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This announcement and the Offering Memorandum (as defined below) referred to herein are for informational purposes only as required by the Listing Rules (as defined below) and do not constitute an offer to sell or the solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the Offering Memorandum) form the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the Offering Memorandum shall not be deemed an offer of securities made pursuant to a prospectus issued by or on behalf of Zensun Enterprises Limited (the “Company”) 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.

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



ZENSUN ENTERPRISES LIMITED

正商實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

Unconditionally and irrevocably guaranteed by

ZENSUN GROUP LIMITED

正商集團有限公司

(Incorporated in the British Virgin Islands with limited liability)

US\$103,478,000 7.0% SENIOR NOTES DUE 2025

(the “Notes”, Stock Code: 5862)

PUBLICATION OF THE OFFERING MEMORANDUM

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

Unless otherwise defined, capitalized terms in this announcement will have the same meaning as those defined in the Offering Memorandum (as defined below).

Please refer to the offering memorandum dated September 11, 2023 (the “**Offering Memorandum**”) appended herein in relation to the issuance of the Notes. As disclosed in the Offering Memorandum, 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 Company, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should consider carefully the risks involved.

By Order of the Board
Zensun Enterprises Limited
Zhang Jingguo
*Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, September 13, 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Jingguo and Mr. Zhang Guoqiang; the non-executive Director of the Company is Ms. Huang Yanping and the independent non-executive Directors of the Company are Mr. Liu Da, Mr. Ma Yuntao and Dr. Li Huiqun.

As at the date of this announcement, the sole director of Zensun Group Limited is Mr. Zhang Jingguo.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OR ARE ACTING FOR THE ACCOUNT OR BENEFIT OF NON-U.S. PERSONS OUTSIDE THE UNITED STATES

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

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

The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

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

Prohibition of sales to EEA retail investors — The securities offered hereby are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the securities offered hereby or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities offered hereby 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 securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealer Manager or any affiliate of the Dealer Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealer Manager or such affiliate on behalf of the issuer in such jurisdiction. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Issuer, the Company, Guotai Junan Securities (Hong Kong) Limited (the "Dealer Manager"), any person who controls it or any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from the Dealer Manager.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

US\$103,478,000

**ZENSUN ENTERPRISES LIMITED****正商實業有限公司***(incorporated in Hong Kong with limited liability)***Unconditionally and irrevocably guaranteed by****ZENSUN GROUP LIMITED****正商集團有限公司***(incorporated in the British Virgin Islands with limited liability)***7.0% Senior Notes due 2025****Issue Price: 100.0%**

Our 7.0% Senior Notes due 2025 (the “Notes”) will bear interest at the rate of 7.0% per annum payable semi-annually in arrears on March 12 and September 12 of each year, beginning March 12, 2024 and will mature on September 12, 2025.

The Notes are senior obligations of Zensun Enterprises Limited (formerly known as “ZH International Holdings Limited”, “the Issuer”), initially unconditionally and irrevocably guaranteed by Zensun Group Limited (正商集團有限公司) (the “Company” or the “Parent Guarantor”), and jointly guaranteed by certain of the subsidiaries of the Parent Guarantor (the “Subsidiary Guarantors”, together with the Parent Guarantor, the “Notes Guarantors”), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the “Description of the Notes”. We refer to the guarantee by the Parent Guarantor as the Parent Guarantee and the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees (together with the Parent Guarantee, the “Notes Guarantees”). Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Parent Guarantor may be replaced by a limited-recourse guarantee (the “JV Subsidiary Guarantees”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors. The Issuer is an indirect 71.99%-owned subsidiary of the Parent Guarantor.

At any time and from time to time prior to September 12, 2025, the Issuer may at our option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes and accrued and unpaid interest if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control (as defined in the indenture governing the Notes (the “Indenture”), the Issuer must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes are senior obligations of the Issuer and will rank *pari passu* with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law). The Notes Guarantees are general obligations of the Notes Guarantors and will rank *pari passu* with all other unsecured and unsubordinated Indebtedness of such Notes Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law). See “Risk Factors — Risks Relating to the Notes and the Notes Guarantees”.

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

Investing in the Notes involves risks. Furthermore, investors should be aware that the Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See the section entitled “Risk Factors” beginning on page 10.

Application will be made to The Stock Exchange of Hong Kong Limited (the “SEHK”) for the listing of, and permission to deal in the Notes (as defined herein) by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) (“Professional Investors”) only. This offering memorandum is for distribution to Professional Investors only. By acquiring the Notes, you will be deemed to have represented that you (and any person on whose behalf you are acting) are Professional Investor. **Notice to Hong Kong investors:** The Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) 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, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this offering memorandum, other than to ensure that the prescribed form disclaimer and responsibility statement, and statements limiting distribution of this offering memorandum to Professional Investors only, have been reproduced in this offering memorandum. 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 Group, the Parent Guarantor, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or quality of disclosure in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

The Notes and the Notes Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “U.S. Securities Act”), and may not be offered or sold within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold only outside the United States in compliance with Regulation S under the U.S. Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see “Transfer Restrictions.”

Pursuant to the Administrative Measures for the Review and Registration of Medium and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法 (國家發展和改革委員會令第56號)) issued by the National Development and Reform Commission of the PRC or its local counterparts (the “NDRC”) which came into effect on February 10, 2023, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “NDRC Circular”), the Company has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on July 12, 2023 evidencing such registration, which as of the date of this Offering Memorandum, remains valid and in full force and effect. Pursuant to the NDRC Circular and any relevant implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (collectively, the “NDRC Foreign Debt Measures”), the Company is required to file or cause to be filed with the NDRC the requisite information and documents within the prescribed time periods in accordance with the NDRC Foreign Debt Measures.

It is expected that delivery of the Notes will be made on or about September 12, 2023 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

*Dealer Manager***Guotai Junan International**

The date of this offering memorandum is September 11, 2023

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

This offering memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

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

Prohibition of sales to EEA retail investors — The securities offered hereby are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as

amended, the “PRIIPs Regulation”) for offering or selling the securities offered hereby or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities offered hereby 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 securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (“EUWA”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum and the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

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

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

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

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

No representation or warranty, express or implied, is made or given by the Dealer Manager or China Construction Bank (Asia) Corporation Limited (the “Trustee”, and as paying and transfer agent, and registrar (the “Agents”)), or any person who controls any of them, or any of its directors, officers, employees, representatives, agents, affiliates or advisers as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. The Dealer Manager, the Trustee, the Agents and each person who controls any of them and each of their respective directors, officers, employees, representatives, agents, advisers and affiliates have not independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, the Dealer Manager, the Trustee, the Agents and each person who controls any of them do not accept any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Dealer Manager, the Trustee, the Agents and each person who controls any of them or on their behalf in connection with the Issuer, the Parent Guarantor or the issue and offering of the Notes. The Dealer Manager, the Trustee, the Agents and each person who controls any of them accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Dealer Manager, the Trustee, the Agents or any person who controls any of them, or any of their respective directors, officers, employees, representatives, agents, affiliates or advisors in connection with any investigation of the accuracy and completeness of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes, the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of our company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Dealer Manager.

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

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

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

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore — the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the Securities and Futures Act 2001 of Singapore), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in Monetary Authority of Singapore (“MAS”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

INVESTOR REPRESENTATIONS

By accessing the attached offering memorandum, you are further deemed to have made the following representations, warranties, agreements, undertakings, confirmations and acknowledgements to Zensun Enterprises Limited (the “Issuer”), Zensun Group Limited (正商集團有限公司) (the “Company” or the “Parent Guarantor”), and certain subsidiary guarantors (the “Subsidiary Guarantors”, together with the Parent Guarantor, the “Notes Guarantors”) and the Dealer Manager. For the purposes of the below, “you” means the Issuer, Notes Guarantors and/or the Dealer Manager as the context may indicate, and “we” means such holder participating the Exchange Offer by submitting instructions and tendering the Existing Notes for exchange pursuant to the Exchange Offer.

1. we have received and reviewed this offering memorandum including the terms of the Notes set out herein;
2. we base our investment decision solely on the information published on or prior to the date of this offering memorandum by the Issuer on the website of the Hong Kong Stock Exchange (the “Public Disclosure”) and not on any other information or representation concerning the Issuer and the Notes Guarantors which we may have received from the Issuer, the Notes Guarantors, the Dealer Manager, the Existing Notes Trustee or the Existing Notes Agents or any person who controls any of them, or their respective representatives and affiliates. We acknowledge that none of the Issuer, the Notes Guarantors, any of their respective affiliates or any other person has made any representations, express or implied, to us with respect to the Issuer, the Notes Guarantors, the Exchange Offer, the Notes or the accuracy, completeness or adequacy of any financial or other information concerning the Issuer, the Notes Guarantors, the Exchange Offer or the Notes. We agree that we will not distribute, forward, transfer or otherwise transmit any presentational or other materials concerning the Exchange Offer (including electronic copies thereof) to any person (other than any Eligible Holder on behalf of which we act), and we have not distributed, forwarded, transferred or otherwise transmitted any such materials to any person (other than any Eligible Holder on behalf of which we act);
3. we understand that the Exchange Offer involves a high degree of risk and that the Notes are complex products;
4. we are the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, the Existing Notes tendered thereby;
5. we (i) have not received or been sent copies of this offering memorandum or any related documents in, into or from the United States, (ii) are not a “U.S. person” and are not located in the United States, (iii) are not an agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal who has given instructions with respect to the Exchange Offer from within the United States or from a U.S. person, (iv) have not otherwise utilized in connection with the Exchange Offer, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce, or of any facilities of a national securities exchange, of the United States and (v) are offering to exchange the Existing Notes from outside the United States;
6. we acknowledge that the Exchange Offer is subject to the restrictions set out in the sections entitled “*Offer and Distribution Restrictions*” in the exchange offer memorandum and “*Transfer Restrictions*” in this offering memorandum;
7. we acknowledge that the Notes to be exchanged for the Existing Notes tendered for exchange hereby and the Notes Guarantees to be provided have not been registered under the Securities Act or with any state or other jurisdiction of the United States and may only be sold or otherwise transferred subject to the restrictions set out in the sections entitled “*Offer and Distribution Restrictions*” in the exchange offer memorandum and “*Transfer Restrictions*” in this offering memorandum;
8. we are not resident and/or located in any Member State of the EEA or the United Kingdom or, if we are resident and/or located in any Member State of the EEA or the United Kingdom, we are not a retail investor (as defined in this offering memorandum) in the EEA or the United Kingdom;
9. we are not located or resident in the United Kingdom or, if we are located or resident in the United Kingdom, we are a person falling within the definition of investment professionals (as defined in the Article 19(5) of the Financial Promotion Order) or within Article 49 of the Financial Promotion Order (the “high net worth companies, unincorporated associations etc.”), or to whom this offering memorandum and any other documents or materials relation to the Exchange Offer may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
10. we are not located or resident in Italy or, if we are located in Italy, we are an authorized person or is tendering Existing Notes through an authorized person (such as an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 58 of 24 February 1998, as amended, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority;
11. we are not located or resident in France or, if we are located or resident in France, we are a (i) provider of investment services relating to portfolio management for the account of third parties (personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers) and/or (ii) qualified investor (investisseur qualifié), other than an individual, acting for its own account (all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code monétaire et financier);
12. we understand that the offering memorandum has not been and will not be registered as a prospectus with the MAS under the SFA, and accordingly, the offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA;
13. we are not located or resident in Hong Kong or, if we are located or resident in Hong Kong, we are a professional investor within the meaning of the SFO and any rules made thereunder;

14. [Reserved];
15. we are not (i) a person that is, or is owned or controlled by a person that is, identified as a “specially designated national” or “blocked person” in the most current U.S. Treasury Department list of “Specially Designated National and Blocked Persons” or included in the U.S. Treasury Department’s Sectoral Sanctions Identifications List (which can be found at: <https://sanctionssearch.ofac.treas.gov/>), or in the European Union and UK Consolidated Lists of financial sanctions, or in the EU/UK list of persons subject to restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine; or (ii) a person that is organized, resident or located in a country or territory subject to comprehensive/countrywide economic sanctions; (iii) a person that is otherwise the subject of, or in violation of, any sanctions under (x) the laws and regulations that have been officially published and are administered or enforced by the U.S. Government (including, without limitation, the Office of Foreign Assets Control of the U.S. Treasury Department or the U.S. Department of State), or any enabling legislation or executive order relating thereto; or (y) any equivalent sanctions or measures officially published and imposed by the European Union, any member state of the European Union, His Majesty’s Treasury, the United Nations or any other relevant sanctions authority, including sanctions imposed against certain states, organizations and individuals under the European Union’s Common Foreign & Security Policy; or (iv) acting for or on behalf of any of the foregoing parties (a “Sanctions Restricted Person”);
16. the Existing Notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Existing Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;
17. we will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Notes tendered thereby and agree that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
18. in evaluating the Exchange Offer and in making its decision whether to participate therein by tendering its Existing Notes, we as holder of the Existing Notes have made our own independent evaluation of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to us by the Issuer and Notes Guarantors other than those contained in this offering memorandum, the Dealer Manager, the Information and Exchange Agent or the Existing Notes Trustee or the Existing Notes Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them;
19. we acknowledge and agree that the Exchange Offer is an arm’s length commercial arrangement between the Issuer, the Notes Guarantors and each Eligible Holder;
20. we (a) have consulted with our own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent it has deemed necessary, (b) have had a reasonable opportunity to ask questions of and received answers from officers and representatives of the Issuer and the Notes Guarantors concerning the financial condition and results of operations of the Company and its subsidiaries (the “Group”), and any such question has been answered to its satisfaction, (c) have requested from the Issuer and the Notes Guarantors and reviewed all information that it believes is necessary or appropriate in connection with the Exchange Offer, and (d) have been and will continue to be solely responsible for making its own independent analysis of and investigations into the status, creditworthiness, prospects, business, operations, assets and condition of the Group and for making its own decision as to the taking or not taking of any action in connection with the Exchange Offer and the Notes;
21. we understand and agree that we may not rely on any investigation that any person acting on our behalf has conducted with respect to the Exchange Offer, the Notes, the Issuer and the Notes Guarantors or any of their respective affiliates, and no other party has made any representation to it, express or implied, with respect to the Exchange Offer, the Notes, the Issuer or the Notes Guarantors. None of the Dealer Manager, the Existing Notes Trustee and Existing Notes Agents or any of their respective associates or affiliates has made, and we have not relied upon, any written or oral communication, representation, warranty or condition (express or implied) about, and the Dealer Manager, the Existing Notes Trustee and Existing Notes Agents and any of their respective associates or affiliates shall have no liability or responsibility for (a) the effectiveness, validity or enforceability of any agreement or other document entered into by or provided to it in connection with the Exchange Offer; (b) any non-performance by any party to any such documents; (c) the Exchange Offer or the Notes; or (d) the business, properties, prospects, condition (financial or otherwise) or results of operations of the Group, and the Dealer Manager and any of its associates or affiliates do not owe and shall not owe any duty whatsoever in connection with any of the foregoing. Any information or explanations related to the terms and conditions of the Exchange Offer, the Notes and the Public Disclosure does not constitute investment advice or a recommendation in respect of the Exchange Offer and is not considered or deemed to be an assurance or guarantee as to the expected performance of the Notes, the Issuer, the Notes Guarantors and each other member of the Group;
22. we acknowledge that the information provided with regard to the Issuer or the Notes Guarantors and the Notes has been prepared and supplied by the Issuer and the Notes Guarantors (whether or not it was conveyed by the Issuer, the Company, the Notes Guarantors and/or the Dealer Manager to it), and that no other party has verified such information or makes any representation or warranty as to its accuracy or completeness;
23. we are a sophisticated institutional investor and have such knowledge and experience in financial, business and international investment matters, and in particular in purchasing debt securities issued by PRC property companies, that has had the opportunity to ask questions of, and receive answers and request additional information from, the Issuer and the Notes Guarantors, and we are capable of evaluating the merits and risks of the Exchange Offer, and we are aware that we may be required to bear, and are able to bear, the economic risk of an investment in the Notes, including the possibility that it may lose all or a substantial portion of its investment;
24. we acknowledge that certain of the information and materials provided by the Issuer and the Notes Guarantors, may be provided in the Chinese language, and we represent that we are capable of understanding and evaluating all such information;
25. we represent and acknowledge that (a) none of the Dealer Manager, the Existing Notes Trustee and Existing Notes Agents or their respective affiliates or any person who controls any of them have made any recommendation of the Exchange Offer; (b) none of the Dealer Manager, the Existing Notes Trustee and Existing Notes Agents or their respective affiliates or any person who controls any of them have been requested to or have provided with any

information or advice with respect to the Exchange Offer or the New Notes nor is such information or advice necessary or desired; (c) none of the Dealer Manager, the Existing Notes Trustee and Existing Notes Agents or their respective affiliates or any person who controls any of them have made or makes any representation as to the Issuer, the Notes Guarantors, the Exchange Offer or the credit quality of the New Notes; (d) the Dealer Manager, the Existing Notes Trustee, the Existing Notes Agents and their respective affiliates may have acquired, or during the term of the Exchange Offer and/or the New Notes may acquire, non-public information with respect to the Issuer and the Notes Guarantors, which we agree need not be provided to us; and (e) in connection with the Exchange Offer and the issuance of the New Notes, none of the Dealer Manager, the Existing Notes Trustee and Existing Notes Agents or their respective affiliates or any person who controls any of them have acted as its financial advisor or fiduciary;

