectation on market development. Management believes that any reasonably possible change in any of these key assumption on which recoverable amounts are based may cause carrying amounts of goodwill to exceed their receoverable amounts. The results of the tests undertaken as at 31 December 2019 indicated no impairment charge was necessary.

13 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
Year ended 31 December 2019			
At beginning of the year	**11,051,632**	**5,153,701**	**16,205,333**
Additions	**–**	**86,398**	**86,398**
Transfers from completed properties held for sale	**718,858**	**–**	**718,858**
Transfer from property, plant and equipment (a)	**65,084**	**–**	**65,084**
Disposal of interests in subsidiaries (Note 49)	**(3,726,858)**	**(373,674)**	**(4,100,532)**
Currency translation differences	**18,482**	**–**	**18,482**
Fair value gains recognized in profit or loss	**182,806**	**190,575**	**373,381**
Disposal of an investment property	**(2,369)**	**–**	**(2,369)**
Others	**(36,437)**	**–**	**(36,437)**
At end of the year	**8,271,198**	**5,057,000**	**13,328,198**

(a) During the year, property, plant and equipment amounting to RMB47,276,000 was transferred to investment properties. The fair value gain on the transfer date amounting to RMB17,808,000 was recognized in other comprehensive income.

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At fair value			
Year ended 31 December 2018			
At beginning of the year	17,279,920	–	17,279,920
Additions	627,356	187,532	814,888
Acquisition of a subsidiary	–	122,169	122,169
Transfer from properties under development (Note 20)	–	3,041,522	3,041,522
Transfer from completed properties held for sale	874,450	–	874,450
Transfer to property, plant and equipment (Note 8)	(46,639)	–	(46,639)
Disposal of interests in subsidiaries	(8,311,000)	–	(8,311,000)
Disposal of an investment property	(8,666)	–	(8,666)
Currency translation differences	87,180	–	87,180
Fair value gains	558,592	1,802,478	2,361,070
Others	(9,561)	–	(9,561)
At end of the year	11,051,632	5,153,701	16,205,333

13 INVESTMENT PROPERTIES (Continued)

(a) Amounts recognized in profit or loss for investment properties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income (Note 7)	**678,173**	1,076,590
Direct operating expenses arising from investment properties that generate rental income	**(91,313)**	(136,176)
Direct operating expenses that did not generate rental income	**(36,717)**	(69,456)
	550,143	870,958

As at 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: nil).

13 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis

Fair value measurements using significant unobservable inputs

	31 December 2019										
	Completed investment properties							Investment properties under development			
	Beijing	Tianjin	Dalian	Hangzhou	Hong Kong	United States	Sub-total	Beijing	Tianjin	Wuhan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January	5,637,646	342,000	460,000	2,977,000	355,808	1,279,178	11,051,632	4,844,000	246,026	63,675	16,205,333
Additions	–	–	–	–	–	–	–	22,425	119	63,854	86,398
Transfer from completed properties held for sale	–	718,858	–	–	–	–	718,858	–	–	–	718,858
Disposal of interests in subsidiaries (Note 49)	–	(718,858)	–	(3,008,000)	–	–	(3,726,858)	–	(246,145)	(127,529)	(4,100,532)
Transfer from property, plant and equipment	–	–	–	–	65,084	–	65,084	–	–	–	65,084
Disposal of an investment property	(2,369)	–	–	–	–	–	(2,369)	–	–	–	(2,369)
Currency translation differences	–	–	–	–	(6,207)	24,689	18,482	–	–	–	18,482
Net gains or losses from fair value adjustment	117,425	4,000	6,424	69,000	(2,447)	(11,596)	182,806	190,575	–	–	373,381
Others	1,987	–	(424)	(38,000)	–	–	(36,437)	–	–	–	(36,437)
Closing balance as at 31 December	5,754,689	346,000	466,000	–	412,238	1,292,271	8,271,198	5,057,000	–	–	13,328,198
Total gains or losses for the year ended 31 December 2019 included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	117,425	4,000	6,424	69,000	(2,447)	(11,596)	182,806	190,575	–	–	373,381
Change in unrealized gains or losses for the year ended 31 December 2019 included in profit or loss for assets held at the end of the year	117,425	4,000	6,424	69,000	(2,447)	(11,596)	182,806	190,575	–	–	373,381

13 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

	31 December 2018										
	Completed investment properties							Investment properties under development			
	Beijing	Tianjin	Dalian	Hangzhou	Hong Kong	United States	Sub-total	Beijing	Tianjin	Wuhan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January	12,239,440	1,114,000	460,000	2,565,000	315,036	586,444	17,279,920	–	–	–	17,279,920
Additions	1,672	–	–	–	34,992	590,692	627,356	–	123,857	63,675	814,888
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	122,169	–	122,169
Transfer from completed properties held for sale	–	596,084	–	278,366	–	–	874,450	–	–	–	874,450
Disposal of interests in subsidiaries	(7,197,000)	(1,114,000)	–	–	–	–	(8,311,000)	–	–	–	(8,311,000)
Transfer from properties under development (Note 20)	–	–	–	–	–	–	–	3,041,522	–	–	3,041,522
Transfer to property, plant and equipment (Note 8)	–	–	–	–	(46,639)	–	(46,639)	–	–	–	(46,639)
Disposal of an investment property	–	–	–	–	–	(8,666)	(8,666)	–	–	–	(8,666)
Currency translation differences	–	–	–	–	15,190	71,990	87,180	–	–	–	87,180
Net gains or losses from fair value adjustment	593,534	(234,484)	(6,113)	129,708	37,229	38,718	558,592	1,802,478	–	–	2,361,070
Others	–	(19,600)	6,113	3,926	–	–	(9,561)	–	–	–	(9,561)
Closing balance as at 31 December	5,637,646	342,000	460,000	2,977,000	355,808	1,279,178	11,051,632	4,844,000	246,026	63,675	16,205,333
Total gains or losses for the year ended 31 December 2018 included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	593,534	(234,484)	(6,113)	129,708	37,229	38,718	558,592	1,802,478	–	–	2,361,070
Change in unrealized gains or losses for the year ended 31 December 2018 included in profit or loss for assets held at the end of the year	593,534	(234,484)	(6,113)	129,708	37,229	38,718	558,592	1,802,478	–	–	2,361,070

13 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were mainly revalued by DTZ Cushman & Wakefield Limited, BMI Appraisals Limited and Colliers International, independent qualified valuers not related to the Group, who hold recognized relevant professional qualifications and have recent experiences in the location and segments of the investment properties valued, at 31 December 2019. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent qualified valuers.

Valuation techniques

Fair values of completed commercial properties in Beijing, Tianjin, Dalian, Hangzhou, Hong Kong and the United States are generally derived using the income capitalization method. These valuation methods are based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of completed residential properties and commercial property in the United States is generally derived using the comparison approach by reference to recent sales price of comparable properties on a price per square feet basis, adjusted for a premium or a discount specific to the quality of the Group's building compared to the recent sales. Higher premium for higher quality buildings will results in a higher fair value measurement.

Fair value of under development commercial property in Beijing is generally derived from residual method. Residual method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit margin and risk from the estimated capital value of the proposed development assuming completion as at the date of valuation.

13 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

There were no changes to the valuation techniques during the year and there were no transfers between fair value hierarchy during the year.

Significant unobservable inputs used to determine fair value

- Completed investment properties

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs: Prevailing market rents	Capitalization rates (%)	Premium or discount for quality of properties (%)
Completed investment properties — Beijing	**5,754,691**	Income capitalization	RMB35 to RMB575 per month per square meter	6.25 to 7.00	N/A
Completed investment properties — Tianjin	**346,000**	Income capitalization	RMB62 to RMB291 per month per square meter	3.50 to 7.00	N/A
Completed investment properties — Dalian	**466,000**	Income capitalization	RMB67 to RMB112 per month per square meter	4.50 to 6.00	N/A
Completed investment properties — Hong Kong	**412,237**	Income capitalization	HKD60 to HKD70 per month per square feet	2.80 to 3.50	N/A
Completed investment properties — United States	**340,439**	Income capitalization	USD5 per month per square feet	6.00	N/A
Completed investment properties — United States	**951,831**	Comparison approach	N/A	N/A	-20.00 to 10.00

Significant unobservable inputs used to determine fair value

- Investment properties under development

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique(s)	Prevailing market rents	Range of significant unobservable inputs: Capitalization rates (%)	Cost to completion	Premium or discount for quality of properties (%)
Investment properties under development — Beijing	**5,057,000**	Residual method	RMB421 to RMB702 per month per square meter	4.00 to 6.50	RMB13,804 per square meter	N/A

13 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Significant unobservable inputs used to determine fair value

- Completed investment properties

Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs: Prevailing market rents	Capitalization rates (%)	Premium or discount for quality of properties (%)
Completed investment properties — Beijing	5,637,646	Income capitalization	RMB31 to RMB555 per month per square meter	6.25 to 7.00	N/A
Completed investment properties — Tianjin	342,000	Income capitalization	RMB61 to RMB325 per month per square meter	3.50 to 7.00	N/A
Completed investment properties — Dalian	460,000	Income capitalization	RMB67 to RMB111 per month per square meter	4.50 to 6.00	N/A
Completed investment properties — Hangzhou	2,977,000	Income capitalization	RMB87 to RMB538 per month per square meter	3.50 to 7.00	N/A
Completed investment properties — Hong Kong	355,808	Income capitalization	HKD19 to HKD63 per month per square feet	2.30 to 3.00	N/A
Completed investment properties — United States	347,634	Income capitalization	USD5 per month per square feet	6.75	N/A
Completed investment properties — United States	931,544	Comparison approach	N/A	N/A	–20.00 to 16.00

Significant unobservable inputs used to determine fair value

- Investment properties under development

Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs: Prevailing market rents	Capitalization rates (%)	Estimated price	Cost to completion	Premium or discount for quality of properties (%)
Investment properties under development — Beijing	4,844,000	Residual method taking reference to comparison approach	RMB441 to RMB735 per month per square meter	4.50 to 6.50	RMB11,186 to RMB75,346 per square meter	RMB14,992 per square meter	N/A
Investment properties under development — Tianjin	246,026	Comparison approach	N/A	N/A	RMB75 to RMB3,033 per square meter	N/A	–2.00 to 19.00
Investment properties under development — Wuhan	63,675	Comparison approach	N/A	N/A	RMB361 to RMB1,318 per square meter	N/A	0.00 to 10.00

13 INVESTMENT PROPERTIES (Continued)

(b) Valuation basis (Continued)

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalization rates are estimated by valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Premium or discount for quality of properties are estimated by valuers based on quality of properties, such as location, size, view, level and condition of the properties.

(c) Non-current assets pledged as security

As at 31 December 2019 and 2018, investment properties of the Group with carrying values of RMB3,615,439,000 and RMB3,438,577,000, respectively, were pledged as collateral for the Group's borrowings.

As at 31 December 2018, investment properties of the Group with carrying values of RMB2,565,000,000, respectively, were pledged as collateral for the Group's capital instrument.

14 SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2019 which, in the opinion of the directors, materially affect the results or assets of the Group:

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(1)	Sino-Ocean Holding Group (China) Limited 遠洋控股集團(中國)有限公司	PRC, Limited liability company	Property development in PRC	RMB7,064,870	**100%**	100%	**–**	–
(2)	遠洋國際建設有限公司	PRC, Limited liability company	Renovation service in PRC	RMB600,000	**100%**	100%	**–**	–
(3)	北京遠盛置業有限公司	PRC, Limited liability company	Property development in PRC	RMB100,000	**100%**	100%	**–**	–
(4)	Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	PRC, Limited liability company	Property development in PRC	RMB500,000	**100%**	100%	**–**	–
(5)	北京萬洋世紀創業投資管理有限公司	PRC, Limited liability company	Consultant service in PRC	RMB341,000	**100%**	100%	**–**	–
(6)	北京碧城創業投資管理有限公司	PRC, Limited liability company	Consultant service in PRC	RMB336,000	**100%**	100%	**–**	–
(7)	Beijing Qianyuan Property Co., Ltd. 北京乾遠置業有限公司	PRC, Limited liability company	Investment holdings in PRC	RMB300,000	**100%**	100%	**–**	–
(8)	Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	PRC, Limited liability company	Investment property in PRC	USD30,000	**72%**	72%	**28%**	28%
(9)	Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司	PRC, Limited liability Company	Land development in PRC	RMB100,000	**75%**	75%	**25%**	25%
(10)	Beijing Jun De Land Development Company Limited 北京駿德置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB90,000	**100%**	100%	**–**	–
(11)	Beijing Dong Long Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	USD12,370	**85.72%**	85.72%	**14.28%**	14.28%
(12)	Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	PRC, Limited liability Company	Land development in PRC	RMB75,000	**100%**	100%	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(13)	Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB60,000	**100%**	100%	**–**	–
(14)	Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB30,000	**100%**	100%	**–**	–
(15)	Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB30,000	**100%**	100%	**–**	–
(16)	北京遠東新地置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB30,000	**100%**	100%	**–**	–
(17)	Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	PRC, Limited liability Company	Investment holdings in PRC	RMB10,000	**100%**	100%	**–**	–
(18)	Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB10,000	**100%**	100%	**–**	–
(19)	Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產建設開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB420,000	**100%**	100%	**–**	–
(20)	Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產(天津)有限公司	PRC, Limited liability Company	Investment holding in PRC	RMB170,000	**100%**	100%	**–**	–
(21)	天津宇華房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB100,000	**100%**	100%	**–**	–
(22)	Tianjin Yuanying Real Estate Development Company, Limited 天津市遠贏置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB30,000	**100%**	100%	**–**	–
(23)	大連新悅置業有限公司	PRC, Limited liability Company	Property development in PRC	USD241,000	**100%**	100%	**–**	–
(24)	大連匯洋置業有限公司	PRC, Limited liability Company	Property development in PRC	USD66,122	**100%**	100%	**–**	–
(25)	大連廣宇置業有限公司	PRC, Limited liability Company	Property development in PRC	USD363,200	**100%**	100%	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(26)	大連世甲置業有限公司	PRC, Limited liability Company	Property development in PRC	USD167,850	**100%**	100%	**–**	–
(27)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	PRC, Limited liability Company	Property development in PRC	USD80,000	**100%**	100%	**–**	–
(28)	大連永圖置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD119,500	**100%**	100%	**–**	–
(29)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD76,860	**100%**	100%	**–**	–
(30)	大連至遠置業有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD69,754	**100%**	100%	**–**	–
(31)	大連源豐置業有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	USD50,700	**100%**	100%	**–**	–
(32)	大連遠佳產業園開發有限公司	PRC, Wholly foreign owned enterprise	Property development in PRC	USD35,000	**100%**	100%	**–**	–
(33)	Dalian Kaimeng Real Estate Co., Ltd. 大連凱盟房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB150,000	**100%**	100%	**–**	–
(34)	大連通遠房地產開發有限公司	PRC, Limited liability Company	Land development in PRC	RMB8,000	**100%**	100%	**–**	–
(35)	遠洋地產(遼寧)有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(36)	長春東方聯合置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB200,000	**100%**	100%	**–**	–
(37)	青島遠豪置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB150,000	**100%**	100%	**–**	–
(38)	遠洋地產(上海)有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(39)	上海遠望置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(40)	大連鑫融置業有限公司	PRC, Limited liability Company	Property development in PRC	USD120,000	**100%**	100%	**–**	–
(41)	遠洋地產(中山)開發有限公司	PRC, Sino-foreign equity joint venture	Property development in PRC	RMB720,000	**100%**	100%	**–**	–
(42)	中山市遠見房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB30,000	**100%**	100%	**–**	–
(43)	天基房地產開發(深圳)有限公司	PRC, Limited liability Company	Property development in PRC	HKD160,000	**84.70%**	84.70%	**15.30%**	15.30%
(44)	三亞南國奧林匹克花園有限公司	PRC, Limited liability Company	Property development in PRC	RMB64,100	**100%**	100%	**–**	–
(45)	海南浙江椰香村建設開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB15,000	**100%**	100%	**–**	–
(46)	北京天江通睿置業有限公司	PRC, Limited liability Company	Investment property in PRC	RMB4,123,112	**100%**	100%	**–**	–
(47)	天津遠頤房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(48)	大連利遠置業有限公司	PRC, Limited liability Company	Property development in PRC	USD143,410	**100%**	100%	**–**	–
(49)	中山市遠恒房地產開發有限公司 ("Zhongshan Yuanheng")	PRC, Limited liability Company	Property development in PRC	RMB4,050,000	**51%**	51%	**49%**	49%
(50)	遠洋養老運營管理有限公司	PRC, Limited liability Company	Senior housing service in PRC	RMB500,000	**100%**	100%	**–**	–
(51)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津市遠濱房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB600,000	**100%**	100%	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(52)	大連宏宇置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(53)	北京遠山置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(54)	中山市博信房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB30,000	**100%**	51%	**–**	49%
(55)	盈創再生資源有限公司	PRC, Limited liability Company	Environmental technology in PRC	RMB361,670	**96.19%**	92.53%	**3.81%**	7.47%
(56)	青島遠洋華歐置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB10,000	**100%**	100%	**–**	–
(57)	悅軒(天津)置業投資有限公司	PRC, Limited liability Company	Property development in PRC	RMB350,000	**100%**	100%	**–**	–
(58)	上海鋭盈置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB145,000	**100%**	100%	**–**	–
(59)	深圳市樂安房地產有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(60)	杭州雨潤華府房地產有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(61)	杭州遠鼎盛安置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB444,140	**51%**	51%	**49%**	49%
(62)	北京遠新資產管理有限公司	PRC, Limited liability Company	Investment property in PRC	RMB20,000	**100%**	100%	**–**	–
(63)	中山市彩虹投資管理有限公司	PRC, Limited liability Company	Investment management in PRC	RMB28,000	**100%**	100%	**–**	–
(64)	北京市佳利華經濟開發有限責任公司	PRC, Limited liability Company	Senior housing service in PRC	RMB30,000	**100%**	100%	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(65)	遠洋健康醫療投資管理(北京)有限公司	PRC, Limited liability Company	Health & medical service in PRC	RMB10,000	**65%**	65%	**35%**	35%
(66)	Ocean Homeplus Property Service Corporation Limited 遠洋億家物業服務股份有限公司	PRC, Limited liability Company	Property Management in PRC	RMB104,000	**100%**	100%	**–**	–
(67)	上海遠匯置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB2,200,000	**100%**	100%	**–**	–
(68)	深圳市金楓房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**60%**	60%	**40%**	40%
(69)	深圳市高誠達投資發展有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**80%**	80%	**20%**	20%
(70)	三亞德商房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	USD30,000	**100%**	98.27%	**–**	1.73%
(71)	北京信馳置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB10,000	**100%**	100%	**–**	–
(72)	南京金遠置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB33,330	**70%**	70%	**30%**	30%
(73)	杭州宸遠招盛置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB100,000	**50%**	50%	**50%**	50%
(74)	上海椿萱茂養老服務有限公司	PRC, Limited liability Company	Senior housing service in PRC	RMB10,000	**100%**	100%	**–**	–
(75)	湖北福星惠譽常青置業有限公司 ("Hubei Fuxing")	PRC, Limited liability Company	Property development in PRC	RMB10,000	**51%**	61%	**49%**	39%
(76)	北京遠創置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB300,000	**75%**	75%	**25%**	25%
(77)	杭州宜品房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB170,000	**100%**	100%	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(78)	北京邦捨置業有限公司	PRC, Limited liability Company	Apartment service in PRC	RMB10,000	**100%**	100%	**–**	–
(79)	北京遠奧置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(80)	天津濱海房地產經營有限公司	PRC, Limited liability Company	Property development in PRC	RMB100,000	**60%**	60%	**40%**	40%
(81)	秦皇島市海洋置業房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB100,000	**100%**	100%	**–**	–
(82)	遠洋地產鎮江有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**55%**	55%	**45%**	45%
(83)	瀋陽銀基新世紀置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB150,000	**100%**	100%	**–**	–
(84)	廣州市遠翔房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB1,800,000	**100%**	100%	**–**	–
(85)	青島遠佳置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB666,670	**100%**	100%	**–**	–
(86)	北京遠川房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(87)	成都恒茂置地有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**100%**	100%	**–**	–
(88)	溧陽宏景房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB300,000	**40%**	40%	**60%**	60%
(89)	台州璟侖置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**40%**	40%	**60%**	60%
(90)	河北遠坤房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB10,000	**100%**	100%	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(91)	南京遠乾置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**100%**	100%	**–**	–
(92)	西安遠洋中央公園置業有限責任公司	PRC, Limited liability Company	Property development in PRC	USD80,000	**100%**	100%	**–**	–
(93)	天津城投濱海房地產經營有限公司	PRC, Limited liability Company	Property development in PRC	RMB200,000	**64.28%**	64.28%	**35.72%**	35.72%
(94)	中山市遠昇房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,400	**75%**	75%	**25%**	25%
(95)	重慶遠香房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB32,108	**50%**	50%	**50%**	50%
(96)	重慶遠基房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB667,000	**50%**	50%	**50%**	50%
(97)	北京商務中心區開發建設有限責任公司	PRC, Limited liability Company	Land development in PRC	RMB680,850	**47%**	47%	**53%**	53%
(98)	大連宏澤置業有限公司	PRC, Limited liability Company	Property development in PRC	USD15,000	**100%**	100%	**–**	–
(99)	福州世遠置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**50%**	–	**50%**	–
(100)	山西明遠房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB10,000	**80%**	–	**20%**	–
(101)	貴州築宸府置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB–	**80%**	–	**20%**	–
(102)	秦皇島潤海房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB636,000	**100%**	–	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(103)	秦皇島潤濱房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB212,000	**100%**	–	**–**	–
(104)	秦皇島潤鴻房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB21,200	**100%**	–	**–**	–
(105)	秦皇島潤澤房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB21,200	**100%**	–	**–**	–
(106)	秦皇島潤港房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB21,200	**100%**	–	**–**	–
(107)	秦皇島潤鑫房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB21,200	**100%**	–	**–**	–
(108)	上海崇遠企業管理諮詢有限公司	PRC, Limited liability Company	Property development in PRC	RMB10,000	**100%**	–	**–**	–
(109)	茂名市錦繡河山房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB19,000	**51%**	–	**49%**	–
(110)	龍巖遠盛房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB–	**51%**	–	**49%**	–
(111)	上海潤栩商務諮詢有限公司	PRC, Limited liability Company	Property development in PRC	RMB161,925	**56.77%**	–	**43.23%**	–
(112)	上海攬海房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB229,325	**41.03%**	–	**58.97%**	–
(113)	上海雋品置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**51%**	–	**49%**	–
(114)	杭州雋遠置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**51%**	–	**49%**	–
(115)	昆明滇洱房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB12,500	**70%**	–	**30%**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(116)	蘇州奧遠房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**34%**	–	**66%**	–
(117)	湖南樂住置業投資有限公司	PRC, Limited liability Company	Property development in PRC	RMB30,000	**95%**	–	**5%**	–
(118)	石家莊遠俊房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB–	**51%**	–	**49%**	–
(119)	貴陽遠匯房地產開發有限公司	PRC, Limited liability Company	Property development in PRC	RMB50,000	**100%**	–	**–**	–
(120)	天津遠洋匯基置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB–	**100%**	–	**–**	–
(121)	大連盈合置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB–	**100%**	–	**–**	–
(122)	宜興遠博置業有限公司	PRC, Limited liability Company	Property development in PRC	RMB20,000	**100%**	–	**–**	–
(123)	大連峰景美墅地產發展有限公司	PRC, Limited liability Company	Property development in PRC	RMB181,614	**100%**	–	**–**	–
(124)	Sino-Ocean Land (Hong Kong) Limited 遠洋地產（香港）有限公司	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD10	**100%**	100%	**–**	–
(125)	Gemini Investments (Holdings) Limited 盛洋投資（控股）有限公司	Hong Kong, HK Listed Company	Investment holding in Hong Kong	HKD22,550	**69.23%**	69.23%	**30.77%**	30.77%
(126)	Shine Wind Development Limited 耀勝發展有限公司	BVI, Limited Company	Investment holding in BVI	USD10	**100%**	100%	**–**	–
(127)	Mission Success Limited 穎博有限公司	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(128)	Dynamic Class Limited 昇能有限公司	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(129)	Mega Precise Profits Limited	BVI, Limited Company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(130)	Smart State Properties Limited	BVI, Limited Company	Investment holding in BVI	USD–	**100%**	100%	**–**	–

14 SUBSIDIARIES (Continued)

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
					2019	2018	**2019**	2018
(131)	Faith Ocean International Limited 信洋國際有限公司	BVI, Limited Company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(132)	World Luck Corporation Limited 寰福有限公司	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(133)	Fame Gain Holdings Limited 名得控股有限公司	BVI, Limited Company	Investment holding in BVI	USD–	**100%**	100%	**–**	–
(134)	Sino-Ocean Land Property Development Limited 遠洋地產國際發展有限公司	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD20	**100%**	100%	**–**	–
(135)	Fast Fame Capital Investment Limited 迅榮創富有限公司	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD–	**100%**	100%	**–**	–
(136)	Steed Wind Limited 驥風有限公司	BVI, Limited Company	Investment holding in BVI	HKD–	**50%**	50%	**50%**	50%
(137)	Max Star Ent. Ltd 盛星企業有限公司	BVI, Limited Company	Investment holding in BVI	RMB667,010	**50%**	50%	**50%**	50%
(138)	Glory Soar Limited 軒鵬有限公司	Hong Kong, Limited Company	Investment holding in Hong Kong	HKD–	**50%**	50%	**50%**	50%
(139)	Sino-Ocean Land Treasure Finance I Limited	BVI, Limited Company	Investment holding in BVI	HKD–	**100%**	100%	**–**	–
(140)	Sino-Ocean Land Treasure Finance II Limited	BVI, Limited Company	Investment holding in BVI	HKD–	**100%**	100%	**–**	–
(141)	Sino-Ocean Land Treasure III Limited	BVI, Limited Company	Investment holding in BVI	HKD–	**100%**	100%	**–**	–
(142)	Sino-Ocean Land Treasure IV Limited	BVI, Limited Company	Investment holding in BVI	HKD–	**100%**	100%	**–**	–
(143)	Ample Base Developments Limited 基博發展有限公司	BVI, Limited Company	Property development in Hong Kong	HKD–	**100%**	–	**–**	–
(144)	Alpha Advent Ventures Limited	BVI, Limited Company	Property development in Hong Kong	HKD1,163	**100%**	–	**–**	–
(145)	New Advance Limited	Hong Kong, Limited Company	Property development in Hong Kong	HKD1,000	**100%**	–	**–**	–

14 SUBSIDIARIES (Continued)

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2019 is RMB15,703,909,000 which mainly consists of non-controlling interest of RMB2,039,252,000 and non-controlling interest of RMB430,371,000 deriving from Zhongshan Yuanheng and Hubei Fuxing being 51% and 51% owned subsidiaries, respectively. The non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits held by Zhongshan Yuanheng and Hubei Fuxing amounted to RMB403,184,000 in aggregate are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarized balance sheet

	Zhongshan Yuanheng		Hubei Fuxing	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Assets	**4,290,452**	4,096,453	**2,619,749**	4,169,215
Liabilities	**(155,278)**	(383,869)	**(1,669,058)**	(3,442,983)
Total current net assets	**4,135,174**	3,712,584	**950,691**	726,232
Non-current				
Assets	**26,565**	404,344	**216,617**	652,534
Liabilities	**–**	–	**(289,000)**	(742,000)
Total non-current net assets	**26,565**	404,344	**(72,383)**	(89,466)
Net assets	**4,161,739**	4,116,928	**878,308**	636,766
Accumulated non-controlling Interest	**2,039,252**	2,017,295	**430,371**	248,339

14 SUBSIDIARIES (Continued)

Summarized income statement

	Zhongshan Yuanheng		Hubei Fuxing	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**98,848**	819,900	**2,567,705**	1,649,323
Profit before income tax	**65,785**	324,793	**528,563**	152,107
Income tax expense	**(23,016)**	(133,453)	**(157,068)**	(52,654)
Post-tax profit	**42,769**	191,340	**371,495**	99,453
Total comprehensive income	**42,769**	191,340	**371,495**	99,453
Total comprehensive income allocated to non-controlling Interests	**20,957**	93,757	**182,032**	38,787

Summarized cash flows

	Zhongshan Yuanheng		Hubei Fuxing	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities				
Cash (used in)/generated from operations	**(320,395)**	(3,507,382)	**19,397**	(303,714)
Interest paid	**–**	(267,137)	**(69,490)**	(40,878)
Income tax paid	**(75,557)**	–	**(138,687)**	(54,995)
Net cash used in operating activities	**(395,952)**	(3,774,519)	**(188,780)**	(399,587)
Net cash generated from/(used in) investing activities	**392,679**	(267,853)	**919,723**	(127,064)
Net cash generated from/(used in) financing activities	**–**	3,950,000	**(352,990)**	227,000
Net (decrease)/increase in cash and cash equivalents	**(3,273)**	(92,372)	**377,953**	(299,651)
Cash and cash equivalents at beginning of the year	**5,611**	97,983	**22,893**	322,544
Cash and cash equivalents at end of the year	**2,338**	5,611	**400,846**	22,893

The information above is the amount before inter-company eliminations.

15 INVESTMENTS IN JOINT VENTURES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**20,330,505**	14,720,119
Effects of the adoption of HKFRS 15	**–**	1,503
Capital injection	**2,648,574**	6,047,711
Dividend	**(611,301)**	(490,773)
Disposal	**(1,633,415)**	(436)
Deemed disposal of joint ventures	**(2,082,769)**	–
Increase due to disposal of interest in subsidiaries (Note 49(e))	**170,541**	361,542
Decrease due to disposal of interest in a subsidiary (Note 49(a))	**(2,870,370)**	–
Share of results of joint ventures — after adjustment for unrealized profit or loss from inter-company transactions between the Group and the joint ventures	**1,389,216**	1,030,107
Share of other equity movement of equity accounted investee (i)	**–**	(1,463,874)
Currency translation difference	**14,328**	124,606
At end of the year	**17,355,309**	20,330,505

(i) This represents the share of the changes in other comprehensive income of the joint venture of the Group.

15 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2019, all of which are unlisted:

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of relationship	Principal activities
(1)	Beijing Linlian Property Company Limited 北京麟聯置業有限公司	PRC	Limited liability Company	RMB400,000	50%	50%	(iii)	Land and property development
(2)	Chengdu Qianhao Real Estate Company Limited 成都乾豪置業有限公司	PRC	Limited liability Company	USD329,000	50%	50%	(iii)	Land and property development
(3)	Chengdu Yingang Real Estate Company Limited 成都銀港置業有限公司	PRC	Limited liability Company	RMB8,000	50%	50%	(iii)	Land and property development
(4)	北京遠騰置業有限公司	PRC	Limited liability Company	RMB1,820,000	50%	50%	(iii)	Land and property development
(5)	深圳市遠盛業投資有限公司	PRC	Limited liability Company	RMB200,000	51%	51%	(i), (iv)	Investment management
(6)	北京遠洋新光商業管理有限公司	PRC	Limited liability Company	RMB5,000	50%	50%	(iv)	Investment management
(7)	北京遠新房地產開發有限公司	PRC	Limited liability Company	RMB100,000	50%	50%	(iii)	Land and property development
(8)	北京遠洋新揚子資產管理有限公司	PRC	Limited liability Company	RMB2,000	50%	50%	(iv)	Investment management
(9)	鴻基偉業(北京)房地產開發有限公司	PRC	Limited liability Company	RMB20,000	50%	50%	(iii)	Land and property development
(10)	北京房地鑫洋房地產開發有限公司	PRC	Limited liability Company	RMB30,000	30%	30%	(ii), (iii)	Land and property development
(11)	Tianjin Yijiahe Real Estate Company Limited 天津市億嘉合置業有限公司	PRC	Limited liability Company	RMB80,000	51%	51%	(i), (iii)	Land and property development
(12)	南京綠洋置業有限公司	PRC	Limited liability Company	RMB20,000	50%	50%	(iii)	Land and property development
(13)	Gemini-Rosemont Realty LLC	USA	Limited liability Company	USD68,360	45%	45%	(ii), (iii)	Land and property development
(14)	SOL Investment Fund LP	Cayman island	Limited Liability Partnership	HKD2,679,000	50%	50%	(iv)	Investment management
(15)	香河萬潤新元房地產開發有限公司	PRC	Limited liability company	RMB85,000	20%	20%	(ii), (iii)	Land and property development
(16)	北京穎暉置業有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(iii)	Land and property development