26. we are acquiring the Notes for our own account (or for the account of a person that is not a U.S. person as defined in Regulation S promulgated under the Securities Act as to which we exercise sole investment discretion and have authority to make these statements) for investment purposes, and not with a view to any resale or distribution thereof within the meaning of the U.S. securities laws;
27. if we are acting as a fiduciary or agent for one or more investor accounts, (a) we have investment discretion with respect to each such account and (b) we have full power and authority to make the representations, warranties, agreements and acknowledgements in this letter on behalf of each such account;
28. we acknowledge and agree that we did not become aware of the Exchange Offer through any form of general solicitation or advertising within the meaning of Rule 502 under the Securities Act or otherwise through a “public offering” under Section 4(a)(2) of the Securities Act or as a result of any directed selling efforts (as that term is defined in Regulation S) and we did not become aware of the Exchange Offer and were not otherwise solicited to enter into the Exchange Offer through solicitation of any party other than the Issuer, the Notes Guarantors and their respective affiliates;
29. the Exchange Offer is lawful under the securities laws of the jurisdiction in which it accept the exchange for the Notes;
30. we are not a nominee company (unless the name of the ultimate beneficiary has been disclosed);
31. the delivery of an electronic instruction to the relevant Clearing System shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with the Exchange Offer, in each case on and subject to the terms and conditions set out or referred to in this offering memorandum;
32. the delivery of an electronic instruction to the relevant Clearing System shall constitute (subject to the terms and conditions of the Exchange Offer generally) the appointment of the Information and Exchange Agent as our attorney and agent, and an instruction to such attorney and agent (such appointment and instruction to be irrevocable) to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Existing Notes tendered thereby in favor of the Issuer, the Notes Guarantors or such other person or persons as the Issuer and the Notes Guarantors may direct and to deliver such form(s) of transfer and other document(s) in the attorney’s and agent’s discretion and/or the certificate(s) and other documents of title relating to such Existing Notes’ registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Exchange Offer, and to vest in the Issuer, the Notes Guarantors or its nominees such Existing Notes;
33. the terms and conditions of the Exchange Offer shall be deemed to be incorporated in, and form a part of, the electronic instruction, which shall be read and construed accordingly;
34. by delivering an electronic instruction with respect to its Existing Notes through Euroclear or Clearstream, we consent to the disclosure by Euroclear or Clearstream of certain details concerning the direct participant’s identity, the aggregate principal amount of such Existing Notes and their account details to the Information and Exchange Agent;
35. we understand that the Notes and the applicable Notes Guarantees have not been and will not be registered under the Securities Act or any state securities laws in the United States. We further understand that none of the Issuer or the Notes Guarantors are registered, nor will they register, under the U.S. Investment Company Act of 1940, as amended (the “U.S. Investment Company Act”) and investors will not be entitled to the benefits of such U.S. Investment Company Act. We understand that subject to certain exceptions, the Notes and the applicable Notes Guarantee may not be offered or sold within the United States or to any national, resident or citizen of the United States;
36. we have not distributed or forwarded this offering memorandum, or any part thereof, or any other documents or materials relating to the Exchange Offer to any person, and we have complied with all laws and regulations applicable to us for the purpose of its participation in the Exchange Offer; and
37. we understand that the foregoing representations, warranties, agreements undertakings, confirmations and acknowledgements are required in connection with United States and other securities laws and that you and your affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements, undertakings, confirmations and acknowledgements. These Investor Representations shall inure to the benefit of and be binding upon each Eligible Holder of the Existing Notes and their respective successors and permitted assigns, and these Investor Representations shall be binding on its permitted successors in title, permitted assigns and permitted transferees. We confirm that, to the extent we are acting for the account of one or more persons, these Investor Representations constitute legal, valid and binding obligations and any other persons for whose account it is acting.

Each holder of the Existing Notes that submits an electronic instruction will also be deemed to represent, warrant and agree with respect to the transfer restrictions as set forth under the sections entitled “*Offer and Distribution Restrictions*” in the exchange offer memorandum, and “*Investor Representations*” and “*Transfer Restrictions*” in this offering memorandum.

The representations and warranties and agreements of a holder tendering Existing Notes shall be deemed to be repeated and reconfirmed on and as of the Exchange Expiration Deadline and the Settlement Date. For the purposes of this offering memorandum, the “beneficial owner” of any Existing Notes shall mean any holder that exercises sole investment discretion with respect to such Existing Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group”, the “Parent Guarantor” and words of similar import, we are referring to Zensun Group Limited (正商集團有限公司) itself and its consolidated subsidiaries, as the context requires.

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB6.8972 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2022, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK\$7.8015 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2022. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

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

The financial statements of the Issuer and the Company are prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) which differ in certain respects from generally accepted accounting principles in the United States (“U.S. GAAP”) and certain other jurisdictions. Unless the context otherwise requires, references to “2020”, “2021” and “2022” in this offering memorandum are to our financial years ended December 31, 2020, 2021 and 2022, respectively.

“2023 Notes” means the Issuer’s 12.5% Senior Notes due 2023 issued on September 13, 2021.

“2024 Notes” means the Issuer’s 12.5% Senior Notes due 2024 issued on September 23, 2021.

“ASP” means average selling price.

“Board of Directors” or “Board” means the board of Directors of the Company.

“BVI” means the British Virgin Islands.

“CBIRC” means China Banking and Insurance Regulatory Commission.

“EIT Law” means the Enterprise Income Tax Law of the PRC, which was promulgated on March 16, 2007 and came into effect on January 1, 2008, as amended on February 24, 2017 and December 29, 2018 respectively.

“Exchange Offer” means the exchange offer that the Issuer proposes to conduct pursuant to its exchange offer memorandum dated August 29, 2023.

“GDP” means gross domestic product.

“Hong Kong Stock Exchange” or “SEHK” means The Stock Exchange of Hong Kong Limited.

“MOFCOM” means The Ministry of Commerce, People’s Republic of China.

“NDRC” means the PRC National Development and Reform Commission.

“Nomination Committee” means the nomination committee of the Board.

“NPC” means the National People’s Congress (全國人民代表大會).

“PBOC” means the People’s Bank of China.

“REIT” means real estate investment trust.

“SAFE” means the PRC State Administration of Foreign Exchange (中國國家外匯管理局), the PRC government agency responsible for matters relating to foreign exchange administration.

“SAIC” means the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局).

“SFO” means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.

“sq.m.” means square meter(s).

“Urban Redevelopment Schemes” means urban redevelopment schemes offered by the local governments in the PRC as part of the central government’s plan to redevelop underdeveloped urban areas, whereby local governments provide a statutory framework for the participation by real estate developers through public-private partnership.

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

There is also uncertainty as to whether the courts of the British Virgin Islands would (i) enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States; or (ii) entertain original actions brought in the courts of the British Virgin Islands against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States.

We have been advised by our British Virgin Islands legal counsel, Ogier, that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in any U.S. federal or New York state court located in the borough of Manhattan, City of New York against the Company under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

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

We have been further advised by Ogier that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

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

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

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

GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms appearing in this offering memorandum 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.

<i>CAGR</i>	compound annual growth rate
<i>certificate of completion</i>	a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
<i>commodity properties</i>	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion
<i>construction land planning permit</i>	a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
<i>GFA</i>	gross floor area
<i>land grant confirmation letter</i>	a letter issued by the relevant PRC land and resources bureau confirming that a property developer has been selected as the winner of the tender, auction or listing-for-sale process for the grant of the state-owned land use rights of a parcel of land
<i>land grant contract</i>	an agreement between a property developer and a PRC land authority, typically the local state owned land resources bureaus, in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
<i>land use rights certificate</i>	a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights
<i>LAT</i>	land appreciation tax
<i>low-density</i>	the low-density property that we develop includes stand-alone houses, semi-detached houses and townhouses

<i>pre-sale</i>	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations
<i>pre-sale permit</i>	a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties
<i>properties for sale</i>	our completed properties held for sale and properties under development for sale, collectively
<i>property ownership certificate</i>	a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land

SUMMARY

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

BACKGROUND AND PURPOSE OF THE EXCHANGE OFFER

During the second half of 2021, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced an inflection point. Reduced bank lending for real estate development has adversely affected access by property developers to onshore capital. Buyers’ concerns about the ability of property developers to deliver projects has adversely affected property sales. In addition, the use of pre-sale proceeds is also restricted under the applicable PRC policies. Driven by these negative onshore events and austerity policies, offshore capital markets have reacted negatively, which limited our funding sources to address upcoming maturities.

The property sector in China has continued to experience volatility in 2022. Further tightened bank lending, coupled with certain negative credit events, has intensified market concerns over the operations of Chinese property developers. As a result, pre-sale of Chinese property developers has generally decreased. In light of the foregoing, our revenue and gross profit in 2022 have decreased as compared to the corresponding period in 2021. Our cash and bank balances as of December 31, 2022 also decreased as compared to December 31, 2021. Although a series of supportive policies have been put forward by regulators during the second half of 2022, recovery of developers already in financial distress has been slow and limited so far. As the market demand remains weak, the exact timing of recovery is still uncertain. Against the backdrop of the adverse market conditions, we anticipate that the market condition in the real estate sector will remain under pressure in 2023.

We are committed to mitigating the effects of the recent adverse market conditions and are striving to meet our financial commitments by prudently utilizing our existing financial resources. As part of these efforts, we are conducting the Exchange Offer. We believe the Exchange Offer will enable us to extend our debt maturity profile and improve cash flow management, which would be in the interest of all our stakeholders, including the holders of the 2023 Notes.

If the Exchange Offer is not successfully consummated, we may not be able to fully repay the 2023 Notes and our other efforts to meet our financial commitments may not achieve the desired effect. As such, we may have to consider alternative debt restructuring exercise.

OVERVIEW

Founded in Zhengzhou in 1995, we have grown into a renowned multinational group with integrated real estate businesses. Now our footprint covers Henan Province, Beijing, Hubei, Shandong and Hainan Provinces, Hong Kong, as well as the United States, Singapore and other countries and regions.

We focus on developing a range of residential properties that cater to the various demands and preferences of middle to upper-middle class customers in Zhengzhou and selected cities with solid industrial base and high growth potential, including Xinyang, Luoyang, Xinxiang, Xuchang, Nanyang, Shangqiu and Zhoukou of Henan Province, Wenchang of Hainan Province, Wuhan of Hubei Province, Qingdao of Shandong Province and Beijing. Based on our in-depth knowledge of local markets, we design and offer standardized series of residential properties with distinctive market positioning that appeal to the evolving needs of the middle and upper-middle class customers as their disposable income increases. Our property development processes, starting from land selection and acquisition to project planning and design, are centered on the preferences and needs of such target customers. We only pursue land opportunities that complement our standard product portfolio and are suitable for developing residential properties that meet the needs of our target customers.

We adopt a disciplined approach to project selection by only acquiring land parcels that can be effectively managed by our available resources, fit into our investment budget and have the potential to meet our target project return criteria. We selectively participate in Urban Redevelopment Schemes, which we believe enables us to gain more insights into the land parcels and increases our chances to obtain land parcels situated in the urban areas of Zhengzhou, Luoyang and Xinxiang of Henan Province with significant appreciation potential in a cost-efficient manner. As of December 31, 2022, we had acquired land parcels or entered into land grant contracts with an aggregate site area of approximately 5.8 million sq.m. in Zhengzhou, Luoyang and Xinxiang of Henan Province for which we had participated in Urban Redevelopment Schemes.

Our strategic focus on Zhengzhou has enabled us to secure or obtain land at suitable locations in the region, which provides a solid foundation for our future development. As of December 31, 2022, we had acquired land parcels with an aggregate site areas of approximately 5.1 million sq.m. in Zhengzhou, comprising 83 property development projects with an aggregate GFA of approximately 12.7 million sq.m.

In addition to real estate development, we also engage in a variety of businesses in relation to the real estate industry, including but not limited to construction, property investment, real estate investment trusts, healthcare real estate and pension real estate.

RECENT DEVELOPMENTS

Profit Warning

On August 23, 2023 the Issuer announced that it was expected to record a net loss for the six months ended June 30, 2023 as compared to the net profit for the same period in 2022 due to (i) the real estate market of the PRC continued to be sluggish, with lower income and lower gross profit margin of property projects of the Issuer being carried forward from the reporting period; (ii) the increase of impairment provision made for property projects of the Issuer; and (iii) exchange losses on the debts denominated in USD under the impact of changes in the exchange rate between USD and RMB.

The information contained in the announcement above is only based on the Issuer's preliminary assessment of consolidated management accounts of the Issuer for the reporting period, which have not been audited or reviewed by the Issuer's auditors or by the audit committee of the Issuer's Board and are subject to adjustment.

GENERAL INFORMATION

The Issuer, Zensun Enterprises Limited (正商實業有限公司) (formerly known as "ZH International Holdings Limited"), is an indirect 71.99% owned subsidiary of the Company incorporated in Hong Kong with limited liability. The registered office and the principal place of business of the Issuer is located at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.

The Parent Guarantor, Zensun Group Limited (正商集團有限公司), was incorporated in the British Virgin Islands on July 16, 2018 as a company with limited liability. Our registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Our principal place of business is located at No.1 Gangwan Road, Zhengzhou City, Henan Province, PRC.

THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Memorandum. Some of the terms described below are subject to important limitations and exceptions. For a complete description of the terms of the Notes, see “Description of the Notes” in this Offering Memorandum. Words and expressions defined in “Description of the Notes” shall have the same meanings in this summary.

Issuer	Zensun Enterprises Limited (正商實業有限公司) (the “Issuer”)
Parent Guarantor	Zensun Group Limited (正商集團有限公司)
Subsidiary Guarantors	Certain subsidiaries of the Parent Guarantor outside the PRC.
Notes Offered	US\$103,478,000 aggregate principal amount of 7.0% Senior Notes due 2025 (the “Notes”).
Offering Price	100.0% of the principal amount of the Notes.
Issue Date of the Notes.	September 12, 2023.
Maturity Date	September 12, 2025.
Interest	The Notes will bear interest at the rate of 7.0% per annum, payable semi-annually in arrears on March 12 and September 12 in each year, commencing March 12, 2024.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• general obligations of the Issuer;• senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);• guaranteed by the Guarantors on a senior basis, subject to the limitations described below under the caption “The Guarantees,” “Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Notes and the Guarantees”;

- effectively subordinated to the secured obligations (if any) of the Issuer and the Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Parent Guarantee The Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture (other than in respect of the Parent Guarantee) and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee.

The Parent Guarantee may be released in certain circumstances. See “Description of the Notes — The Parent Guarantee — Release of the Parent Guarantee.”

The Parent Guarantor is a holding company that does not have significant operations of its own. See “Risk Factors — Risks relating to the Notes and the Notes Guarantees — The Parent Guarantor is a holding company with no material operations and relies on its operating subsidiaries to provide it with funds necessary to meet its financial obligations and to pay dividends.

Ranking of Parent Guarantee . . . The Parent Guarantee:

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

Subsidiary Guarantees and JV
Subsidiary Guarantees

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

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

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Zensun International Holdings Company Limited, HQ Neptune Investments Limited, Honor Challenge Investment Limited, Vigor Capital Holdings Limited, Ever Diamond Global Company Limited, Champ Win Enterprise Limited and Total Star Development Limited. Other than the initial Subsidiary Guarantors, none of the Initial Other Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date. These Subsidiary Guarantors are holding companies that do not have significant operations.

See “Risk Factors — Risks relating to the Notes and Notes Guarantees — Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.

The Parent Guarantor will cause each of its future Restricted Subsidiaries (other than any Subsidiaries organized under the laws of the PRC, any state of the United States, or Singapore or any Exempted Subsidiaries or Listed Subsidiaries), promptly (and in any event within 30 days) upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Parent Guarantor may elect to have any existing and future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC, any state of the United States, and Singapore (that is not an Exempted Subsidiary) not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”), provided that, after giving effect to the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC, any state of the United States, and Singapore that are not Guarantors (other than the Exempted Subsidiaries and the Issuer) do not account for more than 15% of the Total Assets of the Parent Guarantor.

Ranking of Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor: <ul style="list-style-type: none"> • is a general obligation of such Subsidiary Guarantor; • is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; • ranks at least <i>pari passu</i> with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantors (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable laws); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Ranking of JV Subsidiary Guarantees	If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor: <ul style="list-style-type: none"> • will be a general obligation of such JV Subsidiary Guarantor; • will be enforceable only up to the JV Entitlement Amount; • will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; • will be limited to the JV Entitlement Amount, and will rank at least <i>pari passu</i> with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Use of Proceeds	We will not receive any cash proceeds from the offering of the Notes.

Optional Redemption	At any time and from time to time prior to the maturity date of the Notes, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying and Transfer Agent is responsible for calculating or verifying the redemption price.
Repurchase of Notes Upon a Change of Control	Not later than 30 days following a Change of Control, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.
Covenants	<p>The Notes, the Indenture governing the Notes and the Guarantees will limit the Issuer's ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • make investments or other specific restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • engage in any business other than permitted business; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. <p>These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants."</p>

Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to certain restrictions on resale and transfer. See “Transfer Restrictions.”	
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global note deposited with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.	
Book-Entry Only	The Notes will be issued in book entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry, Delivery and Form.”	
Delivery of the Notes	The Issuer expects to make delivery of the Notes on or about September 12, 2023 which the Issuer expects to be the second business day following the date of this offering memorandum, referred to as “T + 1.” You should note that initial trading of the Notes may be affected by the “T + 1” settlement. Delivery of the Notes is subject to, among others, fulfillment or waiver of the conditions precedent to the Exchange Offer as set forth in the Exchange Offer Memorandum dated August 29, 2023.	
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)	
Paying Agent, Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)	
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 as described in this offering memorandum.	
Security Codes	<u>ISIN</u> XS2674525477	<u>Common Code</u> 267452547
Governing Law	The Notes, the Guarantees and the Indenture will be governed by and construed in accordance with the laws of the State of New York.	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors”.	

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Our business and prospects are heavily dependent on the performance of the PRC property markets, particularly in Zhengzhou, and therefore any potential decline in property sales or prices or demand for properties in the PRC generally, or in the major cities where our projects are located, could have a material adverse effect on our business, financial condition and results of operations.

We principally develop and sell properties in Zhengzhou and other major cities in Henan Province. As of December 31, 2022, most of our property projects or phases in various stages of development were located in Zhengzhou and other major cities in Henan Province. Our business continues to be heavily dependent on the property markets in Zhengzhou and other major cities in Henan Province. These property markets may be affected by local, regional, national and global factors, including economic and financial developments, speculative activities in local markets, demand for and supply of properties, seasonality, availability of alternative investment choices of property buyers, inflation, government policies, interest rates and the availability of capital. Any adverse developments in the PRC property market generally or in the cities in which we have or expect to have operations could materially and adversely affect our business, financial condition, results of operations and prospects.

Beginning in the second half of 2021 and continuing in 2022 and the first half of 2023, Chinese property developers and the capital markets that have funded growth and development of the real estate sector have experienced an inflection point characterized by a number of adverse developments, including the following:

- reduced bank borrowings for real estate development adversely affecting property developers' access to onshore capital;
- reduced bank borrowings for housing mortgage loans to buyers and buyers' concerns towards the ability of property developers to complete their projects have adversely affected property sales;
- tightened restrictions on the use of pre-sale proceeds under the applicable PRC law; and
- a recent significant decrease in the aggregate contract sales across the real estate sector.

These events have adversely impacted our ability to obtain financing from the capital markets and other sources, and significantly curtailed the funding available to us to address our debt maturities. Further, as a result of these events, we recorded a net loss in 2022. See also “— Risks Relating to Our Industry — Our operations are subject to extensive government policies and regulations and we are particularly susceptible to adverse changes in policies relating to the PRC property industry in regions in which we operate.”

Furthermore, private ownership of property in China is still at a relatively early stage. Demand for private residential property has been increasing rapidly in recent years, which has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and, accordingly, it is very difficult to predict when and how significantly demand will develop. Limited availability of accurate financial and market information and the general low level of transparency in China's property industry contribute to the overall market uncertainty. Investors may be discouraged from acquiring new properties due to

the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit the demand for residential property. The risk of oversupply is also increasing in parts of China where property investment, trading and speculation have become more active. If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations, financial condition and prospects could be materially and adversely affected.

We may not have sufficient financial resources to continue as a going concern.

In view of the prevailing slow-down of the property market, coupled with the limited source of financing from the capital market, we may take longer time than expected to realize cash from the sale of our properties and/or receive cash from external financing to meet our debt repayment obligations. As such, we have experienced and may continue to experience difficulties and delays in fulfilling our debt repayment obligations when due. We have been implementing certain plans and measures to manage our liquidity needs and to improve our financial position which include the following: (i) continuing to generate positive operating cash flows by implementing various strategies to improve the Group's income from sales of properties, project management and sales, hotel operations, rentals from investment properties and dividend income from financial assets at fair value through profit or loss to generate additional operating cash inflows and putting extra efforts on the collection of outstanding sales proceeds and other receivables; (ii) actively reviewing our debt structure and looking for funding opportunities; (iii) actively negotiating with financial institutions to obtain new loans at a reasonable cost; (iv) continuing to monitor our capital expenditure to balance and relieve cash resource to support our operations; and (v) continuing to take actions to tighten cost controls over various operating expenses. However, material uncertainties exist as to whether we will be able to achieve the aforementioned plans and measures to manage our liquidity needs and to improve our financial position. Should we be unable to achieve one or more of the aforementioned plans and measures on a timely basis, we may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of our assets to their recoverable amounts, to provide for any further liabilities which might arise, to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. See the section entitled "Material Uncertainty Related to Going Concern" in the independent auditor's report of the Issuer for the year ended December 31, 2022 and in the independent auditor's report of the Company for the year ended December 31, 2022 included in this offering memorandum.

We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices in the future, which may affect our business, financial condition, results of operations and prospects.

The growth and success of our business depend on our ability to continue acquiring land reserves located in desirable locations at commercially reasonable prices. Our ability to acquire land depends on a variety of factors that we cannot control, such as general economic conditions, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. A majority of our completed projects were developed on land obtained through public tender, auction or listing-for-sale process organized by government authorities, and we may continue to acquire land for our property development projects through such methods. The availability and price of land acquired through public tender, auction or listing-for-sale process organized by government authorities depend on factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Local governments control the availability of land acquisition by public tender, auction or listing-for-sale process organized by government authorities. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. These policies and measures, including changes in local government's urban planning in Zhengzhou and other cities in which we operate, may limit the supply of suitable land for our project development. Furthermore, the rapid development of the cities in Zhengzhou and other

major cities in Henan Province in recent years has resulted in a shortage in the supply of undeveloped land in desirable locations and increased land acquisition costs, which becomes one of the largest components of our cost of sales. As a result of the foregoing and the overall market downturn in 2022, we only acquired one new land parcel located in Dengfeng of Henan Province. We cannot assure you that we will be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices. Any increase in our land costs resulting from shortages of supply or our inability to procure land could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We have focused primarily on the development of properties in Henan Province, in particular, Zhengzhou, since our inception. In addition to growing our presence in Zhengzhou, we have been expanding our operations into selected cities in other provinces including Qingdao, Shandong Province, Wenchang, Hainan Province, Wuhan, Hubei Province and Beijing, and plan to explore new opportunities in other selected cities with growth potential.

We may not be able to leverage our experience in Zhengzhou or Henan Province to expand into other regions in China. Other provinces may differ from Henan Province in terms of the level of economic development, topography, culture, regulatory practice, level of our familiarity with local contractors, business practices and customs, and customer tastes, behavior and preferences. Accordingly, our experience in Henan Province may not be transferable to other provinces. In addition, expanding our business into new markets and geographical areas may entail competition with local or nationwide developers who have an established local presence, are more familiar with local regulatory and business practices and customs and have stronger relationships with local contractors, all of which may give them a competitive advantage over us. Expanding into new geographic locations also requires a significant amount of capital and management resources. We will need to manage the growth in our workforce to match the expansion of our business. Furthermore, if we are unsuccessful in our endeavors outside Henan Province, our confinement to the Henan Province market over the longer term may constrain our development and prospects.

As we may face challenges not previously encountered in our business expansion, we may fail to recognize or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in these new markets. For example, we may have difficulty in accurately predicting market demand for our properties in the cities into which we expand. Any failure to successfully leverage our experience or to understand the property market in any other PRC province or city into which we expand our business may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain sufficient funding for our land acquisitions and future property developments whether through bank loans, trust financing or other arrangements, on commercially reasonable terms, or at all.

Property development usually requires substantial capital investment during the construction period. As of December 31, 2022, our liquidity requirements arose principally from development of our property development projects. Our property development projects have been generally funded through cash generated from operations including proceeds from the pre-sale of our properties, bank loans and trust financings. We expect to continue to fund our projects through these sources and will look for additional financing opportunities.

However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all. We cannot assure you that in the future we will not experience negative net cash flow from our operating activities. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade payables and repay the 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 finance our property projects primarily through a combination of internally generated funds, including proceeds from pre-sales and sales of our properties and borrowings from financial institutions, such as CBRC-licensed commercial banks and trust financing companies. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including:

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

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

- the PBOC has adjusted the Renminbi deposit reserve ratio for major banks several times since 2010. The PBOC also makes adjustment of the Renminbi deposit reserve ratio from time to time to control the available financing in the real estate sector;
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008. The PBOC lowered the benchmark one-year bank lending rate to 5.35% on March 1, 2015, to 5.10% on May 11, 2015, to 4.85% on June 27, 2015, to 4.6% on August 26, 2015, and further lowered it to 4.35% on October 24, 2015. The benchmark one-year bank lending rate was maintained at 4.35%;
- requiring that property developer's registered capital shall be at least (i) 20% of total investment in property projects is for affordable housing or commodity housing; and (ii) 25% of the total investment for all other types of property projects is funded by the developer's own capital, and the highest percentage had been at 30%;
- restricting commercial banks from granting property developers loans which will be used to pay land premium;
- restricting trust companies from providing financing to property developers that have not obtained the relevant land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits, or to projects that fail to meet project capital ratio requirements;
- restricting trust companies from funding projects developed by property developers which, or whose controlling shareholders, do not have second-level or above qualification;
- prohibiting PRC commercial banks from extending any existing loans or granting any new or revolving credit facilities in any form to property developers with noncompliance records in relation to, among other things, holding and speculating idle lands, using the land outside the scope of the designated purpose, postponing construction commencement or completion, hoarding properties and rigging price for properties;

- prohibiting PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for loans to property developers;
- limiting the availability of and increasing the cost of mortgage financing for property buyers; and
- prohibiting property developers from using borrowings obtained from local banks to fund property developments outside the regions in which the lending banks reside.

In addition, on March 13, 2018, the PRC State Council submitted the Reform Plan on State Council Agencies (the “Reform Plan”) for review of the First Session of the thirteenth NPC, proposing to merge the CIRC and the CBRC to strengthen the regulation over financial institutions, and thereafter report to the newly established Financial Stability and Development Committee. The Reform Plan includes the merger of the CIRC and the CBRC into the CBIRC, which may lead to stricter and more unified supervision over financial institutions and may indirectly affect the real property industry. This reform will lead to uncertainties in the regulatory environment of the finance market, which may in turn affect the real property industry.

On June 27, 2018, the NDRC emphasized in a post on its website that the proceeds from offshore bond offerings by PRC property enterprises shall be mainly used for repayments of existing debts and shall be restricted for investments in property projects within or outside China or as working capital. The NDRC planned to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On July 12, 2019, the NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (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) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium- to long-term offshore debts that will become due within one year, and the real estate developer is required to specify in the application material of foreign debt registration with the NDRC, the details of such debts to be refinanced, such as amount, maturity date and whether registered with the NDRC. The real estate developer is also required to submit a commitment letter to the NDRC regarding the authenticity of its foreign debt issuance. Failure to comply with the aforesaid restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future.

Moreover, our cash generated from operations, which is an important source of funding for our business, is affected by national or local funding control in places where we operate. For example, a national policy took effect in December 2020 to control financing for the real estate industry, including those on property buyers’ mortgage loans. As a result, it has taken property buyers a longer time to obtain mortgage loans from banks to pay off the purchase prices to us, which has adversely affected our cash collection rate.

The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and trust financing arrangements to finance our property projects. Should the PRC government introduce similar additional initiatives, we may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms or at all.

Going forward, we might look for debt financing opportunities to support our business, including but not limited to raising funds through asset-backed securities programs, corporate bonds and other debt offerings.

We may experience difficulty in maintaining and raising sufficient cash, including through financing activities, to meet our obligations as they become due and to continue funding our on-going business operations and investments.

There has been significant negative news recently on difficulties experienced by the Chinese property sector. See “Summary — Background and Purpose of the Exchange Offer.” We are striving to meet our financial commitments by, among others, generating cash flow, negotiating with creditors to extend or refinance existing indebtedness and reducing expenses. However, there can be no assurance that we will be able to continue generating sufficient cash through operations and financing activities to meet our obligations as they come due (including any 2023 Notes not exchanged even if the Exchange Offer is consummated) or to continue funding our significant operational cash flow needs and ongoing investments and other commitments. Failure by us to generate such cash could have a material adverse effect on our business, results of operations and financial condition, on the trading price of the Notes, and ultimately on our ability to repay our obligations under the Notes on a timely basis, or at all.

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

We are subject to certain restrictive covenants under our credit facilities with certain banks and trust financing companies. These restrictive covenants include, among other things, limitations on our ability to incur additional indebtedness or create new mortgages or charges, restrictions on the use of proceeds, restrictions on the distribution of dividends and repayment of shareholder loans, and requirements to provide notice or obtain consent for certain significant corporate events, as well as financial covenants that require us to maintain certain financial ratios. For instance, some of our bank loan agreements restrict our operating subsidiaries from carrying out any merger, restructuring, spinoff, reduction of registered share capital, material asset transfer, liquidation, change in shareholding or management structure, or establishment of any joint venture without the lenders’ written consent. Some of our operating subsidiaries are further prohibited from distributing dividends to us during the loan term without the lenders’ written consent, which in turn may impair our ability to distribute dividends to our shareholders. In addition, borrowings provided under certain loan agreements between our operating subsidiaries and banks are not allowed to be used for purposes other than the specific project development as provided in the agreement. Moreover, some of the loan agreements that we entered into contain financial covenants that require us to maintain specified financial ratios and satisfy other financial conditions which may restrict our financial and operating flexibility from time to time. We cannot assure you that we will be able to abide by all these restrictive covenants in the future. In particular, some of our loan agreements contain cross-default provisions where a technical default on one of our obligations under other agreements will trigger a technical default under such agreements. Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of our loans, in which case our business, financial condition and results of operations will be adversely affected.

We are also subject to restrictive covenants under our trust financing arrangements. For example, some of these restrictive covenants limit our use of dividends paid by relevant project companies, and require the relevant project companies not to dispose of, mortgage or adjust the land use rights, land development rights or material assets of the project companies, or change the development schedule of the project companies, or incur any material capital commitments as well as make material asset transfers without obtaining prior approval from the relevant trust financing companies. In addition, certain of our trust financing agreements contain cross-default provisions similar to those indicated in our bank loan agreements. Moreover, trust financing arrangements generally involve higher financing costs and risks than conventional bank loans due to their higher interest rates and more complicated guarantee and/or security structures. We cannot assure you that we will be able to perform all of our obligations or abide by all the restrictive covenants of our trust financing arrangements we have entered into or will enter into. Should we fail to abide by these provisions, our business, financial condition and results of operations may be adversely affected.

We are party to certain agreements related to Urban Redevelopment Schemes, which are subject to uncertainties and delays. We may not be able to obtain the land use rights for the land parcels related to such schemes and we may not be adequately or timely compensated or refunded for the land resettlement expenses we have incurred.

We participated in certain Urban Redevelopment Schemes in Zhengzhou, Luoyang and Xinxiang as part of the local governments' zoning process and entered into a series of master agreements or letters of intent with the local governments, their affiliated entities or the relevant villagers' autonomous organizations as the original land use rights owners. Our primary obligation under such agreements is to provide funding to the counterparty(ies) for the expenses to be incurred in the land resettlement operations prior to such land being put up for auction. Through such process, we are able to be involved in the Urban Redevelopment Schemes at early stages and gain insights into the particular land parcels that we believe have the potential to meet our investment return target based on our market research and financial analysis. See "Business — Urban Redevelopment Schemes."

However, there is no assurance that we will be successful in securing the land grant contracts or obtaining the relevant land use rights certificates in respect of such Urban Redevelopment Schemes. After fulfilling our obligations under these agreements, we are still required under the relevant PRC laws and regulations to go through the public tenders, auctions or listings-for-bidding and, if we are successful in this process, enter into a land grant contract and pay the relevant land premiums before we are eligible to apply for the land use rights certificates. As of the date of this offering memorandum, we had not obtained any of the relevant land use rights certificate nor entered into any of the land grant contracts for nine Urban Redevelopment Schemes for which we had entered into master agreements or letters of intent. These properties were either still undergoing the bidding processes or in the early stages of land demolition and resettlement and had not been put up for auction. In the event that we are not successful in the public tenders, auctions or listings-for-bidding process in respect of such projects, we will not be able to engage in the commercial development thereof nor have access to any of the associated GFA for development or sale.

Moreover, the agreements related to such Urban Redevelopment Schemes usually involve relatively long execution periods and significant capital resources and commitments are required over the course of such redevelopment periods. It typically takes two to five years from the time we enter into the relevant master agreements or letters of intent till the time the land parcels are put up for auction and there is no assurance that it would not be further delayed. The long execution period may expose us to greater market risks compared to some other real estate developers. Any property market downturn in the regions where we operate could lead to potential decline in demand or selling prices of our properties and may materially and adversely affect our business, financial condition and operating results. Besides, as part of the established practice in Zhengzhou, for the Urban Redevelopment Schemes in which we successfully obtain the land use rights, we generally expect to be refunded with an amount equivalent to approximately 60% of the land premium according to the relevant local regulations and the redevelopment plans as approved by the competent local government authorities and such refund is generally made in instalments over the course of one to three months upon our entering into the land grant contract. There is no assurance that such redevelopment process can be executed and consummated as planned or the refund can be made in a timely manner. The time lag and any significant delay could result in substantial financing costs and a diversion of our managerial and financial resources. Moreover, the commercial development of such land parcels may no longer be economically attractive or in line with our budget as initially anticipated.