15 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2019, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of relationship	Principal activities
(17)	北京房地天銳鑫洋房地產開發有限公司	PRC	Limited liability company	RMB41,180	30%	30%	(ii), (iii)	Land and property development
(18)	上海新證財經信息諮詢有限公司	PRC	Limited liability company	RMB142,500	45%	45%	(ii), (v)	Consulting service
(19)	中山市大信融佳商業投資有限公司	PRC	Limited liability company	RMB1,000	50%	25%	(iv)	Investment management
(20)	北京卓信瑞通投資有限公司	PRC	Limited liability company	RMB1,000	33%	33%	(ii), (iv)	Investment management
(21)	天津旭浩房地產開發有限公司	PRC	Limited liability company	RMB120,000	25%	25%	(ii), (iii)	Land and property development
(22)	北京紫金長寧房地產開發有限責任公司	PRC	Limited liability company	RMB198,500	50%	50%	(iii)	Land and property development
(23)	北京中聯置地房地產開發有限公司	PRC	Limited liability company	RMB560,000	49%	49%	(ii), (iii)	Land and property development
(24)	信銀振華三號房地產私募投資基金	PRC	Limited Liability partnership	RMB8,100,000	33%	33%	(ii), (iv)	Investment management
(25)	天津市遠銘置業有限公司	PRC	Limited liability company	RMB50,000	42%	42%	(ii), (iii)	Land and property development
(26)	北京新揚子投資基金管理中心(有限合夥)	PRC	Limited Liability partnership	RMB1,000,000	50%	50%	(iv)	Investment management
(27)	廊坊市裕豐房地產開發有限公司	PRC	Limited liability company	RMB50,000	25.5%	51%	(i), (iii)	Land and property development
(28)	北京房地銘洋房地產開發有限公司	PRC	Limited liability company	RMB30,000	49%	49%	(ii), (iii)	Land and property development
(29)	武漢遠慧企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	15%	15%	(ii), (iv)	Investment management
(30)	武漢遠正企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	15%	15%	(ii), (iv)	Investment management
(31)	張家口富利嘉房地產開發有限公司	PRC	Limited liability company	RMB30,000	60%	60%	(i), (iii)	Land and property development
(32)	河北川匯房地產開發有限公司	PRC	Limited liability company	RMB5,000	51%	51%	(i), (iii)	Land and property development
(33)	石家莊永熹房地產開發有限公司	PRC	Limited liability company	RMB10,000	20%	20%	(ii), (iii)	Land and property development
(34)	深圳市遠康置地投資有限公司	PRC	Limited liability company	RMB50,000	65%	65%	(i), (iv)	Investment management

15 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2019, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of relationship	Principal activities
(35)	長春王府井遠洋商業投資有限公司	PRC	Limited liability company	RMB50,000	40%	40%	(ii), (iv)	Investment management
(36)	中山祥盛房地產開發有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(iii)	Land and property development
(37)	深圳市奧益投資有限公司	PRC	Limited liability company	RMB50,000	55%	55%	(i), (iv)	Investment management
(38)	合肥永拓置業發展有限公司	PRC	Limited liability company	RMB400,000	25%	25%	(ii), (iii)	Land and property development
(39)	深圳市國通厚德房地產開發有限公司	PRC	Limited liability company	RMB10,000	70%	70%	(i), (iii)	Land and property development
(40)	鄭州建業十八城置業有限公司	PRC	Limited liability company	RMB200,000	50%	50%	(iii)	Land and property development
(41)	北京潭柘興業房地產開發有限公司	PRC	Limited liability company	RMB300,000	10%	10%	(ii), (iii)	Land and property development
(42)	北京遠創興茂置業有限公司	PRC	Limited liability company	RMB100,000	40%	40%	(ii), (iii)	Land and property development
(43)	昆明吉興達房地產開發有限公司	PRC	Limited liability company	RMB200,000	20%	55%	(ii), (iii)	Land and property development
(44)	愛車(天津)房地產開發有限公司	PRC	Limited liability company	RMB150,000	49.98%	49.98%	(iii)	Land and property development
(45)	贏家(天津)房地產開發有限公司	PRC	Limited liability company	RMB850,000	49.98%	49.98%	(iii)	Land and property development
(46)	山西龍城遠洋置業有限公司	PRC	Limited liability company	RMB10,000	44%	44%	(ii), (iii)	Land and property development
(47)	成都嘉昱房地產有限責任公司	PRC	Limited liability company	RMB10,000	60%	60%	(i), (iii)	Land and property development
(48)	北京創遠亦程置業有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(iii)	Land and property development
(49)	佛山昱辰房地產開發有限公司	PRC	Limited liability company	RMB20,000	50%	50%	(iii)	Land and property development
(50)	太倉遠匯置業有限公司	PRC	Limited liability company	RMB200,000	34%	34%	(ii), (iii)	Land and property development
(51)	北京遠和置業有限公司	PRC	Limited liability company	RMB810,000	25%	25%	(ii), (iii)	Land and property development
(52)	杭州雋洋置業有限公司	PRC	Limited liability company	RMB50,000	49%	49%	(ii), (iii)	Land and property development

15 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2019, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of relationship	Principal activities
(53)	珠海市遠致房地產開發有限公司	PRC	Limited liability company	RMB50,000	70%	70%	(i), (iii)	Land and property development
(54)	河南優居房地產開發有限公司	PRC	Limited liability company	RMB20,000	25.5%	51%	(ii), (iii)	Land and property development
(55)	上海遠緒置業有限公司	PRC	Limited liability company	RMB10,000	50%	50%	(iii)	Land and property development
(56)	天津吉慶置業有限公司	PRC	Limited liability company	RMB30,000	50%	50%	(iii)	Land and property development
(57)	鄭州遠啟博奧企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	70%	70%	(i), (iv)	Investment management
(58)	鄭州博鼎企業管理諮詢有限公司	PRC	Limited liability company	RMB20,000	55%	55%	(i), (iv)	Investment management
(59)	北京遠創興城置業有限公司	PRC	Limited liability company	RMB100,000	50%	50%	(iii)	Land and property development
(60)	中山市遠聞房地產開發有限公司	PRC	Limited liability company	RMB40,000	51%	50%	(i), (iii)	Land and property development
(61)	中山市遠隆房地產開發有限公司	PRC	Limited liability company	RMB1,000	70%	70%	(i), (iii)	Land and property development
(62)	北京百思得科技服務有限公司	PRC	Limited liability company	RMB10,000	30%	30%	(ii), (v)	Sanitation service
(63)	中山盛哲房地產開發有限公司	PRC	Limited liability company	RMB20,000	30%	30%	(ii), (iii)	Land and property development
(64)	重慶國際高爾夫俱樂部有限公司	PRC	Limited liability company	RMB96,290	42.5%	42.5%	(ii), (iii)	Land and property development
(65)	西安恒正隆房地產有限公司	PRC	Limited liability company	RMB100,000	34%	51%	(ii), (iii)	Land and property development
(66)	遠洋邦邦置業有限公司	PRC	Limited liability company	RMB200,000	50%	50%	(iii)	Land and property development
(67)	北京穎融企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	70%	70%	(i), (iv)	Investment management
(68)	北京穎創企業管理諮詢有限公司	PRC	Limited liability company	RMB10,000	70%	70%	(i), (iv)	Investment management
(69)	長沙遠曜投資管理合夥企業	PRC	Limited liability company	RMB632,642	24.96%	49.92%	(ii), (iv)	Investment management
(70)	北京樂優富拓投資有限公司	PRC	Limited liability company	RMB1,000	25%	25%	(ii), (iv)	Investment management

15 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2019, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of relationship	Principal activities
(71)	嘉興金久房地產開發有限公司	PRC	Limited liability company	RMB8,000	33%	33%	(ii), (iii)	Land and property development
(72)	龍洋生命(開曼)有限公司	PRC	Limited liability company	RMB184,600	50%	50%	(iii)	Land and property development
(73)	SO CTCO Investments, L.P.	Cayman island	Limited liability company	USD100,000	50%	50%	(iv)	Investment management
(74)	石家莊新聯遠鴻房地產開發有限公司	PRC	Limited liability company	RMB100,000	31%	51%	(ii), (iii)	Land and property development
(75)	石家莊州貿房地產開發有限公司	PRC	Limited liability company	RMB5,000	31%	51%	(ii), (iii)	Land and property development
(76)	河北裕悦房地產開發有限公司	PRC	Limited liability company	RMB10,000	55%	55%	(i), (iii)	Land and property development
(77)	西安遠瑞置業有限公司	PRC	Limited liability company	RMB10,000	60%	60%	(i), (iii)	Land and property development
(78)	溫州龍巖陵園有限公司	PRC	Limited liability company	USD66,700	50%	50%	(iii)	Land and property development
(79)	天津市遠馳房地產開發有限公司	PRC	Limited liability company	RMB400,000	50%	50%	(iii)	Land and property development
(80)	北京睿暉商業管理有限公司	PRC	Limited liability company	RMB1,000	50%	50%	(iii)	Land and property development
(81)	北京睿鴻商業管理有限公司	PRC	Limited liability company	RMB1,000	50%	50%	(iii)	Land and property development
(82)	濟南全眾信息科技有限公司	PRC	Limited liability company	RMB50,000	50%	50%	(iv)	Investment management
(83)	Sino-Ocean Meridian Holding	USA	Limited liability company	USD33,333	40%	40%	(ii), (iv)	Investment management
(84)	TSKY Carirnhill Pte. Ltd	SG	Limited liability company	USD20,000	30%	—	(ii), (iii)	Land and property development
(85)	杭州遠洋新河酒店置業有限公司	PRC	Limited liability company	USD132,590	60%	100%	(i), (iii)	Land and property development
(86)	杭州遠洋運河商務區開發有限公司	PRC	Limited liability company	USD143,210	60%	100%	(i), (iii)	Land and property development

15 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Following are the details of all of the joint ventures held directly by the Group as at 31 December 2019, all of which are unlisted: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of relationship	Principal activities
(87)	杭州遠洋天祺置業有限公司	PRC	Limited liability company	USD147,760	60%	100%	(i), (iii)	Land and property development
(88)	太原吉飛通房地產開發有限公司	PRC	Limited liability company	RMB10,000	51%	5%	(i), (iii)	Land and property development
(89)	蘇州嶼秀房地產開發有限公司	PRC	Limited liability company	RMB480,000	16.5%	16.5%	(ii), (iii)	Land and property development

(i) Although the Group holds more than 50% of the equity shares of these entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of the these entities. Accordingly, these entities are considered as joint ventures of the Group by the directors.

(ii) Although the Group holds less than 50% of the equity shares of these entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of these entities. Accordingly, these entities are considered as joint ventures of the Group by the directors.

(iii) Investments in these joint ventures provide more opportunities to explore business in property development and investment properties.

(iv) Investments in these joint ventures provide more opportunities to explore business in real estate investment activities.

(v) Investments in these joint ventures provide more opportunities for the Group to explore business in other business activities.

(vi) As at 31 December 2019, the Group has the outstanding capital commitment to joint ventures amounting to RMB271,125,000. (2018: RMB579,425,000).

15 INVESTMENTS IN JOINT VENTURES (Continued)

(b) Individually immaterial joint venture

The Group has interests in individually immaterial joint ventures that are accounted for using the equity method.

	2019 **RMB'000**	2018 RMB'000
Aggregate carrying amount of individually immaterial joint ventures	**17,355,309**	20,330,505
Aggregate amounts of the Group's share of:		
Profit from continuing operations	**1,519,370**	1,103,464
Other comprehensive income	**–**	(1,463,874)
Total comprehensive income	**1,519,370**	(360,410)

16 INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
At beginning of the year	**7,177,355**	4,562,962
Effects of the adoption of HKFRS 15	**–**	20,022
Capital injection	**164,009**	2,788,550
Disposal	**(32,729)**	–
Dividend	**(85,959)**	–
Deemed disposal of associates	**–**	(267,492)
Increase due to disposal of interest in subsidiaries (Note 49(a))	**2,001,590**	–
Decrease due to disposal of interest in a subsidiary (Note 49(a))	**(2,777,569)**	–
Share of results of associates — after adjustment for unrealized profit or loss from inter-company transactions between the Group and the associates	**335,257**	(44,880)
Currency translation difference	**64,393**	118,193
At end of the year	**6,846,347**	7,177,355

16 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of all of the associates of the Group at 31 December 2019:

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of the relationship	Principal activities
(1)	Guoshou Yuantong Real Estate Company Limited 國壽遠通置業有限公司	PRC	Limited liability Company	RMB2,500,000	10%	10%	(i),(ii)	Property development and investment services
(2)	Beijing Shengyong Property Development and investment Company Limited 北京盛永置業投資有限公司	PRC	Limited liability Company	RMB500,000	35%	35%	(ii)	Property development and investment services
(3)	CIGIS (China) Company Limited 建設綜合勘察研究設計院有限公司	PRC	Limited liability Company	RMB50,000	35%	35%	(iii)	Survey and design
(4)	Chongqing Yuanteng Real Estate Development Limited 重慶遠騰房地產開發有限公司	PRC	Limited liability Company	RMB1,100,000	42.5%	42.5%	(ii)	Land and property development
(5)	北京興佰君泰房地產開發有限公司	PRC	Limited liability Company	RMB90,000	21%	21%	(ii)	Land and property development
(6)	北京達成光遠置業有限公司	PRC	Limited liability Company	RMB100,000	23%	23%	(ii)	Land and property development
(7)	廣州宏軒房地產開發有限公司	PRC	Limited liability Company	RMB300,000	16.66%	16.66%	(i),(ii)	Land and property development
(8)	廣州宏嘉房地產開發有限公司	PRC	Limited liability Company	RMB300,000	16.66%	16.66%	(i),(ii)	Land and property development
(9)	廣州璟曄房地產開發有限公司	PRC	Limited liability Company	RMB300,000	16.66%	16.66%	(i),(ii)	Land and property development
(10)	深圳遠景融資租賃有限公司	PRC	Limited liability Company	USD200,000	45%	45%	(iii)	Finance lease
(11)	中交地產(海口)有限公司	PRC	Limited liability Company	RMB400,000	30%	30%	(ii)	Land and property development
(12)	Beijing Capital Juda Limited. 首創鉅大有限公司	Cayman Island	Limited liability Company	HKD20,345	9.9%	9.9%	(i),(ii)	Land and property development
(13)	China Logistics Property Holdings Co., Ltd 中國物流資產控股有限公司	Cayman Island	Limited liability Company	USD184	8.87%	8.87%	(i),(iii)	Operation of logistics
(14)	深圳市遠景置業有限公司	PRC	Limited liability Company	RMB20,000	50.75%	38.25%	(ii)	Land and property development
(15)	重慶騰基物業管理有限公司	PRC	Limited liability Company	RMB3,000	49%	49%	(ii)	Land and property development
(16)	重慶遠朗房地產開發有限公司	PRC	Limited liability Company	RMB233,540	50%	50%	(ii)	Land and property development

16 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of all of the associates of the Group at 31 December 2019: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of the relationship	Principal activities
(17)	杭州北晨房地產開發有限公司	PRC	Limited liability Company	RMB100,000	50%	50%	(ii)	Land and property development
(18)	武漢遠駿置業有限公司	PRC	Limited liability Company	RMB50,000	34%	34%	(ii)	Land and property development
(19)	長春市元亨房地產開發有限公司	PRC	Limited liability Company	RMB10,000	20%	20%	(ii)	Land and property development
(20)	天津遠卓商貿有限公司	PRC	Limited liability Company	RMB10,000	15%	15%	(i),(iv)	Investment management
(21)	天津中建致恒地產有限公司	PRC	Limited liability Company	RMB70,000	42.86%	42.86%	(ii)	Land and property development
(22)	石家莊安聯房地產開發有限公司	PRC	Limited liability Company	RMB20,000	30%	30%	(ii)	Land and property development
(23)	江西軍邦房地產開發有限公司	PRC	Limited liability Company	RMB30,000	51%	51%	(ii)	Land and property development
(24)	成都青銅匯股權投資基金合夥企業(有限合夥)	PRC	Limited Liability partnership	RMB700,000	42.86%	42.86%	(iv)	Investment management
(25)	北京瑞成永創科技有限公司	PRC	Limited liability Company	RMB50,000	22.2%	22.2%	(v)	Scientific research and technical services
(26)	廈門國遠同豐置業有限公司	PRC	Limited liability Company	RMB98,000	51.02%	51.02%	(ii)	Land and property development
(27)	南昌國遠盈潤置業有限公司	PRC	Limited liability Company	RMB98,000	49%	49%	(ii)	Land and property development
(28)	北京融德房地產開發有限公司	PRC	Limited liability Company	RMB687,000	49%	49%	(ii)	Land and property development
(29)	Coldwest Fund I LP	Cayman Island	Limited liability Company	USD105,000	47.62%	47.62%	(iv)	Investment management
(30)	Delos China (HK) Limited	HK	Limited liability Company	USD16,000	25%	25%	(ii)	Healthy renovation service
(31)	北京融平企業管理服務有限公司	PRC	Limited liability Company	RMB687,000	49%	49%	(iii)	Land and property development
(32)	上海榛鼎企業管理有限公司	PRC	Limited liability Company	RMB30,000	49%	49%	(iv)	Land and property development
(33)	北京誼誠置業有限公司	PRC	Limited liability Company	RMB10,000	21%	21%	(ii)	Land and property development

16 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of all of the associates of the Group at 31 December 2019: (Continued)

	Name	Country of incorporation and operation	Legal status	Issued/paid in capital (In thousand)	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018	Nature of the relationship	Principal activities
(34)	Fortune Joy Ventures Limited	BVI	Limited liability Company	RMB580,000	49%	100%	(v)	Investment management
(35)	上饒市棕遠生態環境有限公司	PRC	Limited liability Company	RMB320,000	28.98%	–	(v)	Environmental governance

Among the associates mentioned above, Beijing Capital Juda Limited and China Logistics Property Holdings Co., Ltd are listed on Stock Exchange of Hong Kong Ltd, the quoted fair value and carrying amount thereof presented as below:

	Name	Country of incorporation and operation	Legal status	Quoted market value		Carrying amount	
				2019	2018	**2019**	2018
				RMB'000	RMB'000	**RMB'000**	RMB'000
(1)	Beijing Capital Juda Limited	PRC	Limited liability Company	**110,000**	116,771	**149,023**	154,319
(2)	China Logistics Property Holdings Co., Ltd	PRC	Limited liability Company	**780,990**	728,915	**1,046,678**	985,387

Even though quoted market value of both of Beijing Capital Juda Limited and China Logistics Property Holdings Co., Ltd is less than carrying amount, the fair value of net assets of these two companies attributable to the Group is higher than the carrying amount, no impairment charge is recognised for these two investments.