In addition, there is no assurance that these master agreements or letters of intent will be implemented as agreed or will not be terminated and there are risks with respect to the enforcement of these agreements, particularly in light of their relatively long execution periods and, in some cases, potential conflicts between the local governments/local villagers' autonomous organizations and the local villagers for the demolition and land clearance and resettlement operations as well as potential changes in PRC government policies. Although we are generally entitled to be refunded by the local governments for the prepayment and advances we have

extended, notwithstanding whether or not the relevant agreements are terminated and whether or not we are successful in the land bidding process, based on contracts or general legal principles related to unjust enrichment, the laws, regulations and practices relating to enforcement of contracts or claims in unjust enrichment against PRC government entities involve uncertainties and such proceedings could deteriorate our relationships with such government entities and place strains on our managerial and financial resources. We cannot assure you that we will be successful in claiming the full refund, or at all, or that we will be adequately compensated for the expenses we have incurred. In particular, the relevant agreements we directly entered into with the villagers' autonomous organizations do not include specific refund or repayment provisions and our claim for refund rests upon the general legal principles related to unjust enrichment or policies implemented by the local governments.

We have not encountered any material difficulties with respect to the execution of these agreements or Urban Redevelopment Schemes that we participated in the past. Nevertheless, PRC government policies related to our projects may change in the future and there may be changes in the manner of implementation of these agreements. If any of these master agreements or letters of intent are not implemented as agreed, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

We had certain trust financing arrangements. There are uncertainties regarding trust financing. The operation of trust financing companies in the PRC is primarily regulated by the CBRC pursuant to the Rules Governing Trust Financing Companies (《信託公司管理辦法》), which came into effect on March 1, 2007, and relevant regulations are published and updated from time to time. Trust financing companies are therefore under the supervision and monitoring of the CBRC and are required to comply with the relevant notices and regulations promulgated by the CBRC. According to the Notice of the CBRC on the Relevant Issues concerning Supporting the Innovation and Development of Trust Companies (《中國銀監會關於支持信託公司創新發展有關問題的通知》) promulgated by the CBRC on 25 March 2009, Notice of General Office of the CBRC on Strengthening Supervision over the Real Estate Trust Business of Trust Companies (《中國銀監會辦公廳關於加強信託公司房地產信託業務監管有關問題的通知》) promulgated by the CBRC on February 11, 2010 and Notice of General Office of CBRC on Risk Warning for Real Estate Trust Businesses of Trust Companies (《中國銀監會辦公廳關於信託公司房地產信託業務風險提示的通知》) promulgated by the general office of the CBRC on November 12, 2010, trust companies shall not provide loans to property developers which (i) have not obtained land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits, (ii) have not met the minimum capital ratio requirement for real estate development projects, or (iii) whose controlling shareholders do not have second-level or above qualification. Under the above rules and notices, we are unable to obtain any trust loan from trust companies before our project companies obtaining the land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits, and meeting the minimum capital ratio requirement. Accordingly, we are unable to use trust loans from trust companies to finance the land premium, and under normal circumstance, any trust loan that we could obtain can only be used for the relevant project development. We cannot assure you that the PRC government will not implement additional or more stringent requirements with regard to trust financing companies. If additional or more stringent requirements with regard to trust financing companies have been implemented, it could result in a reduction in our financing options and/or an increase in the cost of financing our properties, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

The fair value of our investment properties fluctuates from time to time and may decrease significantly, which may materially and adversely affect our profitability.

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss for the period in which they arise. We recognized the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and changes in fair value of investment properties and movements of the relevant deferred tax on our consolidated statements of profit or loss.

Despite their impact on the reported profit, fair value gains or losses do not change our cash position as long as the relevant investment properties are held by us. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties or that the fair value of our investment properties will not decrease in the future. In addition, the fair value of our investment properties may materially differ from the amounts we would receive in actual sales of the investment properties. Any significant decreases in the fair value of our investment properties or any significant decreases in the amount we could receive in actual sales of the investment properties as compared with the recorded fair value of such properties would materially and adversely impact our results of operations.

We recorded an one-off gain of disposal of a subsidiary in 2020, which may not recur in the future.

We recorded a gain on disposal of a subsidiary in 2020. While such gain had an impact on our reported profit for the relevant period, it was non-recurring in nature. Therefore, we may not record such gain in the future, at the same level or at all, which in turn may affect our profitability.

Our deferred tax assets may not be recovered, which could adversely affect our results of operations.

We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, we cannot assure you that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

We may be unable to successfully manage the growth of our business and our results of operations from the previous years may not be representative of our future performance.

We cannot assure you that we will continue to grow. Our sales may vary from period to period due to a combination of various factors, including but not limited to general market conditions of property market in China and in the cities we operate including Zhengzhou, national and local government and bank policies, the overall development schedules of our projects, sales and completion plans of our projects, mix in, geographic locations, property series, and product types, that we launch pre-sales in a particular period, the timing and amount of GFA approved by governmental authorities for our pre-sales. Such fluctuations may adversely affect our cash position and revenue. We have faced and will continue to face challenges including rising development and administrative costs and increasing competition for employees and future growth opportunities. We have established a set of policies, controls and procedures to manage our subsidiaries, including personnel management policies, internal control policies and internal audit procedures. However, as our business continues to expand, we cannot assure you that these policies, controls and procedures will prove as effective as we hope. As a result, our past results of operations may not be indicative of our future performance.

Our results of operations largely depend on a number of factors including the schedule of our property development and the timing of property sales and may therefore vary significantly from year to year.

Our business model is to sell certain properties for immediate return of capital to fund our business, operations and expansion plans, while strategically retaining other properties for stable recurring rental income and long-term capital appreciation. Our results of operations may fluctuate due to factors such as the schedule of our property development projects and the timing of property sales.

We generally recognize revenue from the sale of our properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the delivery of completed properties. Because the timing of completion of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between our pre-sales and completion and the delivery of the properties to purchasers. Periods in which we pre-sell a large amount of aggregate GFA, may not be periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of 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 acquisition and construction costs.

Fluctuations in our operating results may also be caused by other factors, including fluctuations in expenses, such as land grant premium, development costs, administrative expenses, and selling and marketing expenses, and changes in market demand for our properties. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be taken as meaningful measures of our financial performance for any specific period. In addition, the cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicity, combined with the lead time required for the completion of projects and the sales of properties, indicates that our results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. Furthermore, our property development projects may be delayed or adversely affected by a combination of factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

The locations of our property projects have a direct impact on their selling prices or recognized ASP per sq.m., our sales revenue and our gross profit margins.

The selling prices or recognized ASP per sq.m. of our property projects are affected by the locations of these projects. While the selling prices or recognized ASP per sq.m. of our property projects vary depending on their locations, our sales revenue and therefore our gross profit margin may vary depending on the mix in geographical locations of our property projects being delivered for a particular period. Therefore, our Group's gross profit margins may decrease in the foreseeable future if expected sales contributed by our property projects in locations with relatively higher recognized ASP per sq.m. decreases.

In addition, we cannot assure you that our selling prices or recognized ASP per sq.m., as a whole, will always be consistent with the industry trends in the cities we operate. Although historically the fluctuations of the selling prices or recognized ASP per sq.m. for our property projects were generally in line with the industry trends in the cities we operate, our selling prices or recognized ASP per sq.m., as a whole, might deviate from the industry trends as a result of the changes in mix of property series and products types we launch sale and pre-sale in a particular period and the timing of the completion of properties and therefore, making it difficult to predict the future trends.

Fluctuations in the price of construction materials and labor costs could affect the construction fees charged by our construction contractors which could materially and adversely affect our business and financial performance.

The cost of construction materials, such as steel and cement, and labor costs, are subject to a high degree of volatility. As most of our major construction contracts are fixed unit price contracts, the risk of fluctuations in construction material and labor costs during the terms of the contracts are absorbed by our construction contractors to a large extent as we outsource our construction work to them as they are responsible for purchasing most of the construction materials and bear relevant labor costs during the terms of the relevant contracts. However, for certain raw materials such as concrete and steel, our contractors only bear the risk of fluctuation within 3% of the contract price and we bear the risk of fluctuation exceeding 3% of the contract price. In addition, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may require us to renegotiate construction fees or we may be subject to higher construction fees when our existing construction contracts expire. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if the costs of construction materials and labor increase subsequent to the pre-sales. If any of these occur, our business, financial condition and results of operations may be materially and adversely affected.

Failure to obtain, abide by, or material delays in obtaining, requisite approvals or licenses from the PRC government, may adversely affect our ability in carrying out our property development operations.

The property industry in the PRC is heavily regulated and property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. Like other property developers in China, we must apply to the relevant government authorities to obtain (and renew for those relating to ongoing operations) various licenses, permits, certificates and approvals to engage in property development operations, including but not limited to, real estate development enterprise certificates, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sale permits and completion inspection and acceptance documents. We must meet specific conditions in order for the government authorities to issue or renew any certificate or permit.

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

In addition, the permitted total GFA for a particular development is set out in various governmental licenses, permits, certificates and approvals at various stages. If the constructed total GFA exceeds the permitted total GFA and we fail to obtain additional governmental approvals and permits for such additions, or if the completed development contains built-up areas that the regulatory authorities believe do not correspond to the approved plans as set out in the original construction works planning permit, we may be subject to fines by the local governments and we may not be able to obtain the acceptance and compliance form of construction completion required for us to prepare for delivery of our properties to our customers in accordance with the relevant sales agreements. We have in the past commenced construction of certain portions of certain property development projects, prior to obtaining the relevant construction work planning permits and construction work commencement permits. Although we have adopted and implemented enhanced internal control measures to prevent any recurrence of such non-compliances, we cannot assure you that constructed total GFA for each of our existing projects under development or any

future property developments will not exceed permitted total GFA, or that the regulatory authorities will determine that all built-up areas conform to the approved plans as set out in the construction permit. In the event that we fail to obtain additional governmental approvals for such property projects, our business, financial condition and results of operations may be adversely affected.

Given the outbreak of the COVID-19 pandemic, some of our PRC subsidiaries were not able to obtain or renew requisite approvals and licenses from the PRC government in a timely manner. We cannot assure you that if such delays would not continue to occur in the future and that our development plan or business operations would not be affected as a result thereof.

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

Pursuant to PRC regulations on LAT, both domestic and foreign investors in real estate development in the PRC are subject to LAT on income from the sale or transfer of land use rights, properties and their attached facilities, at progressive rates ranging from 30% to 60% on the appreciation of land value. In accordance with a circular issued by the State Administration of Taxation, which became effective on February 1, 2007, LAT obligations are required to be settled with the relevant tax bureaus within a specified time after the completion of a property development project.

We make provisions for LAT by reference to our sales recognized and in accordance with our estimates of the LAT which will be payable under relevant PRC laws and regulations. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and may be different from the amounts that were initially provided for. Any such differences may impact our profit after tax and deferred tax provision in the periods in which such taxes are finalized with the relevant tax authorities. Our financial condition may be materially and adversely impacted if our LAT liabilities as calculated by the relevant tax authorities are higher than our provisions.

The appraised value of our properties may be different from their actual realizable value and are subject to change, and if the actual realizable value of our properties is substantially lower than their appraised value, there may be a material adverse effect on our business, results of operation and financial condition.

The appraised value of our properties is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land reserves is based, include that we sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests; no allowance has been made for any charges, mortgages or amounts owing neither on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale; we have paid all land premium payments and other costs such as resettlement and ancillary utilities services in full and there is no requirement for payment of any further land premium or other onerous payments to the government; our properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values. Therefore, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of our property projects as well as national and local economic conditions may affect the value of our property holdings, and in turn materially and adversely affect our business, results of operation and financial condition.

We may not be able to complete our development projects on time, which may affect our cash flow.

Property development projects require substantial capital expenditure prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take over a year or longer before a positive net cash flow may be generated through pre-sales, sales, leasing or rentals. As a result, our cash flows and results of operations may be affected by our project development schedules and any changes to those schedules. The schedules of our project developments depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction. Other specific factors that could adversely affect our project development schedules include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns and decreases in business and consumer sentiments in general;
- failure to obtain necessary licenses, permits and approvals from relevant government authorities in a timely manner;
- changes in relevant regulations, government policies and government planning;
- relocation of existing residents and/or demolition of existing structures;
- shortages of raw materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents; and
- errors in judgment on the selection and acquisition of potential sites.

If our financial conditions continue to deteriorate we may not have the resources to complete the projects under development in time if not at all which may further decrease our liquidity. If that happens, we may need to concentrate our limited resources on completion of projects under development to ensure delivery as local government may require. See “— We may not have sufficient financial resources to continue as a going concern.”

Construction delays or failure to complete the construction of a project according to our planned specifications, schedule and budget may harm our reputation as a property developer, leading to loss of or delay in recognizing revenues and lower returns. If a property project is not completed on time, the purchasers of pre-sold units of the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sales agreements and claim damages. We have experienced delays in a small number of our residential projects in the past. See “— We face risks related to pre-sale of properties from any potential limitation and restriction imposed by the PRC government as to such activities and claims from customers in the event the pre-sold properties are not delivered on time or completed.” We cannot assure you that we will not experience any such delays in the future or that we will not be subject to any liabilities for any such delays. We cannot assure you that we will not experience any significant delays in completion or delivery of any of our projects in the future or that we will not be subject to any liabilities for any such delays.

We may be adversely affected by material issues that affect our relationships or business ventures with our joint venture and associated company partners.

We intend to establish joint ventures and associated companies with third parties to jointly develop property projects. The performance of such joint ventures and associated companies may affect our results of operations and financial position. Generally, we do not expect to record gains from such joint ventures and associated companies until they start to generate revenue by delivering properties they develop.

The success of a joint venture or an associated company depends on a number of factors, some of which are beyond our control. We may not be able to force our partners to fully perform their obligations to us pursuant to our cooperation agreements. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures and associated

companies or even suffer losses. In addition, in accordance with PRC laws, our joint venture agreements and the articles of association of our joint ventures and associated companies, certain matters relating to joint ventures or associated companies may require the consent of all parties to the joint ventures and associated companies. Therefore, such joint venture agreements involve a number of risks, including that (i) we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our joint ventures and associated companies if there is a disagreement between us and our joint venture or associated company partners; or (ii) our joint venture or associated company partners may have economic or business interests or goals or philosophies that are inconsistent with ours.

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

We have indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations.

We currently have, and will continue to require, a substantial amount of indebtedness including without limitation our 2024 Notes. Our indebtedness and gearing could have significant implications, including, among others:

- increasing our vulnerability to adverse general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow for our business expansion, working capital and other general corporate purposes;
- limiting our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors with lower levels of indebtedness;
- limiting our ability to borrow additional funds; and
- increasing our cost of additional financing.

Moreover, our trust and other financings are generally secured by our equity interests in the PRC subsidiaries or lien of land use rights or development projects. If we default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in these PRC subsidiaries, our proportionate share of the asset value of the relevant land use rights or our development projects.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. We might look for debt financing opportunities to support our business, including raising funds through asset-backed securities programs, corporate bonds and other debt offerings. Our ability to generate sufficient cash to satisfy our existing and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, demand for properties in the regions we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and service our debt, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying property project development, disposing of assets, restructuring or refinancing indebtedness or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all, and, even when implemented, may result in a material adverse effect on our business, results of operations and financial condition.

Our financing costs are subject to changes in interest rates.

We have incurred and are expected to continue to incur a significant amount of interest expense relating to our borrowings from banks, as well as from our trust and other financing arrangements. Accordingly, changes in interest rates have affected and will continue to affect our

financing costs. Because a majority of our borrowings are in Renminbi, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years. Future increases in the PBOC benchmark interest rate may lead to higher lending rates, which may increase our finance costs and thereby materially and adversely affect our business, financial condition, results of operations and prospects.

Any failure by third-party contractors we engage to provide satisfactory services, or any disputes with our third-party contractors could materially and adversely affect our reputation, business, results of operations and financial condition.

We engage third parties to carry out various services relating to our property development projects, including project design, pile setting, foundation building, construction, equipment installation, elevator installation and landscaping. We generally select third-party contractors through a tender process and endeavor to engage companies with a strong reputation and track record, high performance reliability and adequate financial resources. Our third-party contractors may fail to provide satisfactory services at the level of quality or within the time required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to the financial or other difficulties of our contractors. If the performance of any third-party contractor is unsatisfactory, we may need to replace such contractor or take other remedial actions, which could increase the costs and adversely affect the development schedules of our projects and materially and adversely affect our reputation, credibility, financial condition and business operations. Moreover, we cannot assure you that our employees will be able to consistently apply our quality standards in carrying out quality control, and to detect all defects in the services rendered by third-party service providers or contractors. In addition, as we enter into new geographical areas in the PRC, there may be a shortage of third-party contractors that meet our quality standards and other requirements in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors, which may adversely affect the construction schedules and development costs of our property development projects. Furthermore, if our relationship with any of the third-party service providers or contractors deteriorates, a serious dispute with such third-party service provider or contractor may arise, which may in turn result in costly legal proceedings. The occurrence of any of the above events may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our expansion into new geographical markets presents certain risks and uncertainties.

In order to achieve sustainable growth, we need to continue to seek development opportunities in select regions in the PRC with the potential for growth and where we have no existing operations. We may not be able to identify geographic locations with sufficient growth potential to expand our market reach or operate our new projects. For the geographic locations we select, we may face intense competition from developers with established experience or presence and from other developers with similar expansion plans. As we may face challenges not previously encountered, we may fail to recognize or properly assess risks or take full advantage of opportunities.