(i) Although the Group holds less than 20% of the equity shares of these entities, the Group exercises significant influence under the contractual agreements in the strategic financial and operating policy decisions of these companies.

(ii) Investments in these associates provide more opportunities to explore business in property development.

16 INVESTMENTS IN ASSOCIATES (Continued)

(a) Following are the details of all of the associates of the Group at 31 December 2019: (Continued)

(iii) Investments in these associates provide more opportunities to involve in related services to support property development, such as architectural design and property management.

(iv) Investments in these associates provide more opportunities to explore business in real estate investment activities.

(v) Investments in these associates provide more opportunities to explore business in other activities.

(vi) As at 31 December 2019, the Group has the outstanding capital commitment to associates amounting to RMB320,441,000. (2018: RMB137,861,000).

(b) Individually immaterial associates

The Group has interests in individually immaterial associates that are accounted for using the equity method.

	2019 **RMB'000**	2018 RMB'000
Aggregate carrying amount of individually immaterial associates	**6,846,347**	7,177,355
Aggregate amounts of the Group's share of:		
Profit from continuing operations	**415,361**	52,065
Other comprehensive income	**–**	–
Total comprehensive income	**415,361**	52,065

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables and prepayments	**74,004,370**	72,975,210
Less: Prepayments	**(7,559,614)**	(7,158,187)
— Trade and other receivables and prepayments excluding prepayments	**66,444,756**	65,817,023
— Restricted bank deposits (Note 25)	**2,511,683**	3,362,876
— Cash and cash equivalents (Note 26)	**31,054,201**	39,208,481
— Contract assets	**2,708,018**	2,405,696
Financial assets at fair value through other comprehensive income (Note 18)	**2,715,647**	679,952
Financial assets at fair value through profit or loss (Note 19)	**6,712,378**	4,144,149
	112,146,683	115,618,177
Financial liabilities		
Liabilities at amortised cost:		
— Borrowings (Note 33)	**83,906,951**	88,575,079
— Lease liabilities (Note 9)	**194,480**	–
— Trade and other payables excluding tax payables	**51,242,127**	57,632,184
Financial liabilities at fair value through profit or loss (Note 37)	**51,104**	146,939
	135,394,662	146,354,202

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) Equity investments at fair value through other comprehensive income

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Listed securities (a)	**48,164**	54,806
Unlisted securities (b)	**2,667,483**	625,146
	2,715,647	679,952
Less: Non-current portion	**(2,715,647)**	(679,952)
Current portion	**–**	–

(a) Investment in listed equity securities is stated at fair value based on the quoted price of the equity securities.

(b) Investment in unlisted equity securities are denominated in HKD and RMB. For the valuation of unlisted equity securities, please refer to Note 5.3.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI, and
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(i) Classification of financial assets at fair value through profit or loss (Continued)

Financial assets mandatorily measured at FVPl include the following:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Investment in fund investments	**6,111,352**	3,225,309
Investment in other unlisted equity securities	**327,428**	532,711
Investment in listed equity securities	**266,304**	238,484
Others	**7,294**	6,982
Derivatives — held-for-trading		
Leveraged bond-linked notes	**–**	140,663
	6,712,378	4,144,149
Less: Non-current portion	**(6,446,074)**	(3,961,645)
Current portion	**266,304**	182,504

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains — net" in the income statement.

(ii) Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fair value gains recognised in other gains	**187,872**	205,252

(iii) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in Note 5.1. For information about the methods and assumptions used in determining fair value please refer to Note 5.3.

20 PROPERTIES UNDER DEVELOPMENT

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**54,655,796**	47,767,443
Effects of the adoption of HKFRS 15	**–**	(1,641,328)
Additions	**34,522,513**	37,452,750
Transfer from deposits for land use rights	**177,165**	4,150,121
Acquisition of subsidiaries	**12,020,221**	1,848,191
Disposal of interests in subsidiaries	**(2,739,385)**	(141,183)
Provision for impairment	**(106,973)**	(116,952)
Transfer to property, plant and equipment (Note 8)	**(1,018,867)**	–
Transfer to land use rights (Note 10)	**(340,391)**	–
Transfer to investment properties	**–**	(3,041,522)
Transfer to completed properties held for sale	**(36,339,661)**	(30,788,071)
Recognised in cost of sales	**(452,237)**	(833,653)
At end of the year	**60,378,181**	54,655,796
Properties under development comprises:		
Land use rights	**32,666,483**	31,643,756
Construction costs and capitalized expenditure	**19,415,825**	15,326,434
Interest capitalized	**8,295,873**	7,685,606
	60,378,181	54,655,796

Properties under development are mainly located in the PRC. As at 31 December 2019, properties under development of approximately RMB11,337,759,000 (2018: RMB14,495,605,000) were pledged as collateral for the Group's borrowings.

All properties under development are expected to be completed within the normal operating cycle of the Group, in which RMB44,571,757,000 (2018: RMB32,857,229,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

21 LAND DEVELOPMENT COST RECOVERABLE

Land development cost recoverable refers to capitalized costs on primary land development projects. The land use right certificates belong to the government for these projects. Main activities for primary land development projects included house dismantlement and land leveling works, in order to make sure the land is connected to water, gas, and electric power supplies.

22 PREPAYMENTS FOR LAND USE RIGHTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deposits to local land authorities	**2,228,844**	2,160,585

The prepayments were paid to local land authorities for land use rights as at 31 December 2019 and 2018, respectively. Once the title of land is transferred to the Group, the land will be used to develop properties held for sale.

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables (a)	**3,983,044**	2,516,939
Other receivables and prepayments (b)	**70,021,326**	70,458,271
	74,004,370	72,975,210
Less: non-current portion	**(12,841,234)**	(15,520,575)
Current portion	**61,163,136**	57,454,635

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables	**4,037,521**	2,563,406
Less: provision for impairment of trade receivables	**(54,477)**	(46,467)
	3,983,044	2,516,939
Less: non-current portion	**–**	–
Current portion	**3,983,044**	2,516,939

Proceeds from services and sales rendered are to be received in accordance with the term of respective agreement, and the credit term is very short, an ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 6 months	**2,331,900**	1,272,137
Between 6 months to 1 year	**976,052**	894,529
Between 1 year to 2 years	**593,358**	349,763
Between 2 years to 3 years	**128,559**	27,903
Over 3 years	**7,652**	19,074
	4,037,521	2,563,406

As at 31 December 2019, no trade receivables (2018: nil) were pledged as collateral for the Group's borrowings.

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**(46,467)**	(45,178)
Provision for receivable impairment	**(8,010)**	(1,289)
At 31 December	**(54,477)**	(46,467)

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments

	As at 31 December					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Entrusted loans to third parties (i)	**189,204**	**459,385**	**648,589**	1,064,219	1,821,995	2,886,214
Entrusted loans to joint ventures (ii)	**1,327,399**	**8,475,766**	**9,803,165**	2,264,638	9,251,451	11,516,089
Entrusted loans to associates (iii)	**725,589**	**706,156**	**1,431,745**	1,012,566	116,689	1,129,255
Entrusted loans to non-controlling interests (iv)	**512,700**	**325,000**	**837,700**	791,000	475,000	1,266,000
Amounts due from third parties (i)	**1,688,936**	**–**	**1,688,936**	2,698,956	–	2,698,956
Amounts due from joint ventures (v)	**18,654,638**	**–**	**18,654,638**	16,598,387	–	16,598,387
Amounts due from associates (v)	**8,901,985**	**–**	**8,901,985**	9,723,159	–	9,723,159
Amounts due from non-controlling interests (v)	**8,202,536**	**–**	**8,202,536**	7,775,365	–	7,775,365
Tax prepayments	**5,446,496**	**403,286**	**5,849,782**	4,271,512	1,616,282	5,887,794
Receivables from government (vi)	**2,516,377**	**–**	**2,516,377**	2,600,818	–	2,600,818
Payment for the cooperation of potential properties development projects (vii)	**3,916,922**	**2,260,317**	**6,177,239**	1,955,893	1,110,000	3,065,893
Receivables from disposal of interest in subsidiaries	**972,977**	**–**	**972,977**	863,472	–	863,472
Other prepayments	**1,709,832**	**–**	**1,709,832**	1,270,393	–	1,270,393
Other receivables	**2,612,934**	**259,253**	**2,872,187**	2,116,072	1,146,056	3,262,128
Less: provision for impairment of other receivables	**(198,433)**	**(47,929)**	**(246,362)**	(68,754)	(16,898)	(85,652)
Other receivables and prepayments	**57,180,092**	**12,841,234**	**70,021,326**	54,937,696	15,520,575	70,458,271

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments (Continued)

(i) Entrusted loans to and amounts due from third parties represent amounts paid to joint ventures and associates' joint ventures and associates in order to support the development of real estate projects. As the Group has no direct equity interests in these companies to which the amounts paid are classified as entrusted loans to and amounts due from third parties.

As at 31 December 2019 and 2018, entrusted loans to third parties comprised:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Unsecured loans	**648,589**	2,173,089
Secured loans	–	713,125
	648,589	2,886,214
Less: Non-current portion	**(459,385)**	(1,821,995)
	189,204	1,064,219

- Unsecured loans bear interest ramping from 3.5% to 15% per annum (2018: from 3.5% to 15%).

Amounts due from third parties are unsecured, interest free, and repayable on demand.

(ii) Entrusted loans to joint ventures are unsecured, interest bearing from 3.38% to 16% per annum (31 December 2018: from 3.38% to 16%). RMB1,327,399,000 (31 December 2018: RMB2,264,638,000) of the balances are repayable within one year. The remaining balances of RMB8,475,766,000 (31 December 2018: RMB9,251,451,000) are repayable after one year and included in the non-current portion.

(iii) Entrusted loans to associates are unsecured, interest bearing from 8% to 15% per annum (31 December 2018: from 6.62% to 15%). RMB725,589,000 (31 December 2018: RMB1,012,566,000) of the balances are repayable within one year. The remaining balances of RMB706,156,000 (31 December 2018: RMB116,689,000) are repayable after one year and included in the non-current portion.

(iv) Entrusted loans to non-controlling interests are unsecured, bearing interest from 8% to 10% per annum (31 December 2018: from 8% to 12%). RMB512,700,000 (31 December 2018: RMB791,000,000) of the balances are repayable within one year. The remaining balances of RMB325,000,000 (31 December 2018: RMB475,000,000) are repayable after one year and included in the non-current portion.

(v) Amounts due from joint ventures, associates and non-controlling interests are unsecured, interest free, and repayable on demand.

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables and prepayments (Continued)

(vi) Receivables from government mainly represent payment made for land development cost, some deposits paid to government to ensure the business activities of properties development, and the amounts paid to government with the intention of possible future cooperation in real estate project development, which will be subsequently reimbursed by the government.

(vii) Amounts mainly represent the payment for cooperation of protential properties development projects. As at 31 December 2019, such cooperation is still in negotiation stage.

RMB4,475,117,000 (2018: RMB1,580,000,000) out of the balance are unsecured, interest bearing from 5% to 11% (2018: from 7% to 11%).The remaining balances of RMB1,702,122,000 (2018: RMB1,485,893,000) are unsecured and interest free.

RMB3,916,922,000 (2018: 1,955,893,000) out of the balance are repayable on demand. The remaining balance of RMB2,260,317,000 (2018: RMB1,110,000,000) will be repayable in 2022 and included in the non-current portion.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables and prepayments are mainly denominated in RMB.

The carrying amounts of trade and other receivables and prepayments approximate their respective fair values as at 31 December 2019 and 2018.

24 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leasehold lands with lease terms between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2019 and 2018, respectively.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Completed properties held for sale comprised:		
Land use rights	**4,225,274**	5,354,222
Construction costs and capitalized expenditure	**10,432,959**	10,873,360
Interest capitalized	**3,694,945**	3,855,716
	18,353,178	20,083,298

24 COMPLETED PROPERTIES HELD FOR SALE (Continued)

Movements on the provision for impairment of completed properties held for sale are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**678,245**	137,135
Addition	**313,912**	565,887
Transfer from properties under development	**170,180**	66,286
Write-off upon sales of completed properties held for sale	**(541,604)**	(91,063)
At end of the year	**620,733**	678,245

As at 31 December 2019, RMB3,010,113,000 completed properties held for sale (2018: RMB5,034,095,000) were pledged as collateral for the Group's borrowings.

25 RESTRICTED BANK DEPOSITS

Restricted bank deposits are mainly denominated in RMB, which are guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balances also include guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements. The effective interest rate on restricted bank deposits ranging from 0.3% to 2.0115% for the year ended 31 December 2019.

26 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and in hand	**30,862,813**	35,363,241
Short-term bank deposits	**191,388**	3,845,240
Cash and cash equivalents	**31,054,201**	39,208,481
Denominated in:		
— RMB	**25,990,454**	33,076,277
— HKD	**294,885**	1,769,956
— USD	**4,736,177**	4,357,305
— Other currencies	**32,685**	4,943
	31,054,201	39,208,481

The Group's cash and cash equivalents denominated are deposited with banks in the Mainland China and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within the PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

27 CAPITAL

	Number of ordinary shares	Share capital	Equivalent share capital	Shares held for Restricted Share Award Scheme	Total
		HKD'000	RMB'000	RMB'000	RMB'000
Opening balance 1 January 2019	**7,615,995,657**	**30,413,141**	**27,328,810**	**–**	**27,328,810**
Issue of shares pursuant to exercise of employee share options	**100,000**	**493**	**422**	**–**	**422**
Vesting of shares under Restricted Share Award Scheme	**–**	**–**	**–**	**–**	**–**
	7,616,095,657	**30,413,634**	**27,329,232**	**–**	**27,329,232**
Restricted Share Award Scheme (a)					
Opening balance 1 January 2019	**(53,101,242)**	**–**	**–**	**(178,317)**	**(178,317)**
Shares purchased during the year	**(306,667)**	**–**	**–**	**(1,030)**	**(1,030)**
Vesting of shares under Restricted Share Award Scheme	**3,607,269**	**–**	**–**	**12,120**	**12,120**
At 31 December 2019	**(49,800,640)**	**–**	**–**	**(167,227)**	**(167,227)**
At 31 December 2019	**7,566,295,017**	**30,413,634**	**27,329,232**	**(167,227)**	**27,162,005**
Opening balance 1 January 2018	7,564,608,657	30,169,687	27,129,614	–	27,129,614
Issue of shares pursuant to exercise of employee share options	51,387,000	240,423	197,298	–	197,298
Vesting of shares under Restricted Share Award Scheme	–	3,031	1,898	–	1,898
	7,615,995,657	30,413,141	27,328,810	–	27,328,810
Restricted Share Award Scheme (a)					
Opening balance 1 January 2018	(46,635,224)	–	–	(140,746)	(140,746)
Shares purchased during the year	(17,847,216)	–	–	(74,017)	(74,017)
Vesting of shares under Restricted Share Award Scheme	11,381,198	–	–	36,446	36,446
At 31 December 2018	(53,101,242)	–	–	(178,317)	(178,317)
At 31 December 2018	7,562,894,415	30,413,141	27,328,810	(178,317)	27,150,493

27 CAPITAL (Continued)

(a) On 22 March 2010, the board of the Company resolved to adopt a Restricted Share Award Scheme, The purpose of the Scheme is to recognise and motivate the contribution of certain employees and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Restricted Share Award Scheme was administered by an independent trustee appointed by the Group, the trustee shall purchase from the market such number of shares awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Restricted Share Award Scheme Rules. When the selected employee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that employee.

Movements in the number of awarded shares for the years ended 31 December 2019 and 2018 are as follows:

	Shares (thousands)
At 1 January 2019	4,580
Vested	(3,607)
Lapsed	(315)
At 31 December 2019	658
At 1 January 2018	16,873
Vested	(11,381)
Lapsed	(912)
At 31 December 2018	4,580

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the year ended 31 December 2019 was RMB nil per share (2018: RMB3.89 per share).

The outstanding awarded shares as of 31 December 2019 were divided into several tranches on an equal basis as at their grant dates. The outstanding awarded shares will be exercised after a specified period ranging from one to three years from the grant date.