Furthermore, our experience in existing markets and our business model, may not be readily transferable to, and replicated in, new markets in our target cities. The property markets in our target cities may be different from each other in terms of the level of local economic and industrial development, local governmental policies and support, development phases of local businesses, market demand for our properties, types of properties to be developed and development cycles. We may have limited ability to leverage our established brands and reputation in new markets in the way we have done in our existing markets. Furthermore, the administrative, regulatory and tax environments in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments in the new markets. In addition, we may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced property developers in such cities, which may put us in a disadvantageous position.

As we continue to expand, we will have to continue to improve our managerial, development and operational expertise and allocation of resources. To effectively manage our expanded operations, we will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our property development requirements,

including staff with local market knowledge. In order to fund our ongoing operations and our future growth, we need to have sufficient internal capital sources or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, tenants, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal controls and compliance functions to ensure that we are able to comply with our legal and contractual obligations and to reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. We may also experience difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

We may not be able to attract and retain quality tenants for our investment properties.

Our investment properties compete for tenants with other property developers on factors including location, quality, maintenance, property management, rental rates, services provided and other lease terms. We cannot assure you that our existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with us would increase the competition for tenants and, as a result, we may have to reduce rental rates or incur additional costs to make our properties more attractive. Also, we may not be able to lease our properties to a desirable mix of tenants to achieve our business objectives or for rental rates that are consistent with our projections. If we are unable to retain our existing tenants, attract new tenants to replace those that leave or lease our vacant properties, our occupancy rates may decline and our investment properties may become less attractive and competitive. This in turn may have a material adverse effect on our business, financial condition and results of operations.

The illiquidity of real estate investments could significantly impede our ability to respond to changing economic, financial and investment conditions and to adverse changes in the performance of our properties, which could harm our financial condition.

The real estate investments made, and to be made, by us are relatively illiquid, and as a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions may be limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the U.S. Internal Revenue Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interests. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition.

The illiquidity of investment properties and the lack of alternative uses of investment properties may significantly limit our ability to respond to adverse changes in the performance of our investment properties.

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. Moreover, we may also need to incur capital expenditure to manage and maintain our properties or to correct defects or make

improvements to these properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all. In addition, if we sell an investment property during the term of that property's tenancy agreement, we may have to pay termination fees to our retail tenants.

Furthermore, the aging of investment properties, changes in economic and financial conditions or changes in the competitive landscape in the PRC property market may adversely affect the amount of rentals and revenue we generate from, as well as the fair value of, our investment properties. However, investment properties may not be readily converted to alternative uses, as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that we will possess the necessary approvals and sufficient funds to carry out the required conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could affect our ability to compete against our competitors and our results of operations.

We guarantee mortgage loans of certain of our customers and may become liable to mortgage banks if customers default on their mortgage loans.

We derive a substantial portion of our revenue from sales of our properties. Most purchasers of our properties apply for bank borrowings and mortgages to fund their purchases. In accordance with industry practice, banks require us to guarantee mortgage loans taken out by purchasers of the properties that we develop. Typically, we guarantee the full value of mortgage loans taken out by purchasers, as well as accrued interest and penalties for defaults in mortgage payments, up until the issuance of the relevant property ownership certificates and the registration of the mortgage in favor of the mortgagee bank. These are contingent liabilities not reflected on our balance sheets. If a purchaser defaults on a mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluations conducted by the mortgage banks for such customers.

Should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

The total GFA of some of our property developments may be different from the original authorized area.

Government grants of land use rights for a parcel of land specify in the land grant contract the permitted total GFA that the developer may develop on the land. In addition, the total GFA is also set out in the relevant urban planning approvals and construction permits. However, the actual GFA constructed may be different from the total GFA authorized in the land grant contract or relevant construction permits due to factors such as subsequent planning and design adjustments. The actual GFA may be subject to approval when the relevant authorities inspect the properties after completion. The developer may be required to pay additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a completion certificate (工程竣工验收备案表) can be issued to the property developer. Until the completion certificate is issued, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. The methodology for calculating the additional land premium is generally the same as the original land grant contract. If issues related to excess GFA cause delays in the delivery of our products, we may also incur liability to purchasers under our sales and purchase agreements. We cannot assure you that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA. Any of these factors may adversely affect our business.

We are exposed to contractual and legal risks related to pre-sales, which could have a material adverse effect on our business, financial condition and result of operations.

We make certain undertakings in our pre-sale contracts, and our pre-sale contracts and PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete a pre-sold property on time, we may be liable to the relevant customers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If

our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A customer may also terminate his or her contract with us and/or bring claims for compensation for certain other contractual disputes, including, for example, if the GFA of the relevant unit, as set out in the individual building ownership certificate, deviates by more than 3% from the GFA of that unit as set out in the contract; if the floor plan of the relevant unit is different from what is set out in the contract and adversely affects the quality and functionality of the unit; if the interior decoration of the relevant unit is inferior to what is set out in the contract; or if the customer fails to receive the individual property ownership certificate within a statutory period due to our fault. Any of such factors could have a material adverse effect on our business, financial condition and results of operations. Though we are typically entitled to claim damages from the third-party contractors if such breaches are due to their fault, we cannot assure you that the damages we recoup will fully compensate our losses.

We are subject to risks associated with the operation of REIT.

In addition to property development business, the Issuer also engages in REIT operation. The Issuer currently holds interests in a REIT, GMR, which focuses on medical care. The operation of GMR subjects the Issuer and us to a variety of risks. GMR depends on the healthcare operators to make payments to them under leases, and an event that materially and adversely affects their business, financial position or results of operations could adversely affect the Issuer's business, financial position or results of operations. GMR and healthcare operators to which they lease properties are dependent on the healthcare industry and may be susceptible to the risks associated with healthcare reform. In addition, such tenants are subject to extensive federal, state, local and industry-related licensure, certification and inspection laws, regulations and standards. Tenants that fail to comply with federal, state and local licensure, certification and inspection laws and regulations may cease to operate healthcare facilities or be unable to meet their financial and other contractual obligations to GMR. Furthermore, healthcare facilities are typically highly customized and may not be easily adapted to non-healthcare-related uses. If GMR must replace any of their tenants or operators, they may have difficulty identifying replacements and may be required to incur substantial renovation costs to make certain that their healthcare properties are suitable for other operators and tenants. In addition, there are risks in connection with the status of being a REIT. If a REIT does not qualify to be taxed as a REIT, or fail to remain qualified as a REIT, it will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability. Even if GMR remains qualified as a REIT, they may face other tax liabilities that reduce their cash flow. Complying with REIT requirements may cause them to forgo otherwise attractive opportunities or liquidate otherwise attractive investment and may limit their ability in many other respects, such as ability to hedge effectively.

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. Any ban or additional restrictions on pre-sales may require us to seek alternative sources of funding to finance our developments, and if sufficient alternative funding is not available to use on attractive terms, or at all, our cash flow and prospects, and business, results of operations and financial condition could be materially and adversely affected.

We may be liable to our customers for damages if individual property ownership certificates are not delivered to our customers in a timely manner due to our fault.

Property developers in the PRC typically assist purchasers of property to obtain the relevant individual property ownership certificates within a time frame set out in the relevant property sale and purchase agreement ranging from 360 to 720 days after the delivery of the property. Property developers, including us, generally elect to specify the deadline for the delivery in the property sale and purchase agreements to allow sufficient time for the application and approval processes.

Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning permits, to the local bureau of land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and to apply for the property ownership initial registration in respect of these properties.

We are then required to submit after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. We cannot assure you that we will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control.

The property development business is subject to claims under statutory quality warranties, and if a number of claims are brought against us under our warranties, our reputation, business, results of operation and financial condition may be materially and adversely affected.

Under the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) enacted by the State Council on July 20, 1998 and amended on January 8, 2011, March 19, 2018, March 24, 2019, and March 27, 2020, and the Regulation for the Administration of Sales of Commodity Buildings (《商品房銷售管理辦法》), which went into effect on June 1, 2001, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from third-party contractors with respect to our property projects. If a large number of claims were brought against us under our warranties and if we were unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained by us to cover our payment obligations under the quality warranties was not sufficient, we could incur expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and adversely affect our business, financial condition and results of operations.

We may be subject to fines or forfeit land to the PRC government if we fail to pay land grant premium or fail to develop properties within the time and in accordance with the terms set out in the relevant land grant contracts.

Under PRC laws, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, resettlement and demolition costs and other fees, the designated use of the land and the time for commencement and completion of the property development, government authorities may issue a warning, impose a penalty and/or order us to forfeit the land. Specifically, under current PRC laws, if we fail to pay any outstanding land grant premium by the stipulated deadlines, we may be subject to late payment penalties or the repossession of the land by the government. If we fail to commence development within one year of the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to us and impose an idle land fee on the land equal to 20% of the land premium. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may confiscate our land use rights without compensation, unless the delay in the development is caused by government action or is due to a force majeure. Moreover, if a property developer commences development of the property in accordance with the timeframe stipulated in the land grant contract but, suspends for more than one year and falls under either of the following two situations (i) the developed land area is less than one-third of the total land area, or (ii) the total invested capital is less than one fourth of the total planned investment in the project, the land may be treated as idle land and will be subject to the risk of forfeiture.

In September 2007, the Ministry of Land and Resources issued a new notice to further enhance control of the land supply by requiring developers to develop land according to the terms of the land grant contracts and restricting or prohibiting any non-compliant developers from participating in future land auctions. In January 2008, the State Council issued a Notice of the State Council on Promoting Land Saving and Efficient Use (《國務院關於促進節約集約用地的通知》) to escalate the enforcement of existing rules on idle land management. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterated the applicable rules with regard to idle land

management. On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (《閒置土地處置辦法》), which went into effect July 1, 2012. These further measures may prevent competent land authorities from accepting any application for new land use rights or processing any title transfer transaction, lease transaction, mortgage transaction or land registration application with respect to idle land prior to the completion of the required rectification procedures.

We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession. In addition, we cannot assure you that regulations relating to idle land or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use right grant contract as a result of delays in project development, or as a result of other factors, we may lose the opportunity to develop the project, as well as our past investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

If we are unable to successfully retain the services of our current personnel and hire, train and retain senior executives or key personnel, our ability to develop and successfully market our products may be impaired.

The success and growth of our business has depended significantly on our ability to identify, hire, train and retain suitable employees with capable skills and qualifications, including management personnel with relevant professional skills. We rely on them to continue to develop our business. We provide incentives to attract and retain management and experienced personnel to meet the future development needs. In addition, if any Director or any member of our senior management team or any of our other key personnel joins a competitor or carries on a competing business, we may lose customers and additional key staff members. However, as the competition is fierce in China for senior management and key personnel with extensive experience in property development, if a large number of directors and senior management resign, and we fail to find a suitable candidate, our business may be adversely affected.

Potential liability for health and environmental problems could result in delay in the development of our properties.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. As required by PRC laws, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and environmental impact assessment documents were submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request a developer to submit the environmental impact documents, issue orders to suspend the construction and impose a penalty for a project where environmental impact assessment documents have not been approved before commencement of construction.

As required by PRC laws and regulations, property projects with GFA in excess of 50,000 sq.m. or in environmentally sensitive regions or areas are required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. For other property projects, we are required to file the environmental impact registration form for record-filing. If we failed to meet such requirements, local authorities may issue orders to stop construction and based on the circumstances of the violation and the consequences thereof, impose on us a fine of between one to five percent of the total investment amount of the project, and may also issue orders to restore the original conditions before the construction; and the persons directly in charge and other directly responsible persons of us shall be subject to administrative sanctions under the law. After the completion of construction, we are required to make an acceptance check of the environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council. When making an acceptance check of environmental protection facilities, we are required not to commit fraud. We are also required to make the acceptance report publicly available in accordance with the law unless we are required to keep confidential according to national

provisions. If we cannot make an acceptance check of environmental protection facilities in due course, the development of our projects may be delayed.

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

Pursuant to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), which became effective on February 1, 2011, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We lease certain properties from third parties mainly for our office use. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations. However, we cannot assure you that legal disputes or conflicts concerning such leases and tenancies will not arise in the future. In addition, we may be required by relevant government authorities to file the lease agreements for registration and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The occurrence of any of the above conflicts or disputes or the imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

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

Consistent with what we believe to be the industry norm for the property development industry in the PRC, we do not maintain insurance coverage against destruction of or damage to our properties, no matter whether they are under development or held for sale other than those over which our lending banks have securities interests or for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites. If we suffer any losses, damages or liabilities in the course of our business operations, we may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, there may be instances when we will sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn adversely affect our financial condition and results of operations.

We rely on external contractors and suppliers to deliver our projects on time and up to our specified quality standards.

We engage external construction contractors, construction supervision companies, other service providers and suppliers to provide us with construction and related services and various types of construction materials as well as other services such as design and landscaping. We select general contractors for most of our property projects through tender by invitation.

We endeavor to engage companies with a strong reputation and track record, high performance and adequate financial resources. However, we cannot assure you that the services rendered or materials supplied by any of these external contractors and suppliers will always be satisfactory or meet our quality requirements. Our construction contractors may fail to provide satisfactory services at the level of quality or within the timeline required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs in respect of remedial actions to be taken (including the replacement of such contractors) as well as potential compensation payable to our customers in the event of any delay in completion of our property developments, which could adversely affect the cost structure and development schedule of our projects and could have a negative impact on our reputation, credibility, financial position and business operations. In addition, as we are expanding our business into other geographical locations in the PRC, there may be a shortage of contractors that meet our quality standards and other selection criteria in such locations and, as a result, we may not be able to engage a sufficient number of high-quality contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects.

We incur maintenance and operating costs in operating our investment properties, which may increase.

Our urban complexes and lifestyle and shopping centers utilize a large amount of utilities such as gas, water and electricity. We are generally not able to influence the prices which utility

providers charge, nor can we easily switch to different utilities providers. Any price increase or change in the pricing structure from these utility providers could have an adverse effect on our operating costs. As a result, increases in the prices of products and services which we procure to maintain our services to our tenants and guests could increase our operating costs if we are not able to pass these higher costs on to our customers.

In addition, operating investment properties and other associated facilities, involves a significant amount of fixed costs, including maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions by minimizing costs. Such limitations may have an adverse impact on our profitability when the property leasing industry experiences a downturn and may exacerbate the impact of a decline in occupancy rates and rental rates. Any significant increase in maintenance costs and operating costs may have a material adverse effect on our business, financial condition, results of operations and prospects.

We face certain risks of defects or deficiencies in connection with our investment properties and any accidents, injuries or prohibited activities in our investment properties may adversely affect our reputation and subject us to liability.

Our investment properties may have defects or deficiencies requiring significant capital expenditures, repair or maintenance expenses or payment of other obligations to third parties. If any of our investment properties has design, construction or other latent property or equipment defects, repairs, maintenance or, if necessary, replacements may need to be carried out to rectify these defects. In addition, wear and tear of our investment properties or adverse weather conditions could result in defects requiring repairs or replacement. Such defects and/or the repair, maintenance or replacement works carried out to rectify them could increase our costs and could have an adverse effect on the operations of our investment properties and/or the attractiveness to tenants and guests of such investment properties.

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by our tenants) taking place in public places, such as shopping malls. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties could adversely affect our reputation among customers and guests, harm our brand, decrease our overall rents and increase our costs by implementing additional requisite safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties, we may be held liable for costs, damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

Our investment properties may encounter temporary closures, reduced turnover or lower occupancy rates as a result of repairs, refurbishments and/or the redevelopment or renovation of the properties or neighboring properties.

Our investment properties may require repairs and refurbishments which may require significant capital expenditures. Our investment properties may need to undergo redevelopment or renovation works from time to time to retain their attractiveness and may also require maintenance or repairs. Such repairs, refurbishments, redevelopments or renovations of our investment properties may impact on our ability to attract tenants at our investment properties. In some circumstances, such repairs, refurbishments, redevelopments or renovations may require the temporary closure of an investment property or certain facilities within our investment properties. As a result, during the period of any such repairs, refurbishments, redevelopments or renovations, we may experience a reduction in the occupancy rates and/or rental income of the investment properties.

Furthermore, buildings neighboring any of our investment properties may be demolished or redeveloped for alternative uses, which may cause disruption to our investment properties. This may in turn negatively impact the revenue, attractiveness and valuation of our investment properties. Furthermore, any development or redevelopment of neighboring properties could add properties that compete with our investment properties. The occurrence of any of the above circumstances could have a material adverse effect on our business, financial condition, results of operations and prospects.

We 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, including (without limitation) contractors, suppliers, construction workers, original residents, partners, banks and purchasers. These disputes may lead to protests and may result in damage to our reputation, substantial costs and diversion of resources and management's attention. As most of our projects are comprised 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. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. See "Business — Legal Proceedings." 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 may be exposed to intellectual property infringement, misappropriation or other claims by third parties and deterioration in our brand image which could adversely affect our business.

We believe that we have built an excellent reputation in our markets for the quality of our various product series. We have also placed great importance on the continuous enhancement of our brand name and the increase in our brand recognition. Brand value, which is based largely on consumer perceptions with a variety of subjective qualities, can be damaged even by isolated business incidents that degrade consumers' trust. Consumer demand for our properties and our brand value could diminish significantly if we fail to preserve the quality of our properties, fail to deliver a consistently positive consumer experience, are exposed to intellectual property infringement claims or are perceived to act in an unethical or socially irresponsible manner. Any decrease in brand value, or any failure to establish our brand in provinces and cities in which we currently operate, may have a material adverse effect on our business, financial condition and results of operations. Our brand strategy also depends on our ability to use, develop and protect our intellectual properties, such as our trademarks. See "Business — Intellectual Property." We cannot assure you that we will not be subject to trademark litigation or disputes in the future. The defense and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert our resources and the time and attention of our management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liabilities to third parties, require us to seek licenses from third parties and to pay ongoing royalties, or subject us to injunctions prohibiting the use of such name and/or logo.

We may be subject to fines or penalties if we fail to comply with any applicable laws, rules or regulations.

Historically, we experienced certain non-compliance incidents. For example, we commenced or proceeded with construction work with respect to certain of our property projects before completing requisite administrative procedures and/or obtaining requisite permits. We commenced construction work with respect to certain of our property projects before being reviewed by the administrative department of planning. We also experienced non-compliance in connection with violation of advertising law and pricing issues. We were subject to penalties or ordered to rectify such non-compliances, as the case may be. We cannot assure you that our internal control measures will be effective and there will not be any non-compliance incidents in the future. In addition, PRC laws, rules or regulations governing our industry have been evolving rapidly, and we cannot assure you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to prevent or detect actions by our employees or agents which violate applicable anti-corruption laws and regulations.

Bribery and other misconduct by our employees or agents may be difficult to prevent or to detect on a timely basis, or at all. Although we have put in place relevant internal control measures

aimed at preventing our employees and agents from engaging in conduct which would violate applicable anti-corruption laws and regulations, we cannot assure you that we will be able to prevent or detect such misconduct. Such misconduct by our employees or agents could subject us to financial losses and harm its business and operations. In addition to potential financial losses, such misconduct could subject us to third party claims and regulatory investigations. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to implement effectively our risk management and internal control policies and procedures, our business and prospects may be materially and adversely affected.

We continually enhance our risk management and internal control policies and systems as part of a continuous effort to improve our risk management capabilities and enhance our internal controls. However, we cannot assure you that our risk management and internal control policies and procedures will adequately control or protect us against all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than what we may anticipate.

Our risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to us. Moreover, our employees will require time to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or accurately apply them. If our risk management and internal control policies, procedures and systems fail to be implemented effectively, or if the intended results of such policies, procedures and systems are not achieved in a timely manner (including our ability to maintain an effective internal control system), our business, financial condition, results of operations and reputation may be materially and adversely affected.

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

As a property developer in the PRC, we are subject to a variety of laws and regulations concerning the marketing and promotion of our property development projects, our business and our brand image. If any of our advertisements are considered to be untruthful, we will be subject to penalties and will be required to cease publishing the advertisements and eliminate adverse effects by publishing notice in the same media or in media with equivalent significance to correct the previous false advertisements and clarify the truth. In addition, any false advertising may cast doubt on our other disclosure, advertisements, filings and publications, and may deteriorate our brand name and reputation and consequently materially and adversely affect our business, financial condition and results of operations.

Negative publicity may adversely affect our business, financial condition, results of operations and prospects.

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

The land use rights in respect of our land bank will not be formally vested in us until we have received the relevant formal land use rights certificates. Any failure or delay in obtaining the formal land use rights certificate may materially adversely affect our business, financial condition and results of operations.

Under current PRC land grant policies, the relevant authorities generally will not issue the formal land use rights certificates until the developer (i) has paid the land premium in full; (ii) has completed the resettlement process; and (iii) is in compliance with other land grant conditions. As of December 31, 2022, we had not yet obtained the land use rights certificates for a portion of our land bank. We are undergoing customary procedures for obtaining the land use rights certificates

for these properties. Under current land grant policies, we will be allowed to commence development of these properties as soon as we have paid the land premium and obtained other required approvals and permits. However, the land use rights regarding these properties and land that we may acquire in the future will not be formally vested to us until we have received the corresponding formal land use rights certificates. We may be required to pay land grant fees and obtain land use rights certificates in the future regarding the land on which such properties are located. There can be no assurance that there will not be delays in the authorities' issuance of the formal land use rights certificates regarding these properties. Any failure or delay in obtaining the formal land use rights certificate will adversely affect our property development schedule and our business development plan and may have a material adverse effect on our business, financial condition and results of operations.

The construction of our property projects may be affected if cultural relics are discovered under our construction sites.

Henan Province was in the past a political, economic and cultural center of China, with Zhengzhou, Luoyang, Kaifeng and Anyang being the capital cities during a number of dynasties. Accordingly, Henan Province is home to a large quantity of valuable cultural relics and historic sites. A majority of the parcels of land we acquired or have contracted to acquire are located in Henan Province. Pursuant to the Cultural Relics Protection Law of the PRC (中華人民共和國文物保護法) and the Implementing Rules of the Cultural Relics Protection Law in Henan Province (河南省實施中國人民共和國文物保護法辦法), we shall request the local department of cultural relics administration to organize surveys on certain archaeological sites that are involved before commencement of major construction projects. If any cultural relics are discovered beneath our development sites during our construction process, such discovery shall be immediately reported to the local department of cultural relics administration and construction shall be immediately suspended or partly suspended for archaeological surveying. The completion of our property projects may be delayed as a result. If an underground discovery is classified as "highly valuable" by archaeologists and a parcel of land is considered to be of public interest by reason of its historical or archaeological significance, the parcel of land will be returned to the local government and the entire project will have to be relocated. Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法), the local PRC Government shall provide compensation to the property developer for any return of a parcel of land to the local PRC Government. However, we may not recover the full amount of the acquisition cost which we paid for the parcel of land or any amount expended for the development of the site. We cannot assure you that we will not experience such events in the future. In such event, our business, financial condition and results of operations may be materially adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our operations are subject to extensive government policies and regulations and we are particularly susceptible to adverse changes in policies relating to the PRC property industry in regions in which we operate.

Our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures, such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. Since 2004, the PRC and local governments introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- strictly enforcing the idle land-related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio lower than certain prescribed percentage;
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums;

- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a business tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- raising the minimum percentage of down payment of the purchase price of the residential property of a family;
- restricting purchasers from acquiring second and more residential properties and imposing property purchase restrictions on non-local residents who cannot provide any proof of local tax or social security payments for more than a specified time period in certain cities; and
- restricting the availability of individual housing loans in the property market to individuals and their family members with more than one residential property, and raising interest rates of such loans.

These and other measures, including additional requirements for pre-sales and restricting the use of funds raised by pre-sales, made the properties we developed more costly, unattractive or even unavailable to certain of our customers. In addition, since January 2010, policies implemented by the PRC government with regard to bank loans and trust financing arrangements for property development projects have had, and may continue to have, a dampening effect on the property markets in which we operate. These measures resulted in downward pressure on the PRC property market starting in the second half of 2011 and reduced transaction volumes in the first quarter of 2012.

Following the market fluctuations in the face of temporary easing of some restrictions by local governments in the second and third quarters of 2012, the property price and transaction volume increased in the last quarter of 2012 and the first quarter of 2013. On February 20, 2013, the General Office of the State Council announced the Notice on Further Regulation of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》). According to such notice, local governments shall increase the supply of housing properties and lands, and set price control targets in cities with rapidly increasing property prices. In addition, the notice also requires the local government to strictly implement existing purchase restrictions and differentiated credit policies with regard to the down payment ratios and interest rates for mortgages for second and more residential property. If the property price increases too quickly, the local government may further increase interest rates and down payment ratio for mortgages for second and more properties. For cities with existing purchase restrictions, the city municipals shall impose further restrictions. For cities with no purchase restrictions, the provincial governments must require these cities to promptly adopt purchase restrictions. The tax, building and construction authorities are required to coordinate to ensure that the 20% individual income tax on the difference between the sales proceeds and the original purchase price for the sale of second-hand properties is strictly implemented. These policies aim to serve to restrain the trend of excessive increase in housing prices. At the end of 2013, a new round of policies aiming at promoting affordable housing and discouraging speculative investments in residential properties was announced in a number of large cities in China, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Fuzhou, Xiamen, Nanjing and Hangzhou.

The PRC government has eased certain restrictive measures starting in the third quarter of 2014 to foster the growth of the residential property market in China, encourage transactions and reduce idle housing inventories. However, such measures have resulted in signs of overheating in the property markets in first-and certain second-tier cities. As a response, in certain first-and second-tier cities including Shanghai, Shenzhen, and Suzhou, local governments have again enhanced restrictive measures such as raising the minimum percentage of down payment of the purchase price of the second and more residential property of a family, requiring longer social insurance records in such cities for citizens whose household registration were not in such cities, and restriction on the percentage of price increases by real estate developers during a year. In 2015, the PRC government raised percentage of down payment and changed the calculation base of

business tax concerning transfer of individual housing, pursuant to which, where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax. In 2016, such tax policies have been further refined.

On February 13, 2017, the Asset Management Association of China issued Circular 4 of Regulation for Registration Management of Private Asset Management Plan by Securities and Future Institutions (the “Circular 4”). The Circular 4 provides that any private equity and asset management plan that is adopted to make either direct or indirect investment into any ordinary residential property project located in certain PRC cities where the property price rises too fast shall not be filed for a record temporarily. Such cities currently include 16 major cities in the PRC, such as Shanghai, Hefei, Nanjing, Suzhou, Tianjin, Fuzhou, Wuhan and Zhengzhou, and the list of such cities may be updated from time to time in the future according to the relevant regulations of the Ministry of Housing and Urban-Rural Development of the PRC. According to the Circular 4, a private equity and asset management plan shall neither be used to finance any real estate developer, by means of bank entrusted loans, trust plans, or usufruct of transferee assets, for the purpose of paying the price of land grant or supplementing the working capital, nor be used to directly or indirectly facilitate any violation or illegality of various institutions’ granting of loans for down payments.

On April 1, 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development 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 (《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》). To maintain a housing supply-demand balance, cities facing serious demand over supply and overheating market shall increase the supply of housing land, especially for ordinary commercial houses; and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build inspection systems to monitor the source of funds for land acquisition to ensure that the real estate developers use their own legal funds to purchase lands. These measures reduced the transaction volumes in certain major cities in the PRC in the second quarter of 2017.

On May 21, 2021, the Ministry of Finance (the “MOF”), the Ministry of Natural Resources, the State Taxation Administration of the PRC (the “STA”) and the PBOC jointly issued the “Notice on Relevant Issues to Allocate the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums” (關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非稅收入劃轉稅務部門徵收有關問題的通知) under which, the tax administrations, will be responsible for the collection of, among others, state-owned land use rights premiums. The pilot scheme has taken effect from July 1, 2021 in certain selected provinces and has been carried out nationwide from January 1, 2022. We cannot assure you that such scheme will not have any material impact on the regional and local government’s land grant process and other aspects of property development in general in the PRC, which may in turn adversely affect our operations in the regions affected.

In August 2020, the Ministry of Housing and Urban-Rural Development of the PRC (“MOHURD”) and PBOC have held a joint meeting to communicate with key real estate enterprises and other relevant governmental departments. In the meeting, it is announced that MOHURD and PBOC, jointly with other relevant governmental departments, have formulated rules for fund monitoring and financing administration of key real estate enterprises to establish a more market-oriented, rule-based and transparent administration over the financing by real estate enterprises. The “Three Red Lines” policy was set up in relation to financings for real estate enterprises. The “Three Red Lines” refers to the financial performance of a real estate enterprise: (1) liabilities to assets ratio after excluding the advances received shall not exceed 70 per cent.; (2) net debt to equity ratio shall not be greater than 100 per cent.; and (3) cash to short term borrowing ratio shall not be less than 1. Availability of financing for property developers may be restricted if they do not meet such ratios.

Effective from January 1, 2021, PRC banks (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 PBOC and the China Banking and Insurance Regulatory Commission (“CBIRC”, the successor of the China Banking Regulatory Commission or CBRC) and calculated based on the total amount of RMB loans extended by such PRC banks. We cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios or PBOC and CBIRC will not further restrain the amount of real estate loans PRC banks can extend to businesses in the future, or that our business, financial condition and results of operation would not be adversely affected as a result of these adjustments.

We cannot assure you that the PRC government will relax the existing restrictive measures, impose and enhance the restrictive measures, or impose other restrictive policies, regulations or measures in the future. The existing and other future restrictive measures may limit our access to capital, reduce market demand for our products and increase our finance costs, and any easing measures introduced may also not be sufficient. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes negatively impact our business, our financial condition, results of operations and prospects may be materially and adversely affected.

The PRC property market industry is highly competitive.

The property market in Zhengzhou and other cities where we have operations or plan to expand our operations has been highly competitive. Domestic and overseas property developers have entered the property development markets in these cities where we have operations. We compete with them with respect to a number of factors, including land acquisition, brand recognition, financial resources, ASP, product design and quality. We may seek to further enhance our market presence in these cities amid intense competition.

In recent years, a large number of property developers have begun to undertake property development and investment projects in the PRC. These include major domestic and overseas property developers, as well as state-owned and private property developers, including a number of leading Hong Kong property developers. Many of our competitors, including top-tier domestic developers and foreign developers, may have greater financial and other capital resources, experience, marketing and other capabilities and/or name recognition than us. Our existing and potential competitors vary among the different cities in which we operate. Certain local competitors may have extensive local knowledge and business relationships and/or a longer operational track record in the relevant local markets than we do. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, surplus in property supply leading to property price decline, further delays in issuance of governmental approvals, and higher costs to attract or retain talented employees, all of which may materially and adversely affect our business. There can be no assurance that we will be able to compete successfully in the future against our existing or potential competitors or that increased competition with respect to our activities may not have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and 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 position 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 emphasizing the utilization of market forces in the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. The PRC economy has grown significantly in recent decades, but we cannot assure you that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by (i) changes in political, economic and social conditions in the PRC, (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies, (iii) measures which may be introduced to control inflation or deflation, (iv) changes in the rate or method of taxation, and (v) imposition of additional restrictions on currency conversion and remittances abroad.

In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. Our business, financial condition and results of operations may be adversely affected by:

- changes in the PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulation or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other important restrictions.

Furthermore, the growth of demand in China for the real estate industry depends heavily on economic growth. We cannot assure you that such growth will be sustained in the future. From time to time, the PRC government has implemented certain measures in order to prevent the PRC economy from experiencing excessive inflation. Such governmental measures may cause a decrease in the level of economic activity and have an adverse impact on economic growth in China. If China's economic growth slows down or if the Chinese economy experiences a recession, the growth of demand for real estate property may also decrease. Such events could have a material adverse effect on the Group's business, results of operations and financial condition.

Changes in, applications and interpretations of the PRC legal system could limit the legal protection available to you.

Our business is conducted in mainland China and is governed by PRC laws and regulations. All of our operating subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions are not legally binding and can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies in applying and enforcing such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities. As such, when PRC laws, rules, regulations and policies apply in different parts in the PRC, there may be varying applications and interpretations. As a result, the legal protections available to you under the PRC legal system may be limited.

The global financial markets, and therefore PRC markets, have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect our business and results of operations.

The global economic slowdown, crisis in global financial markets, including the economic turmoil in Europe, and volatility of property prices beginning in the second half of 2008 have had a negative impact on the PRC economy, which in turn has affected the PRC property market. For example:

- slow economic growth and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices, which in turn have affected our turnover and profit margin;
- weak economic conditions have also affected the ability and speed of property developers in commencing new development projects or expanding existing projects; and
- the tightening of credit and the fluctuation in interest rates has negatively affected the ability of property developers and potential property purchasers to obtain financing.

Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. The United Kingdom (the “UK”) ceased to be a member of the European Union (the “EU”) on January 31, 2020 (“Brexit”). During the period from that date to December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the “TCA”). On December 29, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application in the EU for a limited period (the “Provisional Period”), pending ratification of the TCA by the European Parliament. The TCA was subsequently signed on behalf of the EU on December 30, 2020; and the Provisional Period commenced on January 1, 2021, and is expected to end no later than April 30, 2021. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK’s future economic, trading and legal relationships with the EU and with other countries. In addition, it is possible that the TCA may not be ratified by the European Parliament prior to the end of the Provisional Period, or at all, which would lead to further uncertainty as to the nature and terms of any subsequent relationships between the EU and the UK, and disruption may arise as a result. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high. In Asia and other emerging markets, some countries are expecting to increase inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. PRC’s economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade war with the United States. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the Chinese government responded with

tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the “Phase I Agreement”). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The amicable resolution of the trade war remains elusive, and the lasting impact it may have on PRC’s economy and the real estate industry in which we operate remains uncertain.

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

We may not have adequate financing, whether through bank loans or other arrangements, to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all.

There are certain PRC laws and regulations which govern financing policies on PRC financial institutions for the property development sector and tighten the criteria for banks to provide loans to property development enterprises and limit the accessibility of bank financing to our development projects. Please refer to the section headed “Regulation” in this offering memorandum.

On December 28, 2020, PBOC and CBIRC jointly promulgated the Notice of PBOC and CBIRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and 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.

The PRC government may further tighten financing policies on PRC financial institutions for the property development sector. 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 gearing ratios. These property-related financing policies may limit our ability and flexibility to use bank borrowings to finance our property projects and therefore may require us to maintain a relatively high level of internally generated cash.

We cannot assure you that the PRC government will not introduce other initiatives, which may further limit our access to capital and the ways we finance our property development projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all. If we fail to secure adequate financing

or renew our existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on our business, results of operations and financial condition.

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 outside of China in our business in the PRC.