28 RETAINED EARNINGS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**22,548,161**	20,745,229
Effects of the adoption of HKFRS 9, net of tax	**–**	199,031
Effects of the adoption of HKFRS 15, net of tax	**–**	57,529
Profit for the year	**2,656,277**	3,573,745
Dividends relating to 2017	**–**	(999,882)
Dividends relating to 2018 (Note 45)	**(489,258)**	(938,280)
Dividends relating to 2019 (Note 45)	**(755,510)**	–
Transfer to statutory reserve fund	**(81,953)**	(89,211)
At 31 December	**23,877,717**	22,548,161

29 RESERVES

	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted Share Award Scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2019	**(763,427)**	**1,443,093**	**(190,039)**	**(1,118,444)**	**167,464**	**10,720**	**(863,215)**	**(1,313,848)**
Fair value losses on financial assets at fair value through other comprehensive income	–	–	–	25,794	–	–	–	25,794
Fair value gains on property, plant and equipment transferred to investment properties	–	–	–	–	–	–	12,329	12,329
Currency translation differences	–	–	(197,189)	–	–	–	–	(197,189)
Expense on share-based payment	–	–	–	–	269,402	3,558	–	272,960
Issue of shares pursuant to exercise of employee share options	–	–	–	–	(76)	–	–	(76)
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–	(12,120)	–	(12,120)
Transfer from retained earnings	–	81,953	–	–	–	–	–	81,953
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	(2,339)	(2,339)
At 31 December 2019	**(763,427)**	**1,525,046**	**(387,228)**	**(1,092,650)**	**436,790**	**2,158**	**(853,225)**	**(1,132,536)**

29 RESERVES (Continued)

	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted Share Award Scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2018	(763,427)	1,353,882	39,774	573,384	142,509	42,339	(620,438)	768,023
Effects of the adoption of HKFRS 9, net of tax	–	–	–	(199,031)	–	–	–	(199,031)
Fair value losses on financial assets at fair value through other comprehensive income	–	–	–	(28,923)	–	–	–	(28,923)
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	(1,463,874)	–	–	–	(1,463,874)
Currency translation differences	–	–	(229,813)	–	–	–	–	(229,813)
Expense on share-based payment	–	–	–	–	64,955	6,725	–	71,680
Expiry of share option	–	–	–	–	(4,620)	–	4,620	–
Issue of shares pursuant to exercise of employee share options	–	–	–	–	(35,380)	–	–	(35,380)
Vesting of shares under Restricted Share Award Scheme	–	–	–	–	–	(38,344)	–	(38,344)
Transfer from retained earnings	–	89,211	–	–	–	–	–	89,211
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	(247,397)	(247,397)
At 31 December 2018	(763,427)	1,443,093	(190,039)	(1,118,444)	167,464	10,720	(863,215)	(1,313,848)

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

30 SHARE OPTIONS

The establishment of the Group's share options schemes was approved on 3 September 2007 and 6 August 2018, respectively by the shareholders. The share option plan is designed to provide long-term incentives for senior managers and above to deliver long-term shareholder returns. Under the schemes, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Share options granted from 2015 to 2017 are granted to several directors and to selected employees, in which 40% of the options are exercisable after 1 year from the grant date; additional 30% of the options are exercisable after 2 years from the grant date, and remaining 30% of the options are exercisable after 3 years from the grant date.

Share options granted from 2018 to 2019 are granted to several directors and to selected employees, in which 50% of the options are exercisable after 1 year from the grant date, and remaining 50% of the options are exercisable after 2 years from the grant date.

The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share	**Shares**
	HKD	(thousands)
At 1 January 2019	4.02	432,738
Granted during the year	3.37	508,529
Lapsed during the year	4.08	(12,833)
Exercised during the year	4.04	(100)
At 31 December 2019	3.66	928,334

Out of the 928,334,000 outstanding options (2018: 432,738,000), 281,275,000 (2018: 183,274,000) were exercisable as at 31 December 2019.

As a result of the options exercised during the year ended 31 December 2019,100,000 ordinary shares (2018: 51,387,000 ordinary shares) were issued by the Company. The weighted average price of the shares at the time these options were exercised was HKD3.53 per share (2018: HKD3.16 per share).

30 SHARE OPTIONS (Continued)

Share options outstanding as at 31 December 2019 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
27 August 2020	4.04	31,515
13 April 2021	3.80	92,790
24 August 2022	4.70	46,100
04 September 2023	3.96	249,400
27 March 2024	3.37	508,529
		928,334

The directors of the Company have used the Binomial Model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the year ended 31 December 2019 was HKD0.7144 per option (2018: HKD0.7863 per option).

The model inputs for options granted during the year ended 31 December 2019 included:

(a) exercise price: HKD3.37 (2018: HKD3.96)

(b) grant date: 27 March 2019 (2018: 4 September 2018)

(c) expiry date: 27 March 2024 (2018: 4 September 2023)

(d) share price at grant date: HKD3.28 (2018: HKD3.96)

(e) expected price volatility of the company's share: 38.26% (2018: 37.99%)

(f) expected dividend yields: 5.00% (2018: 5.63%)

(g) risk-free interest rate: 1.34% (2018: 2.12%)

31 CAPITAL SECURITIES

On 21 September 2017, Sino-Ocean Land Treasure III Limited ("Sino-Ocean Land III"), a wholly owned subsidiary, issued perpetual subordinated guaranteed capital securities ("capital securities"), which are callable, with initial aggregate principal amount of USD600,000,000.

The capital securities have no maturity date, and the payments of distribution of such capital securities can be deferred at the discretion of Sino-Ocean Land III. When Sino-Ocean Land III and the Company elects to declare dividends to their shareholders, Sino-Ocean Land III should make a distribution at an inition rate of 4.9% per annum, as defined in the subscription agreement. Such capital securities are guaranteed by the Company.

32 CAPITAL INSTRUMENT

On 26 June 2019, Sino-Ocean Holding Group (China) Limited ("Sino-Ocean Holding"), a wholly owned subsidiary, issued a capital instrument, which is callable, with an initial aggregate principal quota amount of RMB3,000,000,000, as at 31 December 2019 the amounts raised is RMB981,000,000.

The capital instrument have no maturity date, and the payments of distribution of such capital instrument can be deferred at the discretion of Sino-Ocean Holding. When Sino-Ocean Holding and the Company elect to declare dividends to their shareholders, Sino-Ocean Holding should make a distribution to the holders of the capital instrument at the distribution rate as defined in the subscription agreement.

33 BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current		
Bank borrowings (a)	**20,305,097**	21,900,632
Other borrowings (b)	**54,306,522**	51,249,622
Total non-current borrowings	**74,611,619**	73,150,254
Current		
Current portion of long-term bank borrowings (a)	**1,165,063**	4,317,089
Current portion of long-term other borrowings (b)	**7,378,713**	9,174,679
Short-term bank borrowings (a)	**751,556**	290,000
Short-term other borrowings (b)	**–**	1,643,057
Total current borrowings	**9,295,332**	15,424,825
Total borrowings	**83,906,951**	88,575,079

33 BORROWINGS (Continued)

(a) As at 31 December 2019, bank borrowings amounting to RMB3,541,981,000 were secured by investment properties, properties under development, completed properties held for sale and equity interest in certain subsidiaries of the Group.

As at 31 December 2018, bank borrowings amounting to RMB9,290,840,000 were secured by investment properties, properties under development, completed properties held for sale and equity interest in certain subsidiaries of the Group.

(b) Other borrowings

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Bond issuance (i)	**28,883,861**	26,396,455
Guaranteed notes (ii)	**20,691,260**	21,089,256
Borrowings from trust companies (iii)	**6,737,250**	8,892,400
Asset-backed securitisation (iv)	**5,174,774**	5,689,247
Borrowings from a non-controlling interest(v)	**198,090**	–
	61,685,235	62,067,358
Less: non-current portion	**(54,306,522)**	(51,249,622)
Current portion	**7,378,713**	10,817,736

(i) In 2019, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the company, issued bonds with a total principle amount of RMB118,000,000 with coupon rate of 6.00% per year of a term of two years.

In 2019, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the company, issued bonds in an aggregate amount of RMB2,900,000,000 in two series: (i) RMB1,700,000,000 with coupon rate of 4.06% per year of a term of five years; (ii) RMB1,200,000,000 with coupon rate of 4.59% per year of a term of seven years.

In 2018, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB2,000,000,000 with maturity period of 5 years and annual interest rate of 4.7%.

In 2018, the Company issued Medium-term Notes in an aggregate amount of RMB6,000,000,000 in two series: (i) RMB3,000,000,000 with coupon rate of 5.87% per year of a term of three years; (ii) RMB3,000,000,000 with coupon rate of 5.95% per year of a term of three years.

In 2017, the Company issued the first tranche Medium-term Notes in an aggregate amount of RMB4,000,000,000 in two series: (i) RMB2,000,000,000 with coupon rate of 4.77% per year of a term of three years; (ii) RMB2,000,000,000 with coupon rate of 5.05% per year of a term of five years.

In 2017, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB1,000,000,000 with maturity period of 5 years and annual interest rate of 5.29%.

In 2016, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB4,000,000,000 with maturity period of 5 years and annual interest rate of 3.50%.

33 BORROWINGS (Continued)

(b) Other borrowings

(i) (Continued)

In 2015, Sino-Ocean Holding Group (China) Limited, a wholly owned subsidiary of the Company, issued bonds with a total principal amount of RMB10,000,000,000. The first phase of the bonds is issued in August with an aggregate principal amount of RMB5,000,000,000 in three series: (i) RMB2,000,000,000 with maturity period of 5 years and annual interest rate of 3.78%; (ii) RMB1,500,000,000 with maturity period of 7 years and annual interest rate of 4.15%; (iii) RMB1,500,000,000 with maturity period of 10 years and annual interest rate of 5.00%. The second phase of the bonds is issued in October with an aggregate principal amount of RMB5,000,000,000 in two series: (i) RMB2,000,000,000 with maturity period of 6 years and annual interest rate of 3.85%; (ii) RMB3,000,000,000 with maturity period of 10 years and annual interest rate of 4.76%. The bonds are unsecured.

(ii) In August 2019, Sino-Ocean Land Treasure IV Limited,a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD600,000,000 with a maturity period of 10 years and annual interest rate of 4.75%.

In January 2019, Sino-Ocean Land Treasure IV Limited, a wholly-owned subsidiary, issued a guaranteed note with a total principal amount of USD500,000,000 with a maturity period of 3 years and annual interest rate of 5.25%.

In July 2018, Sino-Ocean Land Treasure IV Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD700,000,000 at interest rate equal to three-month USD London Interbank Offered Rate plus 2.30% due in 2021 (the "2021 Notes"). The Notes are unsecured and are guaranteed by the Company.

In January 2015, Sino-Ocean Land Treasure Finance II Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD500,000,000 at a rate of 5.95% per annum due in 2027 (the "2027 Notes"). The notes are unsecured and guaranteed by the Company.

In July 2014, Sino-Ocean Land Treasure Finance I Limited, a wholly-owned subsidiary, issued a guaranteed note with principal amount of USD700,000,000 at a rate of 6.00% per annum due in 2024 (the "2024 Notes").

(iii) Such loans bear interest rate from 5.00% to 11.00% per annum, and RMB5,536,250,000 of the loan portion (2018: RMB3,480,000,000) repayable after one year are included in non-current portion.

As at 31 December 2019, loans amounting to RMB3,058,250,000 were secured by properties under development and equity interests in a certain subsidiary of the Group.

As at 31 December 2018, loans amounting to RMB80,000,000 were secured by properties under development and equity interests in a certain subsidiary of the Group.

(iv) In October 2018, Sino-Ocean Holding Group (China) Limited entered into asset-backed special agreement with a third-party financing company in the form of asset securitisation. Asset-backed securities are divided into priority level and subprime level with total principal of RMB310,000,000 and RMB100,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended 31 December 2018. As at 31 December 2019, RMB125,000,000 of the principal remained outstanding.

In September 2018, Sino-Ocean Holding Group (China) Limited entered into asset-backed special agreement with a third-party financing company in the form of asset securitisation. Asset-backed securities are divided into priority level and subprime level with total principal of RMB2,710,000,000 and RMB143,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended 31 December 2018. The priority level securities were guaranteed by Sino-Ocean Holding Group (China) Limited, and secured by property,plant and equipment, land use rights and investment properties of the Group. As at 31 December 2019, RMB2,625,791,000 of the principal remained outstanding.

In April 2018, Ocean Homeplus Property Service Corporation Limited , a wholly-owned subsidiary of the Company, entered into asset-backed special agreement with a third-party financing company in the form of asset securitisation. Asset-backed securities are divided into priority level and subprime level with total principal of RMB3,000,000,000 and RMB158,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended 31 December 2018. The priority level securities were guaranteed by Sino-Ocean Holding Group (China) Limited. As at 31 December 2019, RMB2,423,983,000 of the principal remained outstanding.

(v) Such Loan bears interest rate 7.13% per annum, and RMB198,090,000 repayable after one year are included in non-current partion.

33 BORROWINGS (Continued)

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December	
	2019	2018
	Bank and other borrowings	Bank and other borrowings
	RMB'000	RMB'000
Total borrowings		
— Within 1 year	**9,295,332**	15,424,825
— Between 1 and 2 years	**29,765,995**	12,637,458
— Between 2 and 5 years	**29,579,976**	46,230,681
— Over 5 years	**15,265,648**	14,282,115
	83,906,951	88,575,079

(d) The Group's borrowings denominated in RMB, HKD and USD respectively are set out as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in:		
— RMB	**45,589,835**	54,765,202
— HKD	**13,943,021**	8,967,212
— USD	**24,374,095**	24,842,665
	83,906,951	88,575,079

33 BORROWINGS (Continued)

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Bank borrowings	**4.83%**	4.92%
Other borrowings	**5.78%**	5.55%

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 6 months	**22,677,592**	20,220,569
Between 6 and 12 months	**3,032,750**	8,041,900
Between 1 and 5 years	**58,196,609**	60,312,610
	83,906,951	88,575,079

(g) The fair value of non-current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.83% (2018: 4.92%) and are within Level 2 of the fair value hierarchy.

34 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**987,241**	894,193
— to be recovered within 12 months	**452,257**	251,281
	1,439,498	1,145,474
Deferred income tax liabilities:		
— to be recovered after more than 12 months	**(2,459,865)**	(2,235,274)
— to be recovered within 12 months	**(487,004)**	(445,615)
	(2,946,869)	(2,680,889)
Deferred income tax liabilities, net	**(1,507,371)**	(1,535,415)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**1,535,415**	2,270,654
Effects of the adoption of HKFRS 15	**–**	30,669
Recognized in the income statement (Note 43)	**(547,271)**	106,855
Charged/(credited) to other comprehensive income	**8,179**	(5,715)
Acquisition of subsidiaries	**653,145**	170,688
Disposal of interests in subsidiaries	**(142,097)**	(1,037,736)
At end of the year	**1,507,371**	1,535,415

34 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Recognition of expenses RMB'000	Unrealized gains RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	**1,178,730**	**–**	**108,972**	**3,003**	**1,290,705**
Credited to income statement	**238,988**	**77,348**	**49,621**	**–**	**365,957**
Disposal of interests in subsidiaries	**(118,029)**	**–**	**(2,625)**	**–**	**(120,654)**
At 31 December 2019	**1,299,689**	**77,348**	**155,968**	**3,003**	**1,536,008**
At 1 January 2018	790,690	64,060	276,159	–	1,130,909
Credited/(charged) to income statement	425,292	(64,060)	(167,187)	–	194,045
Acquisition of a subsidiary	–	–	–	3,003	3,003
Disposal of interests in subsidiaries	(37,252)	–	–	–	(37,252)
At 31 December 2018	1,178,730	–	108,972	3,003	1,290,705

34 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Depreciation difference	Investment properties revaluation	Property revaluation	Unrealized gain	Recognition of revenue over the period	Withholding taxes	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	**(55,037)**	**(1,749,643)**	**(483,156)**	**(55,860)**	**(186,396)**	**(237,887)**	**(58,141)**	**(2,826,120)**
(Charged)/credited to income statement	**–**	**(89,458)**	**200,298**	**55,860**	**18,601**	**–**	**(3,987)**	**181,314**
Acquisition of subsidiaries	**–**	**–**	**(653,145)**	**–**	**–**	**–**	**–**	**(653,145)**
Disposal of interests in subsidiaries	**–**	**155,574**	**107,177**	**–**	**–**	**–**	**–**	**262,751**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(8,179)**	**(8,179)**
At 31 December 2019	**(55,037)**	**(1,683,527)**	**(828,826)**	**–**	**(167,795)**	**(237,887)**	**(70,307)**	**(3,043,379)**
At 1 January 2018	(55,037)	(2,339,936)	(711,062)	–	–	(237,887)	(57,641)	(3,401,563)
Effects of the adoption of HKFRS 15	–	–	–	–	(30,669)	–	–	(30,669)
(Charged)/credited to income statement	–	(484,695)	401,597	(55,860)	(155,727)	–	(6,215)	(300,900)
Acquisition of subsidiaries	–	–	(173,691)	–	–	–	–	(173,691)
Disposal of interests in subsidiaries	–	1,074,988	–	–	–	–	–	1,074,988
Credited to other comprehensive income	–	–	–	–	–	–	5,715	5,715
At 31 December 2018	(55,037)	(1,749,643)	(483,156)	(55,860)	(186,396)	(237,887)	(58,141)	(2,826,120)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred income tax assets of RMB960,522,000 (2018: RMB665,972,000) in respect of losses amounting to RMB3,842,088,000 (2018: RMB2,663,888,000) that can be carried forward against future taxable income.