On April 28, 2013, SAFE issued the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) (“Notice No. 19”). Notice No. 19 stipulate, among other things, (i) that SAFE will no longer process foreign debt registrations and applications for the purchase of foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from and registered with MOFCOM on or after June 1, 2007; (ii) the foreign-invested real estate enterprises found before June 1, 2007 may borrow foreign debt within the scope of original difference between investment amount and registered capital pursuant to relevant laws and regulations; if the difference between investment amount and registered capital after capital increase is lower than the difference before capital increase, the latter shall be the standard; and (iii) if a foreign-invested real estate enterprise fails to obtain the State-owned Land Use Certificate or the capital of the development project fails to reach 35% of the total investment of the project, it shall not borrow foreign debts from abroad; SAFE shall not register foreign debts or approve the settlement of foreign debts. These regulations effectively prohibit our ability to fund our PRC subsidiaries by way of shareholder loans.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require registration from the commerce department of the local government, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation. 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 the funds raised outside of China.

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

The PRC government has imposed restrictions on foreign investment in the property sector to curtail the perceived over-heating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control on cross-border investment and financing activities and imposing restrictions on purchases of properties in China by foreign persons. Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material adverse effect on our business, results of operations and financial condition.

The implementation of the EIT Law may significantly increase our income tax expenses.

On March 16, 2007, the PRC National People’s Congress, Chinese national legislature, adopted a new tax law, the EIT Law, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018. On December 6, 2007, the State Council issued the Implementation Regulations of the PRC Enterprise Income Tax Law (the “Implementation Regulations”), which also became effective on January 1, 2008 and as amended on April 23, 2019.

Under the EIT Law and Implementation Regulations, assuming that we are treated as a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us by our PRC subsidiaries, unless we are entitled to reduction or elimination of such tax, including by tax treaty. According to a tax treaty between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to a shareholder incorporated in Hong Kong may be subject to withholding tax at a rate of 5% if the Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise and certain

other conditions are met, including that the Hong Kong shareholder is considered the beneficial owner of such interest income. We cannot assure you, however, that the current tax treaty between the PRC and Hong Kong will remain in place or that we will otherwise satisfy the conditions and be able to enjoy a reduced withholding tax on dividends we receive from our PRC subsidiaries.

We may be deemed as a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% EIT rate as to their global income. Under the Implementation Regulations for the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of our management is currently based in China and may remain in China. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will explain the regulation. Therefore, we may be treated as a PRC resident enterprise for EIT purposes. The tax consequences of such treatment are currently unclear, as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation Regulations.

Our investment properties are located on land that is under long-term land use rights granted by the PRC government. There is uncertainty about the amount of the land grant premium that we will have to pay and additional conditions that may be imposed if we decide to seek an extension of the land use rights for our investment properties.

Our investment properties are held by us under land use rights granted by the PRC government. Under PRC laws, the maximum term of the land use rights ranges from 40 years to 70 years depending on the land use purpose. The term of the land use right for land used for residential purposes shall be automatically renewed upon expiration; the land use rights for non-residential or other purposes will revert to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights.

These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for our investment properties has, as of the date of this offering memorandum, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which we will have to pay and any additional conditions which may be imposed if we decide to seek an extension of the land use rights for our investment properties upon the expiry thereof.

In certain circumstances, the PRC government may, where it considers it to be in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of our investment properties, our operations could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian

flu or severe acute respiratory syndrome (“SARS”), the Ebola virus or, most recently, the COVID-19 pandemic and other natural disasters 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 certain cities where we operate, are under the threat of flood, earthquake, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. The PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. A recurrence of SARS or an outbreak of a health epidemic or contagious disease, including, for example, the COVID-19 epidemic, could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business, results of operations and financial condition.

RISKS RELATING TO THE NOTES AND NOTES GUARANTEES

The Parent Guarantor is a holding company with no material operations and relies on its operating subsidiaries to provide it with funds necessary to meet its financial obligations and to pay dividends.

The Parent Guarantor is a holding company with no material direct operations. Its principal assets are the equity interests it directly or indirectly holds in its operating subsidiaries, which own its operating assets. As a result, it is dependent on dividends and other payments from its subsidiaries to generate the funds necessary to meet its obligations under the Parent Guarantee. If any of its subsidiary not guaranteeing the Notes incurs debt, the holders of such debt may be able to impair the ability of such subsidiary to pay dividends or other distributions to the Parent Guarantor and in turn impairs its ability to service its debts and the its ability to fulfill its obligations under the Parent Guarantee.

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

We conduct substantially all of our business operations through our PRC subsidiaries but none of our current PRC subsidiaries will provide a Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this offering memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. In addition, certain of our offshore subsidiaries will not be required to guarantee the Notes. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of our PRC subsidiaries and other Non-Guarantor Subsidiaries. The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

Moreover, under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the PRC Parent Guarantor under the terms of the Notes may be replaced by a JV Subsidiary Guarantee, following the sale or issuance to, or a purchase from, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under the JV Subsidiary Guarantees provided by a JV Subsidiary Guarantor and its shareholders and subsidiaries is limited to an amount equal to our

proportional interest in the issued share capital of such JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Parent Guarantor. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

We have substantial indebtedness, including indebtedness that will be mature within one year, and we may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations on a timely manner.

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness including without limitation our 2024 Notes. As a result, we are subject to refinancing risks against such maturing indebtedness.

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

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

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

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. However, we cannot assure you that we will be able to generate sufficient cash flow for these

purposes. We will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all. See also “— Risks Relating to Our Business — We may experience difficulty in maintaining and raising sufficient cash, including through financing activities, to meet our obligations as they become due and to continue funding our on-going business operations and investments.” and “— Risks Relating to Our Business — We may not have sufficient financial resources to continue as a going concern.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Other Material Indebtedness” and “— Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.” Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

We may not be able to make payments due on any outstanding Notes or any other outstanding indebtedness.

Although we are undertaking the Exchange Offer as part of our broader strategy to improve our overall financial condition, extend our debt maturity profile and improve our cash flow management, we cannot assure you that we will be successful in our strategy, or that we will have sufficient cash to pay the remaining principal and interest payments as they come due under any outstanding Notes or other outstanding indebtedness. If we fail to make timely payment under any outstanding Notes or any other outstanding indebtedness (including without limitation the 2024 Notes), it may trigger default under such indebtedness and may in turn trigger cross-defaults or cross-acceleration under our other borrowings, and could have a material adverse effect on our business, results of operations and financial conditions, on the trading price of the Notes, and ultimately on our ability to repay our obligations under the Notes on a timely basis, or at all.

The events of default provision under the Notes will carve out any cross-default events arising directly or indirectly from any defaults or events of default under the 2023 Notes.

As the purpose of the Exchange Offer is to extend our debt maturity profile and improve our cash flow management, the events of default provision under the Notes carves out any cross-default events and final judgments and orders arising directly or indirectly from any defaults or events of default under the 2023 Notes. In addition, the events of default provision under the Notes also carves out any involuntary case or proceeding commenced based on the 2023 Notes under any applicable bankruptcy, insolvency or other similar law, and such events upon the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any significant subsidiary or for all or substantially all of the property and assets of the Company or any significant subsidiary solely for the purpose of defending against any remedy exercised under the 2023 Notes by any holder or the trustee thereof. Holders of the Notes may face more uncertainty and potentially higher credit risk in this regard if any default occurs with respect to the 2023 Notes, because the 2023 Notes and certain of our other indebtedness (including without limitation the 2024 Notes) could become immediately due and payable upon such defaults, and we would have to settle or repay such indebtedness, but payment of the Notes would not be accelerated and holders of the Notes would continue to hold the Notes without recourse upon occurrence of such events.

We may in the future designate certain subsidiaries as Unrestricted Subsidiaries under the Indenture, which will not be subject to various covenants under the Indenture; and we and our Restricted Subsidiaries may be able to make dividend payment in shares of our Unrestricted Subsidiaries under the Indenture.

We have the flexibility under the terms of the Notes to designate any subsidiary in the Restructuring Group (as defined under “Description of the Notes — Definitions”) as Unrestricted Subsidiaries, subject to certain conditions. The effects of designation of an entity as an Unrestricted Subsidiary include, but are not limited to:

- the business, assets and liabilities of such entity will no longer be part of the credit underlying the Notes;
- such entity will not be subject to the restrictive covenants applicable to Restricted Subsidiaries under the Indenture;
- as applicable, the Subsidiary Guarantees of such entity may be released, and the shares of such entity previously pledged to the collateral agent or the trustee for the benefit of the holders of the Notes may be released; and
- interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense (as defined under “Description of the Notes — Definitions”), other than such interest expenses on indebtedness that is guaranteed and is actually paid by us or a Restricted Subsidiary.

As a result of any such designation, the value of assets subject to the restrictive covenants under the Indenture may decrease and the market pricing and trading of the Notes may be materially affected. In addition, we will be able to pay dividends or make distributions on or with respect to our or our Restricted Subsidiaries’ capital stock in shares of capital stock of any Unrestricted Subsidiary, as long as there is no default at the time of, and after giving effect to, such dividend payment or distribution under the Indenture. Accordingly, you are cautioned as to our ability to designate further Unrestricted Subsidiaries subject to the conditions set forth in the Indenture.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries are subject to certain dividend distribution limitations. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be. Such restrictions may adversely affect the calculation of our Consolidated EBITDA, and in turn our ability to undertake additional financing, investment or other transactions under the terms of the Notes.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the

overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5% provided that certain conditions are met. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes.

The eligibility for the reduced tax rates described above on payments from our PRC subsidiaries to our Hong Kong subsidiary is subject to limitations, including that the Hong Kong recipient company must be treated as the beneficial owner of the income and the PRC tax authorities approve the reduced withholding rate. We cannot assure you that such approval will be granted by the PRC tax authorities.

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

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

The Notes are denominated in U.S. dollars, while substantially all of our revenue is denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. 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 Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our U.S. dollar-denominated indebtedness. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, 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 hedging arrangements.

The Notes are subject to optional redemption by us at par.

We may redeem the Notes in whole or in part from time to time at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest at our discretion. However there is no assurance that we will choose to do so at any time during the existence of the Notes nor can we assure you that the Issuer or the Company has sufficient resources to repay the Notes when due. During any period when we may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. We may be expected to redeem the Notes when its cost of borrowings is lower than the interest rate on the Notes. In such case 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. It may therefore cause a negative financial impact on the Noteholders. Potential Investors should consider reinvestment risk in light of other investments available at that time.

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

We may from time to time make investments in joint ventures (including joint ventures in which we may own more or less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures up to an aggregate amount equal to 25.0% of Total Assets (as defined in “Description of the Notes”), without satisfying the Fixed Charge Coverage Ratio requirement. See “Description of the Notes.”

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

We may be treated as a PRC resident enterprise for PRC tax purposes. See “— Risks Relating to Our Business — We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income.” If the Issuer or any Guarantor is deemed a PRC resident enterprise, the interest and redemption premium payable on the Notes by the Issuer or any Guarantor may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if the Issuer or any Guarantor is considered a PRC resident enterprise and the relevant PRC tax authorities consider interest or redemption premium we pay with respect to the Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC “resident enterprise.” In addition, pursuant to Circular 36 promulgated by the MOF and SAT on March 23, 2016, if the Issuer or the Parent Guarantor is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Any PRC VAT on interest payment may be withheld by us.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the seller nor the buyer is located in the PRC, theoretically the Circular 36 does not apply and we do not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located within the PRC.

If we are required to withhold PRC tax on interest payable to our foreign noteholders that are “non-resident enterprises,” we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Notes might be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

In the event we are treated as a PRC “resident enterprise”, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the Notes — Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in specified tax law or certain other circumstances, including any change in interpretation or statement of the official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

Certain major terms of the Notes may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding Notes, which may adversely affect the interest of the holders of the Notes and increase the credits risks of the Notes.

Typically, certain major terms of an indenture may only be modified, amended or waived with the consent of all holders of the outstanding notes. However, as the purpose of the Exchange Offer is to extend our debt maturity profile and improve our cash flow management, the indenture governing the Notes will allow modification, amendments or waivers of certain major terms to be made with the consent of holders of not less than 75% in aggregate principal amount of the outstanding Notes, including without limitation, the waiver of payment defaults, the reduction of the principal amount of, or premium, if any, or interest on, any Note. Such provisions would reduce the protection afforded to the holders of the Notes and potentially increase the credits risks of the Notes.

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

We must offer to purchase the Notes upon the occurrence of a Change of Control, at a purchase price equal to 101% of the principal amount plus any accrued and unpaid interest. See “Description of the Notes — Repurchase of Notes Upon a Change of Control.” The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control to make purchases of outstanding Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of a Change of Control for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other

recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

The insolvency laws of the British Virgin Islands and Hong Kong and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

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

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

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

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

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

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then

greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

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

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

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

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

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

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

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

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

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

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

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

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

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

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

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

The Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the Hong Kong Stock Exchange for listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum, we

cannot assure you that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled “Transfer Restrictions.” No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

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

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

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

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Certain facts and statistics are derived from publications not independently verified by us or our advisors.

Facts and statistics in this offering memorandum relating to China’s economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us or our advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

USE OF PROCEEDS

We will not receive any cash proceeds from the offering of the Notes.

CAPITALIZATION AND INDEBTEDNESS OF THE COMPANY

The following table sets out the capitalisation and indebtedness of the Company as of December 31, 2022. The following table should be read in conjunction with the independent auditor's report of the Company for the year ended December 31, 2022 and related notes included in this offering memorandum.

	As of December 31, 2022 ⁽¹⁾	
	Actual	
	(RMB)	(US\$)
	(in thousands)	
Cash and cash equivalents ⁽²⁾	543,896	78,858
Short-term borrowings ⁽³⁾		
Bank loans — secured	2,734,671	396,490
Other loans — secured	563,012	81,629
Other loans — unsecured	37,380	5,420
Senior notes — unsecured	1,351,499	195,949
Total short-term borrowings	4,686,562	679,488
Long-term borrowings ⁽³⁾		
Bank loans — secured	2,143,760	310,816
Other loans — secured	164,301	23,821
Other loans — unsecured	125,145	18,144
Senior notes — unsecured	1,092,026	158,329
Total long-term borrowings	3,525,232	511,111
Total equity	15,536,807	2,252,625
Total capitalization ⁽⁴⁾	19,062,039	2,763,736

Notes:

- (1) *The translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.8972 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2022.*
- (2) *Cash and cash equivalents exclude restricted bank balances of RMB1,458.1 million (US\$211.4 million) and pledged deposits of RMB424.5 million (US\$61.5 million).*
- (3) *Subsequent to December 31, 2022, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. Some of these additional borrowings are not reflected in the table above.*
- (4) *Total capitalization includes total long-term borrowings plus total equity.*

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2022.

CAPITALIZATION AND INDEBTEDNESS OF THE ISSUER

The following table sets out the capitalisation and indebtedness of the Issuer as of December 31, 2022. The following table should be read in conjunction with the independent auditor's report of the Issuer for the year ended December 31, 2022 and related notes included in this offering memorandum.

	As of December 31, 2022 ⁽¹⁾	
	Actual	
	(RMB)	(US\$)
	(in thousands)	
Cash and cash equivalents⁽²⁾	488,199	70,782
Current borrowings⁽³⁾		
Bank loans — secured	2,734,671	396,490
Other loans — secured	552,012	80,034
Other loans — unsecured	37,380	5,420
Senior notes — unsecured	1,369,088	198,499
Total current borrowings	4,693,151	680,443
Non-current borrowings⁽³⁾		
Bank loans — secured	2,143,760	310,816
Other loans — secured	145,301	21,067
Other loans — unsecured	125,145	18,144
Senior notes — unsecured	1,092,026	158,329
Total non-current borrowings	3,506,232	580,356
Total equity	5,320,245	771,363
Total capitalization⁽⁴⁾	8,826,477	1,279,719

Notes:

- (1) *The translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.8972 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2022.*
- (2) *Cash and cash equivalents exclude restricted bank balances of RMB1,365.9 million (US\$198.0 million) and pledged deposits of RMB137.5 million (US\$19.9 million).*
- (3) *Subsequent to December 31, 2022, the Issuer has from time to time entered into additional loan agreements to finance our property developments or for general corporate purposes in the ordinary course of business. These changes in our borrowings and any repayments after December 31, 2022 have not been reflected in this capitalization table.*
- (4) *Total capitalization equals total non-current debt plus total equity.*

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in Issuer's capitalization since December 31, 2022.

DESCRIPTION OF THE COMPANY

OVERVIEW

Founded in Zhengzhou in 1995, we have grown into a renowned multinational group with integrated real estate businesses. Now our footprint covers Henan Province, Beijing, Hubei, Shandong and Hainan Provinces, Hong Kong, as well as Japan, Singapore and other countries and regions.

We focus on developing a range of residential properties that cater to the various demands and preferences of middle to upper-middle class customers in Zhengzhou and selected cities with solid industrial base and high growth potential, including Xinyang, Luoyang, Xinxiang, Xuchang, Nanyang, Shangqiu and Zhoukou of Henan Province, Wenchang of Hainan Province, Wuhan of Hubei Province, Qingdao of Shandong Province and Beijing. Based on our in-depth knowledge of local markets, we design and offer standardized series of residential properties with distinctive market positioning that appeal to the evolving needs of the middle and upper-middle class customers as their disposable income increases. Our property development processes, starting from land selection and acquisition to project planning and design, are centered on the preferences and needs of such target customers. We only pursue land opportunities that complement our standard product portfolio and are suitable for developing residential properties that meet the needs of our target customers.

We adopt a disciplined approach to project selection by only acquiring land parcels that can be effectively managed by our available resources, fit into our investment budget and have the potential to meet our target project return criteria. We selectively participate in Urban Redevelopment Schemes, which we believe enables us to gain more insights into the land parcels and increases our chances to obtain land parcels situated in the urban areas of Zhengzhou, Luoyang and Xinxiang of Henan Province with significant appreciation potential in a cost-efficient manner. As of December 31, 2022, we had acquired land parcels or entered into land grant contracts with an aggregate site area of approximately 5.8 million sq.m. in Zhengzhou, Luoyang and Xinxiang of Henan Province for which we had participated in Urban Redevelopment Schemes.

Our strategic focus on Zhengzhou has enabled us to secure or obtain land at suitable locations in the region, which provides a solid foundation for our future development. As of December 31, 2022, we had acquired land parcels with an aggregate site areas of approximately 5.1 million sq.m. in Zhengzhou, comprising 83 property development projects with an aggregate GFA of approximately 12.7 million sq.m. We believe that we have sufficient land reserve in Zhengzhou to meet our development needs and sustain our business growth in the region.

In addition to real estate development, we also engage in a great variety of businesses in relation to the real estate industry, including but not limited to construction, property investment, real estate investment trusts, healthcare real estate and pension real estate. We believe that the diversification of our real estate businesses has provided us with a competitive edge in the real estate industry both at home and abroad.

OUR BUSINESS

Our Property Projects

Overview

As of December 31, 2022, our property portfolio consisted of 99 property projects or phases with an aggregated GFA of approximately 17.0 million sq.m., which were located in fourteen cities, including Zhengzhou, Xinyang, Xinxiang, Xuchang, Wuhan, Wenchang and Beijing, Nanyang, Luoyang, Shangqiu, Anyang, Pingdingshan, Zhoukou and Luohe. As of December 31, 2022, we had completed property projects or project phases with an aggregated GFA of approximately 6.1 million sq.m., projects or project phases with an aggregate GFA of approximately 7.1 million sq.m. that were under development, and an aggregate GFA of approximately 3.8 million sq.m. that were planned for future development. In addition, as of December 31, 2022, we had a total site area of approximately 32.9 million sq.m. intended, but not committed, to be acquired for future development in Zhengzhou, Luoyang and Xinxiang of Henan Province, which is attributed to our Urban Redevelopment Schemes in respect of which we have only entered into master urban redevelopment agreements or cooperation agreements but had not, as of December 31, 2022, entered into the relevant land grant contracts or obtained the relevant land use right certificates. Our property projects developed in 2020, 2021 and 2022 were mainly residential properties. We currently offer two standardized series of residential properties, namely “Shangjing” series and “Quality Home” series. These two property series delineate the different positioning for a variety of segments among our target customers and differ in terms of site selection, ambience, design and artistic styles, apartment layout, plot, greening and parking ratio, materials and components used, target customers, among others. Our “Shangjing” series represent the high-end properties we develop.

The table below sets forth the details of our two series of residential properties:

	Shangjing (上境)	Quality Home (品質家)
Unit GFA	140 sq.m. to 210 sq.m.	80 sq.m. to 140 sq.m.
Building types	bungalows, townhouse and low-rise/mid-rise garden apartments	mid-rise and high-rise apartments
Design features	new Chinese-style	“Scholar Mansion” (“華府”), features New Asian style, “Orchids Mansion” (“蘭庭”) features New Chinese style and “Golden Mile House” (“世家”) features modern-simplistic style.
Plot ratio	less than 2.5	less than 3.0
Target customers	medium-to-high income households	medium-to high-income first-time home buyers and home upgraders
Location	high-class residential area surrounding central business district	downtown areas with convenient transportation and amenities

Classifications of Our Property Projects

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

- Completed projects or project phases;
- Projects or project phases under development;
- Projects or project phases planned for future development; and
- Projects or project phases intended to be acquired for future development.

A project or project phase is classified as completed when a completion certificate has been obtained from the relevant government construction authorities.

A project or a project phase is classified as under development when the required project construction commencement permits have been obtained but a completion certificate has not been obtained for the project or project phase.

A project or a project phase is considered to be planned for future development when (i) we have obtained the land use rights certificate, but have not obtained the requisite construction permits or (ii) we have signed a land grant contract for the underlying parcel of land with relevant government authorities, but have not obtained the relevant land use rights certificate.

A project or a project phase is considered intended to be acquired for future development when we have signed master agreements or letters of intent with the local government authorities or villagers' autonomous organizations in connection with Urban Redevelopment Schemes, but have not completed the public tenders, auctions or listings-for-bidding process, entered into a land grant contract for the underlying parcel of land with relevant government authorities or obtained the relevant land use rights certificates.

As some of our projects comprise multiple-phase developments that are completed on a rolling basis, a project may fall into one or more of the above categories.

Detailed descriptions of each of our projects as set forth in this offering memorandum are as of December 31, 2022, unless otherwise dated. The commencement date relating to each project or each phase of a project refers to the date construction commenced on the first building of the project or phase. The completion date set out in the description of our completed projects or phases refers to the date on which the completion examination and acceptance form is obtained for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion date reflects our best estimate based on our current development plans.

Site area is calculated as follows:

- for projects or phases for which we have obtained land use rights, based on the relevant land use rights certificate; or
- for projects or phases for which we have not obtained land use rights, based on the relevant land grant contracts.

Total GFA is calculated as follows:

- for projects and phases that are completed, based upon the relevant completion examination and acceptance form or property measurement report;
- for projects and phases that are under development, (i) based upon the relevant pre-sale permit for the residential, office or retail portion and the relevant construction work planning permit for the other portions, and (ii) based upon the relevant construction work planning permit if the relevant pre-sale permit has not been issued;

- for projects and phases that are planned for future development, (i) based upon the relevant construction work planning permit, or (ii) if the relevant construction work planning permit has not been issued, based upon the total GFA indicated in the government-approved property development plans or based on our internal records and development plans, which may be subject to change; and
- for projects and phases intended to be acquired for future development, based on our internal records and development plans, which may be subject to change.

Total GFA as used in this offering memorandum is comprised of saleable/leasable GFA and non-saleable GFA. Non-saleable GFA as used in this offering memorandum refers to ancillary facilities that are not saleable pursuant to PRC laws and regulations as well as underground store rooms. Saleable/leasable GFA as used in this offering memorandum generally refers to our internal floor areas and shared areas that are allocated to such properties, our investment properties and non-civil defense car parks that are saleable pursuant to PRC laws and regulations, as well as civil defense car parks that are leasable under the applicable PRC laws and regulations. Saleable/leasable GFA is further divided into saleable/leasable GFA pre-sold/sold and saleable/leasable GFA unsold. A property is pre-sold when we have executed the purchase or lease contract but not yet delivered the property to the customer. A property is considered sold after we have executed the purchase or lease contract with a customer and have delivered the property to the customer.

Saleable/leasable GFA is calculated as follows:

- for projects and phases that are completed, based on the relevant property ownership certificate or property measurement report;
- for projects and phases under development, based upon the relevant pre-sale permit, or based upon other documentation issued by relevant government authorities if the pre-sale permit is not available or applicable; and
- for projects and phases that are planned for future development as well as projects and phases intended to be acquired for future development, based upon our internal records and development plan. The total GFA we intend to sell does not exceed the product of multiplying 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.

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

We have included in this offering memorandum the project names which we have used, or intend to use, to market our properties. Some of the names for property developments may be different from the names registered with the relevant authorities. The names are subject to approval by the relevant authorities and are subject to change.

Our Property Projects

The following table sets forth a summary of all our property projects and project phases, including projects and project phases planned for future development but excluding property projects and project phases intended to be acquired for future development, as of December 31, 2022:

No.	Project	Site Area (sq.m.)	COMPLETED		UNDER DEVELOPMENT		FUTURE DEVELOPMENT		Group's interest in the Project	Type
			GFA Completed (sq.m.)	Saleable/ Leasable GFA (sq.m.)	GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)		
Zhengzhou										
1	Zensun Shanshuishangjing	68,333	170,992	170,992	—	—	—	—	100.0%	Residential
2	Purple Garden	29,343	102,701	101,398	—	—	—	—	100.0%	Commercial
3	Riverview Garden (Phase I & Phase II) ⁽¹⁾	31,462	119,556	119,251	—	—	—	—	72.0%	Commercial
4	Zhengzhou Zensun Princess Lake Phase II (Yuehu Horizons) ⁽¹⁾	154,901	107,863	107,863	200,910	200,910	—	—	72.0%	Residential
5	Zensun Princess Lake III (Huanhuxi'an) ⁽¹⁾	40,819	81,551	80,244	—	—	—	—	72.0%	Residential
6	Zensun Wisdom City	423,546	1,431,408	1,146,331	—	—	—	—	100.0%	Residential
7	Zensun City • Courtyard No.2 of Peace Garden	11,291	—	—	67,745	67,242	—	—	100.0%	Commercial
8	Zensun City • Xiang Garden	21,194	—	—	127,166	127,166	—	—	100.0%	Commercial
9	Zensun International Building ⁽¹⁾	13,442	107,388	107,388	—	—	—	—	72.0%	Office
10	Aerospace Mansion	27,806	64,515	64,515	60,611	59,946	—	—	49.0%	Commercial
11	Zensun Scholar Garden ⁽¹⁾	25,357	101,426	100,662	—	—	—	—	72.0%	Commercial
12	Zensun Longhushangjing ⁽¹⁾	62,286	96,420	93,399	—	—	—	—	72.0%	Residential
13	Zensun Voyage Mansion ⁽¹⁾	55,631	193,851	132,129	61,722	61,722	—	—	72.0%	Commercial
14	Zhengzhou Zensun River Valley (Phase I) ⁽¹⁾	94,426	188,852	176,845	—	—	—	—	72.0%	Residential
15	Zhengzhou Zensun River Valley (Phase II) ⁽¹⁾	89,025	195,855	191,971	—	—	—	—	72.0%	Residential
16	Green Commercial Center ⁽¹⁾	28,062	—	—	84,277	84,185	—	—	72.0%	Commercial
17	Zensun River Home (Phase I) ⁽¹⁾	98,973	289,951	289,951	—	—	—	—	72.0%	Residential
18	Zensun River Home (Phase II) ⁽¹⁾	84,310	210,275	210,275	—	—	—	—	72.0%	Residential
19	Zhengzhou Zensun Boyue Commercial Centre and Jiabe commercial centre ⁽¹⁾	45,651	—	—	108,519	108,519	32,223	—	72.0%	Commercial
20	Dengfeng Zensun City (Xi Garden, Tai Garden, Rui Garden and Jing Garden) ⁽¹⁾	145,156	118,942	118,942	203,880	203,329	—	—	72.0%	Residential
21	Dengfeng Zensun City (Yu Garden, Xiang Garden and He Garden) ⁽¹⁾	124,545	278,488	264,549	—	—	—	—	72.0%	Residential
22	Zensun Prosperity Court ⁽¹⁾	8,051	26,476	26,476	—	—	—	—	72.0%	Residential

No.	Project	Site Area (sq.m.)	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's interest in the Project	Type
			GFA Completed	Saleable/Leasable GFA	GFA under development	Saleable/Leasable GFA	Planned GFA	Land Use Rights Not Yet Obtained					
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)					
23	Voyage International Plaza (Phase I) ⁽¹⁾	11,215	39,250	38,029	-	-	-	-	-	-	-	72.0% Office	
24	Zensun Longshuishangjing ⁽¹⁾	58,338	99,175	96,549	-	-	-	-	-	-	-	72.0% Residential	
25	Zensun Voyage Garden (Phase I) ⁽¹⁾	35,702	107,105	106,903	-	-	-	-	-	-	-	72.0% Residential	
26	Zensun Voyage Garden (Phase II) ⁽¹⁾	50,921	80,414	80,414	123,270	122,802	-	-	-	-	-	72.0% Residential	
27	Zensun Orchids Mansion (Valley-view Garden) ⁽¹⁾	43,470	-	-	130,135	130,135	-	-	-	-	-	72.0% Residential	
28	Zensun Orchids Mansion (Valley-view Court) ⁽¹⁾	93,497	-	-	183,759	183,759	-	-	96,731	-	-	72.0% Residential	
29	Zhengzhou Zensun Lehuo City ⁽¹⁾	987,701	-	-	190,570	190,570	-	-	950,677	-	-	72.0% Residential and commercial	
30	Gongyi Project	33,616	-	-	146,838	146,838	-	-	-	-	-	100.0% Commercial	
31	Voyage International Plaza (Phase II) ⁽¹⁾	10,701	-	-	39,092	37,454	-	-	-	-	-	72.0% Office	
32	Zensun Zhenruishangjing ⁽¹⁾	68,819	106,882	103,228	-	-	-	-	-	-	-	72.0% Residential	
33	Zensun Yating Mansion ⁽¹⁾	54,298	75,422	75,422	71,181	71,181	-	-	-	-	-	72.0% Residential	
34	Zensun Fenghuashangjing ⁽¹⁾	45,505	-	-	77,358	77,118	-	-	-	-	-	72.0% Residential	
35	Skyline Lake Court (Phase I & II) ⁽¹⁾	97,995	-	-	139,240	139,240	-	-	56,632	-	-	72.0% Residential	
36	Zensun Jingkai Plaza ⁽¹⁾	47,736	214,812	211,748	-	-	-	-	-	-	-	72.0% Office	
37	Zensun West Lakeside Scholar Mansion ⁽¹⁾	51,395	132,121	128,489	-	-	-	-	-	-	-	72.0% Residential	
38	Zensun Zhengshang Commercial Centre ⁽¹⁾	93,643	-	-	53,881	53,881	-	-	180,227	-	-	72.0% Commercial	
39	Zensun Ecological City ⁽¹⁾	228,239	-	-	423,330	423,330	-	-	166,654	-	-	72.0% Residential	
40	Zensun Xin Harbour Home ⁽¹⁾	84,186	-	-	241,602	212,465	-	-	-	-	-	72.0% Residential	
41	Xinmi Zensun City ⁽¹⁾	79,029	-	-	132,651	132,651	-	-	-	-	-	72.0% Residential	
42	Dengfeng Zensun Yinghe Mansion ⁽¹⁾	30,727	-	-	76,819	76,819	-	-	-	-	-	72.0% Residential	
43	Dengfeng Zensun Yingbin House • Qiyue House ⁽¹⁾	41,543	-	-	78,932	78,932	-	-	-	-	-	72.0% Residential	
44	Dengfeng Zensun Songyue Horizons ⁽¹⁾	146,813	-	-	52,422	52,422	-	-	167,798	-	-	72.0% Residential	
45	Dengfeng Zensun Yingbin House • Yingbin House ⁽¹⁾	98,972	-	-	-	-	-	-	188,047	-	-	72.0% Residential	
46	Zhengzhou Zensun Zuoan ⁽¹⁾	57,015	-	-	68,482	68,482	-	-	22,829	-	-	72.0% Residential	
47	Gongyi Zensun Scholar Mansion ⁽¹⁾	99,101	-	-	158,103	158,103	-	-	20,279	-	-	72.0% Residential	
48	Zhengzhou Zensun Xinrui Scholar Mansion ⁽¹⁾	13,734	-	-	43,810	43,810	-	-	24,862	-	-	72.0% Residential	

No.	Project	Site Area (sq.m.)	COMPLETED		UNDER DEVELOPMENT		FUTURE DEVELOPMENT		Group's interest in the Project	Type
			GFA Completed (sq.m.)	Salenble/ Leasable GFA (sq.m.)	GFA under development (sq.m.)	Salenble/ Leasable GFA (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)		
49	Gongyi Zensun Hele Horizons ⁽¹⁾	20,004	-	-	40,008	40,008	-	-	72.0%	Residential
50	Zhengzhou Zensun Boya Court (Phase I & II) ⁽¹⁾	76,354	37,269	37,269	184,372	184,372	-	-	72.0%	Residential
51	Zensun Wisdom City Commercial area ⁽¹⁾	15,448	-	-	-	-	61,792	-	100.0%	Commercial
52	Zhengzhou Zensun River Home Horizon ⁽¹⁾	33,446	-	-	50,119	50,119	49,877	-	72.0%	Residential
53	Zhengzhou Zensun Smart City B-08 Land Parcel ⁽¹⁾	51,985	-	-	105,720	105,720	24,242	-	72.0%	Residential
54	Xinmi Zensun Zhenyuan Horizons ⁽¹⁾	43,862	-	-	-	-	78,790	-	72.0%	Residential
55	Dengfeng Zensun City • Ya Garden ⁽¹⁾	12,185	-	-	21,933	21,933	-	-	72.0%	Residential
56	Dengfeng Zensun City • Xin Garden ⁽¹⁾	43,728	-	-	-	-	69,965	-	72.0%	Residential
57	Dengfeng Zensun Golden Mile House ⁽¹⁾	42,082	-	-	-	-	75,747	-	72.0%	Residential
	Xuchang									
58	Xuchang Zensun Scholar Mansion ⁽¹⁾	115,449	336,918	295,889	9,429	9,429	-	-	72.0%	Residential
59	Xuchang Zensun Golden Mile House ⁽¹⁾	60,948	37,358	37,358	130,633	129,735	-	-	72.0%	Residential
60	Xuchang Zensun Orchids Mansion ⁽¹⁾	62,832	-	-	174,777	173,708	-	-	72.0%	Residential
	Xinyang									
61	Xinyang Huaibin Zensun Scholar Mansion (Phase I & II) ⁽¹⁾	96,944	-	-	118,280	