At 31 December 2019, the Group recognized deferred tax liabilities of approximately RMB237,887,000 (2018: RMB237,887,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining available unremitted earnings of the Group's subsidiaries will be distributed in the foreseeable future according to the distribution and reinvestment plans of the Group. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately RMB4,662,671,000 at 31 December 2019 (2018: RMB5,508,584,000).

35 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	**17,789,750**	18,290,208
Accrued expenses	**3,308,010**	3,135,060
Amounts due to joint ventures (i)	**8,791,353**	9,388,039
Amounts due to associates (i)	**3,179,119**	4,274,001
Amounts due to non-controlling interests (i)	**8,247,547**	7,422,527
Amounts due to government	**77,627**	72,114
Other taxes payable	**3,787,197**	1,733,417
Deposits received	**1,966,134**	5,160,682
Other payables	**7,882,587**	9,889,553
	55,029,324	59,365,601
Less: non-current portion	**(18,581)**	(167,531)
Current portion	**55,010,743**	59,198,070

The carrying amounts of trade payables and other payables approximate their fair values.

(i) Amounts due to joint ventures, associates and non-controlling interests are unsecured, interest free, and repayable on demand.

(ii) An ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 6 months	**7,067,779**	8,481,970
Between 6 months to 12 months	**3,652,058**	4,684,871
Between 1 year to 2 years	**4,711,607**	3,783,846
Between 2 years to 3 years	**1,819,411**	709,919
Over 3 years	**538,895**	629,602
	17,789,750	18,290,208

36 CONTRACT LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Advances receipts directly coming from customers	**25,458,320**	26,723,236
Others	**–**	66,501
	25,458,320	26,789,737

37 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Derivatives-held for trading		
Forward foreign exchange contracts	**51,104**	146,939
	51,104	146,939

The notional principal amount of forward foreign exchange contracts at 31 December 2019 was RMB7,366,867,000 (2018: RMB10,198,715,000), these contracts will mature during the year from 2020 to 2023.

38 INTEREST AND OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income:		
— Interest income from bank deposits	**230,391**	150,030
— Interest income from entrusted loans	**2,203,619**	2,039,453
Dividend income	**232,314**	300,082
Others	**104,614**	53,119
	2,770,938	2,542,684

39 OTHER GAINS — NET

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gains on disposal of interests in subsidiaries	**716,413**	2,097,238
Gains on revaluation of financial assets and financial liabilities at fair value through profit or loss	**228,937**	269,543
Gains on disposal of joint ventures and associates	**108,018**	57
Gains on deemed disposal of joint ventures and associates	**107,513**	265,701
Gains/(losses) on disposal of financial assets at fair value through profit or loss	**32,379**	(9,975)
Exchange losses	**(408,843)**	(576,232)
Payment for the settlement of contracted obligations	**(79,903)**	(730,000)
(Losses)/gains on disposal of property, plant and equipment	**(4,821)**	4,921
Gains on disposal of investment properties	**865**	8,147
Negative goodwill on business combinations	**798**	2,636
Other (losses)/gains	**(2,836)**	7,924
	698,520	1,339,960

40 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	**14,347,125**	12,102,063
— Capitalized interest	**4,992,252**	4,591,681
— Construction related cost	**14,805,832**	12,115,758
Cost of up fitting services rendered	**3,674,757**	1,754,801
Direct investment property expenses (Note 13)	**128,030**	205,632
Employee benefit expense (Note 41)	**1,829,689**	1,426,520
Consultancy fee	**435,839**	381,329
Auditor's remuneration	**11,650**	11,600
— Audit services	**8,850**	8,800
— Non-audit services	**2,800**	2,800
Depreciation (Note 8)	**96,380**	76,665
Depreciation of right-of-use assets (Note 9)	**153,292**	–
Amortization of land use rights and intangible asset (Note 10, Note 11)	**16,856**	19,275
Advertising and marketing	**1,007,917**	990,452
Business taxes and other levies	**370,757**	405,036
Impairment charges	**601,695**	781,869
Derecognition of goodwill (Note 12)	**29,428**	154,510
Office expenditure	**179,158**	175,259
Properties maintenance expenses	**1,000,995**	702,020
Energy expenses	**160,328**	145,659
Others	**51,884**	31,232
	43,893,864	36,071,361

41 EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, wages and bonuses	**2,139,954**	2,000,065
Retirement benefits contribution	**198,434**	198,041
Share options granted to directors and employees (Note 29)	**269,402**	64,955
Restricted Share Award Scheme (Note 29)	**3,558**	6,725
Other allowances and benefits	**432,324**	295,267
	3,043,672	2,565,053
Less: capitalized in properties under development	**(1,213,983)**	(1,138,533)
	1,829,689	1,426,520

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2019 and 2018.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD30,000).

41 EMPLOYEE BENEFITS EXPENSE (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2018: two) directors whose emoluments are reflected in the analysis shown in Note 54. The emoluments payable to the remaining two (2018: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Basic salaries and allowance	**4,300**	5,100
Bonuses	**1,920**	900
Retirement scheme contributions	**253**	376
Share-based payments	**3,255**	13,647
	9,728	20,023

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
RMB4,432,000 (equivalent to HK$5,000,000) to RMB5,319,000 (equivalent to HK$6,000,000)	**2**	–
RMB5,319,000 (equivalent to HK$6,000,000) to RMB6,205,000 (equivalent to HK$7,000,000)	**–**	–
RMB6,205,000 (equivalent to HK$7,000,000) to RMB7,092,000 (equivalent to HK$8,000,000)	**–**	2
RMB7,092,000 (equivalent to HK$8,000,000) to RMB7,978,000 (equivalent to HK$9,000,000)	**–**	1
	2	3

(b) During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

42 FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest expense:		
— Bank borrowings	**1,346,499**	1,081,121
— Other borrowings	**3,817,131**	3,128,758
— Lease Liabilities	**72,222**	–
Less: interest capitalized at a capitalization rate of 5.50% (2018: 5.38%) per annum	**(2,842,138)**	(2,435,119)
	2,393,714	1,774,760

43 INCOME TAX EXPENSE

Majority of the Group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these Group entities for the years ended 31 December 2019 and 2018. Other Group entities are mainly subject to Hong Kong profits tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**3,082,775**	2,952,542
— PRC land appreciation tax	**3,714,711**	3,250,003
Deferred income tax (Note 34)	**(547,271)**	106,855
	6,250,215	6,309,400

43 INCOME TAX EXPENSE (Continued)

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**10,416,482**	10,975,221
Adjust for: Share of results of joint ventures	**(1,519,370)**	(1,103,464)
Share of results of associates	**(415,361)**	(52,065)
	8,481,751	9,819,692
Tax calculated at a tax rate of 25%	**2,120,438**	2,454,923
Effect of higher tax rate for the appreciation of land in the PRC	**2,786,033**	2,437,502
Income not subject to tax	**(30,315)**	(87,306)
Expenses not deductible for tax purposes	**1,029,447**	776,387
Tax losses not recognized	**429,910**	436,808
Utilization of previously unrecognized tax losses and expenses	**(212,075)**	(184,049)
Reversal of previously recognized deferred income tax assets	**54,034**	103,757
Deductible temporary differences not recognized	**22,843**	195,188
Dividend withholding tax	**49,900**	–
Effect of tax adjustment due to disposal of interest in a subsidiary	**–**	176,190
Income tax expense	**6,250,215**	6,309,400

44 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as share held for Restricted Share Award Scheme (Note 27).

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**2,656,277**	3,573,745
Profit used to determine basic earnings per share (RMB'000)	**2,656,277**	3,573,745
Weighted average number of ordinary shares in issue (thousands)	**7,616,063**	7,553,266
Basic earnings per share (RMB per share)	**0.349**	0.473

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to, assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held for the Restricted Share Award Scheme. For the share options and shares held for the Restricted Share Award Scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options and awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awarded shares.

44 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**2,656,277**	3,573,745
Profit used to determine diluted earnings per share (RMB'000)	**2,656,277**	3,573,745
Weighted average number of ordinary shares in issue (thousands)	**7,616,063**	7,553,266
Adjustment for:		
— share options (thousands)	**–**	38,454
— shares held for the Restricted Share Award scheme (thousands)	**–**	4,629
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**7,616,063**	7,596,349
Diluted earnings per share (RMB per share)	**0.349**	0.470

45 DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interim dividend paid	**755,510**	938,280
Proposed final dividend of RMB0.024 (2018: RMB0.062) per ordinary share (a)	**181,298**	474,979

(a) On 24 March 2020, the Company proposed a final dividend of RMB181,298,000 for the year ended 31 December 2019.

46 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**4,166,267**	4,665,821
Adjustments for:		
— Income tax expense (Note 43)	**6,250,215**	6,309,400
— Depreciation (Note 8)	**96,380**	76,665
— Amortization of land use rights (Note 10)	**5,056**	3,417
— Amortization of intangible assets (Note 11)	**11,800**	15,858
— Amortization of Right-of-use Assets (Note 9)	**153,292**	–
— Valuation gains on investment properties (Note 13)	**(373,381)**	(2,361,070)
— Share of results of joint ventures (Note 15)	**(1,389,216)**	(1,030,107)
— Share of results of associates (Note 16)	**(335,257)**	44,880
— Gains on disposal of joint ventures and associate (Note 39)	**(108,018)**	(57)
— Gains on deemed disposal of joint ventures and an associate (Note 39)	**(107,513)**	(265,701)
— Dividend income (Note 38)	**(232,314)**	(300,082)
— Interest income	**(2,390,318)**	(2,188,857)
— Gains on disposal of interests in subsidiaries (Note 39)	**(716,413)**	(2,097,238)
— Gains on disposal of financial assets at fair value through profit or loss	**(32,379)**	(3,377)
— Losses/(gains) on sale of property, plant and equipment (Note 39)	**4,821**	(4,921)
— Fair value gains on financial assets and financial liabilities at fair value through profit or loss (Note 39)	**(228,937)**	(269,543)
— Impairment charges (Note 40)	**601,695**	781,869
— Derecognition of goodwill (Note 12)	**29,428**	154,510
— Finance costs (Note 42)	**2,393,714**	1,774,760
— Gains on acquisition of a subsidiary (Note 39)	**(798)**	(2,636)
— Gains on disposal of an investment property (Note 39)	**(865)**	(8,147)
— Exchange gains	**(408,843)**	(290,263)
— Share-based payments (Note 29)	**272,960**	71,680
	7,661,376	5,076,861

46 CASH FLOW INFORMATION (Continued)

(a) Cash generated from operations (Continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	**(201,886)**	(2,851,035)
— Inventories, at cost	**(367,079)**	70,073
— Contract assets	**(314,411)**	(1,764,263)
— Trade and other receivables and prepayments	**(7,878,647)**	(10,122,644)
— Land development cost recoverable	**(114,659)**	(304,720)
— Prepayments for land use rights	**(486,396)**	5,377,414
— Trade and other payables	**657,874**	16,726,110
— Financial assets at fair value through profit or loss	**(83,800)**	23,234
— Contract liabilities	**(4,245,382)**	3,297,544
— Properties under development	**10,315,826**	(7,490,906)
— Restricted bank deposits	**851,193**	(565,345)
Cash generated from operations	**5,794,009**	7,472,323

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net book amount (Note 8)	**27,075**	9,097
(Losses)/gains on disposal of property, plant and equipment (Note 39)	**(4,821)**	4,921
Proceeds from disposal of property, plant and equipment	**22,254**	14,018

46 CASH FLOW INFORMATION (Continued)

(c) The reconciliation of liabilities from financing activities

This section sets out an analysis of liabilities from financing activities and the movements in liabilities from financing activities for each of the periods presented.

	2019 **RMB'000**	2018 RMB'000
Borrowings-repayable within one year (Note 33)	**(9,295,332)**	(15,424,825)
Borrowings-repayable after one year (Note 33)	**(74,611,619)**	(73,150,254)
Net debt	**(83,906,951)**	(88,575,079)
Gross debt -fixed interest rates	**(58,196,609)**	(60,652,610)
Gross debt -variable interest rates	**(25,710,342)**	(27,922,469)
Net debt	**(83,906,951)**	(88,575,079)

	Liabilities from financing activities		
	Borrowing due within 1 year RMB'000	**Borrowing due after 1 year** RMB'000	**Total** RMB'000
Net debt at 31 December 2018	(15,424,825)	(73,150,254)	(88,575,079)
Cash flows	18,698,166	(12,248,204)	6,449,962
Increase due to business combination	(1,056,150)	(4,468,057)	(5,524,207)
Decrease due to disposal of interests in subsidiaries	–	4,497,827	4,497,827
Foreign exchange adjustments	(84,369)	(587,134)	(671,503)
Other non-cash movements	(11,428,154)	11,344,203	(83,951)
Net debt at 31 December 2019	(9,295,332)	(74,611,619)	(83,906,951)

Other non-cash movement is mainly the reclassification of long-term borrowing and borrowing within 1 year and the amortization of issuing cost of bond and guaranteed notes.

47 FINANCIAL GUARANTEES

(a) The Group had the following financial guarantees as 31 December 2019 and 2018:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**9,595,026**	8,158,848

As at 31 December 2019 and 2018, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) As at 31 December 2019, the Group provided joint-liability guarantees in respect of borrowings granted by certain financial institutions to joint ventures and associates amounting to RMB1,059,420,000 (2018: RMB1,708,143,000). Properties under development owned by these joint ventures and associates are the primary collateral of such borrowings.

48 COMMITMENTS

(a) Capital commitments

Capital commitments in respect of development costs attributable to properties under development and land use rights at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development	**7,842,456**	5,906,409
Commitment of Investment	**591,566**	717,286
Contracted but not provided for	**8,434,022**	6,623,695

48 COMMITMENTS (Continued)

(b) Operating lease rental receivables

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**325,455**	379,117
Between 1 to 5 years	**540,192**	473,727
Over 5 years	**261,565**	678,479
	1,127,212	1,531,323

49 DISPOSAL OF INTERESTS IN SUBSIDIARIES

During the year,the significant disposal of interests in subsidiaries of the Group are presented as below:

(a) Disposal of Fortune Joy

In February 2019, Fortune Joy Ventures Limited ("Fortune Joy"), a wholly-owned subsidiary of the Group, had agreed to allot and issue a total of 5,100 subscription shares at the aggregate subscription price of USD295,800,000 to Charm Reliance International Limited, Delight Finance International Limited and Leading Bright Investment Limited (together, "the Investors"). The subscription shares represent 51% of the total number of issued shares of Fortune Joy. Upon completion of the subscription, Fortune Joy ceased to be a wholly-owned subsidiary of the Group and became a non wholly-owned subsidiary of the Group, and its financial statement continued to be consolidated into the consolidated financial statement of the Group.

In June 2019, the Investor and the Group agreed to amend the articles of the association of Fortune Joy. Upon completion of the change, the Group lost control over Fortune Joy as it has no power to govern the financial and operating policies of Fortune Joy, which became an associate of the Group.

The effect of disposal of interests in the subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 30 June 2019
	RMB'000
Fair value of the Group's remaining interests	**2,001,590**
Capital instrument investment in Fortune Joy measured as financial assets at fair value through other comprehensive income	**2,000,000**
Carrying value of the Fortune Joy's net assets disposed — shown as below	**(3,710,430)**
Gains on disposal of interests in Fortune Joy that resulted in loss of control	**291,160**

49 DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(a) Disposal of Fortune Joy (Continued)

The assets and liabilities disposed of are as follows:

	As at 30 June 2019 RMB'000
Cash and cash equivalents	305,863
Property, plant and equipment	998,814
Land use rights	183,308
Intangible assets	412,009
Goodwill	324,463
Investment properties	373,674
Investments in joint ventures	2,870,370
Investments in associates	2,777,569
Deferred income tax assets	4,664
Prepayments for land use rights	78,443
Properties under development	285,189
Inventories, at cost	2,515
Financial assets at fair value through profit or loss	1,118,005
Trade and other receivables and prepayments	6,819,932
Borrowings	(3,598,852)
Trade and other payables	(4,612,822)
Income tax payables	(60,152)
Contract liabilities	(10,679)
Deferred income tax liabilities	(104,313)
Non-controlling interests	(4,457,570)
Net assets disposed	3,710,430
Outflow of cash to dispose the subsidiary, net of cash disposed	
Proceeds received in cash	–
Cash and cash equivalents in the subsidiary disposed of	(305,863)
Net cash outflow on disposal	(305,863)

49 DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(b) Disposal of Beijing Bangshe

In May 2019, the Group entered into an agreement with Beijing Xuda Real Estate Co., Ltd ("Beijing Xuda") to dispose of 100% equity interests in Beijing Bangshe Apartment Management Co., Ltd. ("Beijing Bangshe"), a subsidiary of the Group, at a consideration of RMB1 for the equity interest of Beijing Bangshe, and furthermore Beijing Xuda paid the debt, amounting to RMB320,875,000, owing to the Group on behalf of Beijing Bangshe.

The effect of disposal of interests in the subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 May 2019 RMB'000
Proceeds received in cash on disposal of interests in the subsidiary	–
Carrying value of the Beijing Bangshe's net liabilities disposed — shown as below	**131,126**
Gains on disposal of interest in Beijing Bangshe that resulted in loss of control	**131,126**

	As at 31 May 2019 RMB'000
Cash and cash equivalents	**1,905**
Property, plant and equipment	**156**
Right-of-use Assets	**1,054,241**
Trade and other receivables and prepayments	**452,945**
Trade and other payables	**(521,828)**
Borrowings	**(75,550)**
Lease liabilities	**(1,035,614)**
Income tax payables	**(77)**
Contract liabilities	**(7,304)**
Net liabilities disposed	**(131,126)**
Outflow of cash to dispose the subsidiaries, net of cash disposed	
Proceeds received in cash	–
Cash and cash equivalents in the subsidiaries disposed of	**(1,905)**
Net cash outflow on disposal	**(1,905)**

49 DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(c) Disposal of Beijing Chunxuanmao

In May 2019, the Group entered into an agreement with Beijing Xuda to dispose of 30% equity interests in Beijing Chunxuanmao Investment Management Co., Ltd ("Beijing Chunxuanmao"), at a consideration of RMB9,000,000 for the equity interest of Beijing Chunxuanmao, and furthermore Beijing Xuda paid the debt, amounting to RMB248,862,000, owing to the Group on behalf of Beijing Chunxuanmao. Upon completion of the disposal, the Group lost control over Beijing Chunxuanmao as it has no power to govern the financial and operating policies of Beijing Chunxuanmao, which became a joint venture of the Group.

The effect of disposal of interests in the subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 May 2019 **RMB'000**
Proceeds received in cash on disposal of interests in the subsidiary	**9,000**
Fair value of the Group's remaining interests	–
Carrying value of the Beijing Chunxuanmao's net liabilities disposed — shown as below	**168,778**
Gains on disposal of interest in Beijing Chunxuanmao that resulted in loss of control	**177,778**

	As at 31 May 2019 **RMB'000**
Cash and cash equivalents	**8,829**
Property, plant and equipment	**14,609**
Completed properties held for sale	**697**
Right-of-use Assets	**1,563,795**
Trade and other receivables and prepayments	**797,193**
Trade and other payables	**(896,848)**
Borrowings	**(54,803)**
Lease liabilities	**(1,593,968)**
Contract liabilities	**(8,281)**
Net liabilities disposed	**(168,777)**
Inflow of cash to dispose the subsidiaries, net of cash disposed	
Proceeds received in cash	**9,000**
Cash and cash equivalents in the subsidiaries disposed of	**(8,829)**
Net cash inflow on disposal	**171**

49 DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(d) Disposal of Qinghuangdao Yuanhao

In March 2019, the Group entered into an agreement with Beijing Haoshun Life Technology Group Co., Ltd. , to dispose of 100% equity interests in Qinhuangdao Yuanhao Real Estate Development Co., Ltd. ("Qinhuangdao Yuanhao"), at a consideration of RMB89,037,000.

The effect of disposal of interest in the subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 March 2019 **RMB'000**
Proceeds received on disposal of interest in the subsidiary	**89,037**
Carrying value of the Qinhuangdao Yuanhao's net liabilities disposed — shown as below	**475**
Gains on disposal of interest in Qinhuangdao Yuanhao that resulted in loss of control	**89,512**

	As at 31 March 2019 **RMB'000**
Cash and cash equivalents	**51,246**
Properties under development	**630,492**
Trade and other receivables and prepayments	**5,455**
Trade and other payables	**(129,198)**
Borrowings	**(558,470)**
Net liabilities disposed	**(475)**
Inflow of cash to dispose the subsidiaries, net of cash disposed	
Proceeds received in cash	**89,037**
Cash and cash equivalents in the subsidiaries disposed of	**(51,246)**
Net cash inflow on disposal	**37,791**

49 DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(e) Disposal of Sky Charter and Moral Wealth

In December 2019, Sky Charter Development Limited (“Sky Charter”) and Moral Wealth International Limited (“Moral Wealth”), wholly-owned subsidiaries of the Group, had agreed to allot and issue a total of 2,000,000 ordinary shares and 4 ordinary shares at the aggregate consideration of RMB60,000,000 and RMB140,000,000 respectively, to Xinying Investment Holdings Limited (“Xinying Investment”) (the Subscription), after the Subscription the Group owned 60% equity stakes in Sky Charter and Moral Wealth, which became a joint venture of the Group as the Group lost control over these two companies.

The effect of disposal of interest in the subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2019 **RMB’000**
Fair value of the Group’s remaining interests after the subscription	**170,541**
Carrying value of Sky Charter and Moral Wealth’s net assets disposed — shown as below	**(171,608)**
Losses on disposal of interests in Sky Charter and Moral Wealth that resulted in loss of control	**(1,067)**

49 DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(e) Disposal of Sky Charter and Moral Wealth (Continued)

The assets and liabilities disposed of are as follows:

	As at 31 December 2019 RMB'000
Cash and cash equivalents	**195,572**
Property, plant and equipment	**1,021,906**
Land use rights	**339,694**
Investment properties	**3,008,000**
Completed properties held for sale	**638,216**
Trade and other receivables and prepayments	**4,893,504**
Deferred income tax assets	**68,494**
Right-of-use Assets	**9,037**
Lease liabilities	**(8,979)**
Deferred tax liabilities	**(190,766)**
Trade and other payables	**(5,359,192)**
Borrowings	**(4,026,888)**
Income tax payables	**(411,076)**
Contract liabilities	**(5,914)**
Net assets disposed	**171,608**
Outflow of cash to dispose the subsidiaries, net of cash disposed	
Proceeds received in cash	–
Cash and cash equivalents in the subsidiaries disposed of	**(195,572)**
Net cash outflow on disposal	**(195,572)**

(f) Disposal of Tianjin Ruihong

In December 2019, the Group entered into an agreement with Zhonglian Qianyuan Real Estate Fund Management Co., Ltd ("Zhonglian Qianyuan"), to dispose of 100% equity interests in Tianjin Ruihong Enterprise Management Co., Ltd. ("Tianjin Ruihong"), at a consideration of RMB16,456,000 for the equity interest of Tianjin Ruihong, and furthermore Zhonglian Qianyuan paid the debt, amounting to RMB715,544,000, owing to the Group on behalf of Tianjin Ruihong.

49 DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

(f) Disposal of Tianjin Ruihong (Continued)

The effect of disposal of interests in the subsidiary on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 24 December 2019 RMB'000
Proceeds received in cash on disposal of interests in the subsidiary	**16,456**
Carrying value of the Tianjin Ruihong's net assets disposed — shown as below	**(3,386)**
Gains on disposal of interest in Tianjin Ruihong that resulted in loss of control	**13,070**

	As at 24 December 2019 RMB'000
Cash and cash equivalents	**3,672**
Property, plant and equipment	**6**
Investment properties	**718,858**
Trade and other receivables and prepayments	**2,526**
Trade and other payables	**(716,990)**
Income tax payables	**(265)**
Contract liabilities	**(4,421)**
Net assets disposed	**3,386**
Inflow of cash to dispose the subsidiaries, net of cash disposed	
Proceeds received in cash	**16,456**
Cash and cash equivalents in the subsidiaries disposed of	**(3,672)**
Net cash inflow on disposal	**12,784**

50 BUSINESS COMBINATIONS (Continued)

During the year, the significant business combinations of the Group are presented as below:

(a) Acquisition of Shanghai Lanhai

The Group owns 41% equity stakes in Shanghai Lanhai Real Estate Development Co., Ltd and its subsidiaries (together, "Shanghai Lanhai"),which was accounted by way of equity method.

In September 2019, in order to optimize the performance of the real estate projects developed by Shanghai Lanhai, the Group obtained the controlling stake in Shanghai Lanhai. As a result of the change, Shanghai Lanhai became a subsidiary of the Group as the Group has power to decide Shanghai Lanhai's operation and finance.

The following table summarises the consideration paid for Shanghai Lanhai, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 1 September 2019 RMB'000
Consideration:	
— Book value of equity Interest in Shanghai Lanhai held before business combination	**1,396,106**
— Deemed disposal gains of equity interest	**20,036**
Identifiable net assets acquired	**(1,416,142)**
Goodwill	**–**
Recognized amounts of identifiable assets acquired and liabilities acquired	**RMB'000**
Cash and cash equivalents	**361,388**
Property, plant and equipment	**1,127**
Properties under development	**5,352,453**
Completed properties held for sale	**380,077**
Trade and other receivables and prepayments	**238,160**
Trade and other payables	**(925,583)**
Borrowings	**(2,232,008)**
Contract liabilities	**(1,273,545)**
Deferred income tax liabilities	**(87,719)**
Non-controlling interests	**(398,208)**
Total identifiable net assets	**1,416,142**

The revenue included in the consolidated income statement since 1 September 2019 contributed by Shanghai Lanhai was RMB1,154,991,000. Shanghai Lanhai also contributed profit of RMB240,462,000 over the same period.

Had Shanghai Lanhai been consolidated from 1 January 2019, the consolidated income statement would show pro-forma revenue of RMB50,926,750,000 and profit of RMB4,133,595,000.

50 BUSINESS COMBINATIONS (Continued)

(b) Acquisition of Qinhuangdao Seatopia Resort Project

In May 2019, the Group acquired 100% of the equity interests of Beijing Yingli Enterprise Consulting Management Co., Ltd., and its subsidiaries (together, "Qinhuangdao Seatopia Resort Project"), at a consideration of RMB2,458,126,000. As a result of the acquisition, Qinhuangdao Seatopia Resort Project became a subsidiary of the Group .

The following table summarises the consideration paid for Qinhuangdao Seatopia Resort Project, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 31 May 2019 **RMB'000**
Consideration:	
— Consideration transferred	**2,458,126**
Identifiable net assets acquired	**(2,458,924)**
Excess of consideration paid recognized in profit or loss as other gains	**(798)**
Recognized amounts of identifiable assets acquired and liabilities acquired	**RMB'000**
Cash and cash equivalents	**751,949**
Property, plant and equipment	**3,867**
Properties under development	**5,852,128**
Trade and other receivables and prepayments	**3,346,679**
Trade and other payables	**(2,503,519)**
Borrowings	**(2,709,730)**
Income tax payables	**(53,576)**
Contract liabilities	**(1,672,598)**
Deferred income tax liabilities	**(556,276)**
Total identifiable net assets	**2,458,924**

The revenue included in the consolidated income statement since 31 May 2019 contributed by Qinhuangdao Seatopia Resort Project was RMB784,912,000. Qinhuangdao Seatopia Resort Project also contributed Profit of RMB178,508,000 over the same period.

Had Qinhuangdao Seatopia Resort Project been consolidated from 1 January 2019, the consolidated income statement would show pro-forma revenue of RMB51,027,105,000 and profit of RMB4,074,235,000.

51 TRANSACTIONS WITH NON-CONTROLLING INTERESTS WITHOUT CHANGE OF CONTROL

During the year ended 31 December 2019, the Group acquired certain equity interests of certain subsidiaries amounting to RMB58,485,000 from non-controlling shareholders, the difference between consideration paid and the carrying amount of equity interest acquired amounting to RMB2,339,000 was recognized as a decrease in reserves.

52 RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere, the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2019 and 2018:

(a) Provision of services to:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
— A shareholder	**4,639**	4,268
— Joint ventures	**3,270,886**	442,603
— Associates	**833,095**	117,355
	4,108,620	564,226

Provision of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreement.

52 RELATED PARTY TRANSACTIONS (Continued)

(b) Transaction with joint ventures:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gains on disposal of interests in subsidiaries to joint ventures	–	2,165,245

(c) Key management compensation:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**40,325**	45,524
Post-employment benefits	**3,469**	5,127
Other long-term welfare	**1,126**	1,125
Share-based payments	**45,745**	39,638
	90,665	91,414

52 RELATED PARTY TRANSACTIONS (Continued)

(d) Year-end balances arising from sales and purchases of properties and services and disposal of interests in subsidiaries:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Receivables from related parties:		
— A shareholder	**35,771**	34,032
— Joint ventures	**2,023,274**	733,492
— Associates	**258,967**	162,616
	2,318,012	930,140
Other receivables from related parties:		
— A joint venture	**–**	863,472
Advance from related parties:		
— Joint ventures	**–**	–
— Associates	**–**	2,000
	–	2,000
Trade payables due to related parties:		
— A joint venture	**37,836**	40,349
— An associate	**4,252**	645
	42,088	40,994

(e) Interest income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest received:		
— Joint ventures	**1,190,595**	1,260,161
— Associates	**323,018**	246,867
	1,513,613	1,507,028

52 RELATED PARTY TRANSACTIONS (Continued)

(f) Loans to related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**11,516,089**	5,053,855
Loans advanced during year	**17,501,000**	16,034,558
Loans repayments received	**(19,528,323)**	(9,572,324)
Increase due to disposal of interests in subsidiaries	**778,049**	–
Decrease due to disposal of interest in subsidiaries	**(463,650)**	–
Interest charged	**(1,190,595)**	(1,260,161)
Interest received	**1,190,595**	1,260,161
At 31 December (Note 23(b)(ii))	**9,803,165**	11,516,089
Associates:		
At 1 January	**1,129,255**	580,306
Loans advanced during year	**1,814,210**	831,639
Loans repayments received	**(811,450)**	(282,690)
Decrease due to deemed disposal of associates	**(402,895)**	–
Increase due to disposal of interests in subsidiaries	**376,015**	–
Decrease due to disposal of interest in subsidiaries	**(673,390)**	–
Interest charged	**(323,018)**	(246,867)
Interest received	**323,018**	246,867
At 31 December (Note 23(b)(iii))	**1,431,745**	1,129,255

52 RELATED PARTY TRANSACTIONS (Continued)

(g) Amounts due from related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**16,598,387**	15,944,187
Amounts advanced during year	**56,292,021**	39,973,775
Repayments during year	**(54,542,950)**	(39,996,703)
Decrease due to deemed disposal of joint ventures	**(672,869)**	–
Increase due to disposal of interests in subsidiaries	**980,049**	677,128
At 31 December (Note 23(b)(v))	**18,654,638**	16,598,387
Associates:		
At 1 January	**9,723,159**	7,638,158
Amounts advanced during year	**7,689,906**	8,937,168
Repayments during year	**(9,744,890)**	(8,395,521)
Increase due to deemed disposal of associates	**–**	1,543,354
Decrease due to deemed disposal of an associate	**(329,765)**	–
Increase due to disposal of subsidiaries	**1,563,575**	–
At 31 December (Note 23(b)(v))	**8,901,985**	9,723,159

52 RELATED PARTY TRANSACTIONS (Continued)

(h) Amounts due to related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**9,388,039**	8,630,367
Amounts advanced during year	**17,648,483**	20,207,116
Repayments during year	**(19,665,564)**	(19,860,843)
Decrease due to deemed disposal of joint ventures	**(538,638)**	–
Decrease due to disposal of interest in a subsidiary	**(2,091)**	–
Increase due to disposal of interest in subsidiaries	**1,961,124**	411,399
At 31 December (Note 35(i))	**8,791,353**	9,388,039
Associates:		
At 1 January	**4,274,001**	829,939
Amounts advanced during year	**6,550,590**	6,595,957
Repayments during year	**(7,215,109)**	(3,056,015)
Decrease due to disposal of interest in a subsidiary	**–**	(95,880)
Decrease due to deemed disposal of an associate	**(432,549)**	–
Increase due to disposal of interest in a subsidiary	**2,186**	–
At 31 December (Note 35(i))	**3,179,119**	4,274,001

(i) Investment in limited partners' share issued by an associate

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fair value of investment in limited partners' share issued by an associate	**2,126,795**	–

(j) Investment in capital instrument issued by an associate

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fair value of investment in capital instrument issued by an associate	**2,011,000**	–

53 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		**–**	–
Investments in subsidiaries		**3,428,410**	3,427,259
Current assets			
Amounts due from subsidiaries		**34,875,510**	35,251,808
Other receivables		**2,060**	2,060
Cash and cash equivalents		**384,395**	11,698
		35,261,965	35,265,566
Total assets		**38,690,375**	38,692,825
EQUITY			
Capital	(a)	**27,329,232**	27,328,810
Reserves	(b)	**426,789**	395,854
Retained earnings	(c)	**447,542**	483,576
Total equity		**28,203,563**	28,208,240
LIABILITIES			
Non-current liabilities			
Borrowings		**9,985,954**	9,974,458
Lease liabilities		**–**	–
Current liabilities			
Other payables		**500,858**	510,127
Lease liabilities		**–**	–
		500,858	510,127
Total liabilities		**10,486,812**	10,484,585
Total equity and liabilities		**38,690,375**	38,692,825

Approved by the Board of Directors on 24 March 2020.

LI Ming
Executive Director

SUM Pui Ying
Executive Director

53 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Capital movement of the Company

	RMB'000
At 1 January 2019	**27,328,810**
Issue of shares pursuant to exercise of employee share options	**422**
Vesting of shares under Restricted Share Award Scheme	–
At 31 December 2019	**27,329,232**
At 1 January 2018	27,129,614
Issue of shares pursuant to exercise of employee share options	197,298
Vesting of shares under Restricted Share Award Scheme	1,898
At 31 December 2018	27,328,810

(b) Reserve movement of the Company

	RMB'000
At 1 January 2019	**395,854**
Share based payment	**272,960**
Issue of shares pursuant to exercise of employee share options	**(76)**
Vesting of shares under Restricted Share Award Scheme	–
Purchase of shares for Restricted Share Award Scheme	**(1,030)**
At 31 December 2019	**667,708**
At 1 January 2018	435,309
Share based payment	71,680
Issue of shares pursuant to exercise of employee share options	(35,220)
Vesting of shares under Restricted Share Award Scheme	(1,898)
Purchase of shares for Restricted Share Award Scheme	(74,017)
At 31 December 2018	395,854

53 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(c) Retained earnings

	RMB'000
At 1 January 2019	**483,576**
Profit for the year	**1,208,734**
Dividends relating to 2018	**(489,258)**
Dividends relating to 2019	**(755,510)**
At 31 December 2019	**447,542**
At 1 January 2018	1,148,176
Profit for the year	1,273,562
Dividends relating to 2017	(999,882)
Dividends relating to 2018	(938,280)
At 31 December 2018	483,576

54 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director for the years is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking											
	Year ended 31 December											
	2019						2018					
	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long-term welfare	Subtotal	Share-based payments	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long-term welfare	Subtotal	Share-based payments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman												
Mr. Li Ming	–	6,310	1,715	1,126	9,151	23,715	–	5,760	3,060	1,125	9,945	4,781
Executive directors												
Mr. Li Hu (iii)	–	–	–	–	–	–	–	1,688	87	–	1,775	2,342
Mr. Wang Yeyi (iii)	–	–	–	–	–	–	144	–	–	–	144	74
Mr. Sum Pui Ying	–	2,383	238	–	2,621	4,601	–	4,050	237	–	4,287	2,384
Mr. Wen Haicheng	–	3,410	126	–	3,536	5,889	–	2,720	125	–	2,845	3,051
Mr. Li Hongbo (iii)	–	–	–	–	–	–	–	1,325	87	–	1,412	515
Non-executive directors												
Mr. Zhao Peng (i)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Zhao Lijun (ii)	–	–	–	–	–	–	–	–	–	–	–	167
Mr. Yao Dafeng (iii)	–	–	–	–	–	–	231	–	–	–	231	75
Mr. Fang Jun	–	–	–	–	–	422	–	–	–	–	–	219
Ms. Shangguan Qing (iii)	–	–	–	–	–	–	231	–	–	–	231	75
Mr. Fu Fei	–	–	–	–	–	174	–	–	–	–	–	90
Ms. Li Liling	–	–	–	–	–	174	–	–	–	–	–	90
Independent non-executive directors												
Mr. Han Xiaojing	337	–	–	–	337	596	325	–	–	–	325	219
Mr. Suen Man Tak	337	–	–	–	337	495	325	–	–	–	325	166
Mr. Wang Zhifeng	337	–	–	–	337	495	325	–	–	–	325	166
Mr. Jin Qingjun	337	–	–	–	337	495	325	–	–	–	325	166
Ms. Lam Sin Lai Judy	337	–	–	–	337	493	325	–	–	–	325	165
	1,685	12,103	2,079	1,126	16,993	37,549	2,231	15,543	3,596	1,125	22,495	14,745

54 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

(i) On 30 September 2019, Mr. Zhao Peng was appointed as a non-executive director.

(ii) On 30 September 2019, Mr. Zhao Lijun, resigned as a non-executive director.

(iii) On 18 May 2018, Mr. Wang Yeyi, retired as an executive director.

On 10 August 2018, Mr. Li Hongbo, resigned as an executive director.

On 10 August 2018, Mr. Li Hu, resigned as an executive director.

On 10 August 2018, Mr. Yao Dafeng, resigned as a non-executive director.

On 10 August 2018, Ms. Shangguan Qing, resigned as a non-executive director.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

55 SUBSEQUENT EVENT

(a) On 14 January 2020, Sino-Ocean Land Treasure IV Limited (the "Issuer"), a wholly-owned subsidiary of the Company, issued guaranteed notes with principal amount of USD400,000,000 at interest rate of 4.75% due in 2030 (the "Notes"). The Notes are unsecured and are guaranteed by the Company.

(b) The Directors of the Group consider that the outbreak of the 2019 Novel Coronavirus ("COVID-19") may affect the financial performance and position of the Group including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the Directors are still assessing the financial impact that COVID-19 will have on the financial statements of the Group as at the date that the consolidated financial statements are authorised for issue. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

APPENDIX I-FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FROM: CHINA ZHESHANG BANK CO., LTD. BEIJING BRANCH (SWIFT: ZJCBCN2N)

ADDRESS: 269 CHAOYANGMEN SOUTH STREET, DONGCHENG DISTRICT, BEIJING

DATE: 26 APRIL 2022

TO BENEFICIARY: THE BANK OF NEW YORK MELLON, LONDON BRANCH AT THE ADDRESS: ONE CANADA SQUARE, LONDON E14 5AL, UNITED KINGDOM (THE "**BENEFICIARY**") IN ITS CAPACITY AS TRUSTEE (THE "**TRUSTEE**") FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE "**NOTEHOLDERS**") OF THE U.S.$200,000,000 3.80 PER CENT. CREDIT ENHANCED GREEN NOTES DUE 2025 (THE "**NOTES**") (ISIN: XS2432500309/ COMMON CODE: 243250030), TO BE ISSUED BY SINO-OCEAN LAND TREASURE IV LIMITED (THE "**ISSUER**") AND GUARANTEED BY SINO-OCEAN GROUP HOLDING LIMITED (THE "**GUARANTOR**") WITH THE BENEFIT OF AN IRREVOCABLE STANDBY LETTER OF CREDIT ISSUED BY CHINA ZHESHANG BANK CO., LTD. BEIJING BRANCH AND TO BE CONSTITUTED BY A TRUST DEED DATED 26 APRIL 2022 (THE "**ISSUE DATE**") BETWEEN THE ISSUER, THE GUARANTOR AND THE TRUSTEE (AS AMENDED AND/OR SUPPLEMENTED AND/OR MODIFIED FROM TIME TO TIME, THE "**TRUST DEED**").

DEAR SIRS,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]*

AT THE REQUEST OF OUR CUSTOMER, WE, CHINA ZHESHANG BANK CO., LTD. BEIJING BRANCH (THE "**ISSUING BANK**", "**OUR**", "**US**" OR "**WE**"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]* IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE NOTES SCHEDULED TO THE TRUST DEED (THE "**CONDITIONS**") AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A "**DEMAND**") PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (1) THERE HAS BEEN A FAILURE TO COMPLY WITH CONDITION 4(B) OF THE CONDITIONS (THE "**PRE-FUNDING CONDITION**") IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR A FAILURE TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 10 OF THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE NOTEHOLDERS, HAS GIVEN NOTICE IN WRITING TO THE ISSUER THAT THE NOTES ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 10 OF THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON OR AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND PRESENTED BY YOU OR ON YOUR BEHALF IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL ON OR BEFORE 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY IMMEDIATELY FOLLOWING THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED BY US AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, ON THE FIFTH BUSINESS DAY IMMEDIATELY FOLLOWING THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND) PAY TO, OR TO THE ORDER OF, THE BENEFICIARY THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS IN ACCORDANCE WITH THE INSTRUCTIONS SPECIFIED IN THE DEMAND. "**BUSINESS DAY**" MEANS A DAY (OTHER THAN A SATURDAY, A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH COMMERCIAL BANKS AND FOREIGN EXCHANGE MARKETS ARE GENERALLY OPEN FOR BUSINESS IN HONG KONG, BEIJING, LONDON AND NEW YORK CITY.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED U.S.$204,800,000 (THE "**MAXIMUM LIMIT**"), REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING SIX MONTHS) IN ACCORDANCE WITH THE CONDITIONS AND (II) USD1,000,000, BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND OTHER AMOUNTS WHICH MAY BE INCURRED BY OR PAYABLE TO THE TRUSTEE UNDER OR IN CONNECTION WITH THE NOTES, THE GUARANTEE, THE TRUST DEED, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE NOTES.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY OR ON BEHALF OF YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON 26 MAY 2025 (THE "**EXPIRY DATE**") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. AFTER THE EXPIRY DATE, OUR LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BE IMMEDIATELY DISCHARGED AND RELEASED EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED DURING THE PERIOD ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF THE TRUSTEE BY THE BANK OF NEW YORK MELLON, HONG KONG BRANCH (SWIFT: IRVTHKHX), WHOSE ADDRESS AT THE ISSUE DATE IS LEVEL 26, THREE PACIFIC PLACE, 1 QUEEN'S ROAD EAST, HONG KONG, ACTING AS YOUR DELEGATE (THE "**DELEGATE**"), TO US (SWIFT: ZJCBCN2N) ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE, *PROVIDED* THAT ANY SUCH DEMAND SHALL BE THE SOLE OPERATIVE INSTRUMENT OF DRAWING AND THERE SHALL BE NO REQUIREMENT TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; *PROVIDED* THAT, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) OR THE DELEGATE MAY INSTEAD PRESENT THE DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 (010) 8660 0484 ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE AND IN THAT CASE SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE OR BY THE DELEGATE. NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF FACSIMILE TRANSMISSION. IN RELATION TO THE DELIVERY OF A FACSIMILE DEMAND FROM THE BENEFICIARY OR THE DELEGATE PURSUANT TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IT WILL BE ACCOMPANIED BY A COPY OF AN INCUMBENCY CERTIFICATE AUTHORISING THE SIGNATORY OF THE DEMAND AND WE WILL PERFORM A CALLBACK CONFIRMATION WITH THE TRUSTEE.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE BENEFICIARY OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW.

THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE NOTES SUBJECT ONLY TO AT LEAST 15 DAYS' WRITTEN NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, VIA FACSIMILE TRANSMISSION TO US AT +86 (010) 8660 0484. MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT TO AS PROVIDED IN THIS PARAGRAPH.

WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IN THE UNEXPECTED EVENT THAT WE ARE CLOSED DUE TO ACTS OF GOD, RIOTS, CIVIL COMMOTIONS, INSURRECTIONS, WARS, ACTS OF TERRORISM, EPIDEMICS, PANDEMICS (INCLUDING, WITHOUT LIMITATION, THE COVID-19 PANDEMIC) OR BY ANY STRIKES OR LOCKOUTS OR ANY OTHER EVENTS BEYOND OUR CONTROL WHEN YOU OR THE DELEGATE WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, BY PRESENTING THE DEMAND VIA FACSIMILE TRANSMISSION AT +86 (010) 8660 0484 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS; *PROVIDED* THAT, IF WE ARE CLOSED ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE WITHIN, FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE FOR ANY REASON, VIA FACSIMILE TRANSMISSION (USING THE SWIFT ADDRESS OR, AS THE CASE MAY BE, THE FACSIMILE NUMBER SET OUT ABOVE FOR YOU AS BENEFICIARY) OF OUR RESUMPTION OF OUR BUSINESS. WE WILL PROMPTLY NOTIFY YOU OF SUCH RESUMPTION OF OUR BUSINESS.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU BY THE ISSUER, THE GUARANTOR OR ANY OTHER PERSON ON THE ISSUER'S OR THE GUARANTOR'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, LIQUIDATION OR SIMILAR LAWS OR REGULATIONS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("**UCP 600**").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, SHALL BE GOVERNED BY, AND IT SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. NO PERSON SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREE THAT (1) THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT) AND (2) THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT. IN CASE OF ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE DOCUMENTS WHICH START ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY OTHER DOCUMENTS REQUIRED TO BE SERVED IN RELATION TO SUCH ACTION OR PROCEEDINGS MAY BE SERVED ON US BY BEING DELIVERED TO CHINA ZHESHANG BANK CO., LTD. (HONG KONG BRANCH) AS OUR PROCESS AGENT IN HONG KONG AT 15TH FLOOR, THREE EXCHANGE SQUARE, 8 CONNAUGHT PLACE, CENTRAL, HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH ADDRESS IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1
FORM OF DEMAND

TO: CHINA ZHESHANG BANK CO., LTD. BEIJING BRANCH (SWIFT: ZJCBCN2N)

ADDRESS: 269 CHAOYANGMEN SOUTH STREET, DONGCHENG DISTRICT, BEIJING

DATE: *[DATE]*

Dear Sirs

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]* IN RESPECT OF THE U.S.$200,000,000 3.80 PER CENT. CREDIT ENHANCED GREEN NOTES DUE 2025 (THE "**NOTES**") ISSUED BY SINO-OCEAN LAND TREASURE IV LIMITED (THE "**ISSUER**") AND GUARANTEED BY SINO-OCEAN GROUP HOLDING LIMITED (THE "**GUARANTOR**") WITH THE BENEFIT OF AN IRREVOCABLE STANDBY LETTER OF CREDIT ISSUED BY CHINA ZHESHANG BANK CO., LTD. BEIJING BRANCH.

The undersigned is a duly authorised person of The Bank of New York Mellon, Hong Kong Branch which is making a demand as Delegate of and on behalf of The Bank of New York Mellon, London Branch as Trustee for itself and on behalf of the Noteholders (the "**Beneficiary**") under your Irrevocable Standby Letter of Credit No. *[Number]* (The "**Irrevocable Standby Letter of Credit**"). Capitalised terms used herein but not defined shall have the meanings given to them in the Irrevocable Standby Letter of Credit.

1. This Demand is made in connection with the following:

   ☐ There has been a failure to comply with Condition 4(B) of the Conditions (the "**Pre-Funding Condition**") in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or a failure to provide the Required Confirmations (as defined in the Conditions) in accordance with the Pre-Funding Condition.

   ☐ An Event of Default (as defined in Condition 10 of the Conditions) has occurred and the Beneficiary, as Trustee for itself and on behalf of the Noteholders, has given notice in writing to the Issuer in accordance with Condition 10 of the Conditions that the Notes are immediately due and payable.

2. We hereby demand you to pay U.S.$*[Amount]*, representing the aggregate of (i) interest accrued up to the date when the Notes cease to bear interest pursuant to the Conditions, (ii) principal amount due in respect of the outstanding Notes and (iii) the fees, costs, expenses, indemnity payments and all other amounts in connection with the Notes, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Notes which is due and now outstanding.

3. We hereby request you to pay the above amounts after you receive this Demand in accordance with the Irrevocable Standby Letter of Credit.

4. The proceeds of the drawing under this Demand are to be credited to the following account:

   [Insert account details]

For and on behalf of

The Bank of New York Mellon, Hong Kong Branch as Delegate of The Bank of New York Mellon, London Branch as Beneficiary in its capacity as Trustee for itself and on behalf of the Noteholders

By: ______________________________

Name: ______________________________

Title: ______________________________

ISSUER

Sino-Ocean Land Treasure IV Limited
Vistra Corporate Services Centre
Wickhams Cay II, Road Town
Tortola VG1110
British Virgin Islands

GUARANTOR

Sino-Ocean Group Holding Limited
Suite 601, One Pacific Place
88 Queensway
Hong Kong

TRUSTEE

**The Bank of New York Mellon,
London Branch**
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL AGENT

**The Bank of New York Mellon,
London Branch**
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

**The Bank of New York Mellon SA/NV,
Dublin Branch**
Riverside Two
Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
Ireland

LC PROCEEDS ACCOUNT BANK AND PRE-FUNDING ACCOUNT BANK

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

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AUDITOR OF THE GUARANTOR

PricewaterhouseCoopers
Certified Public Accountant
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong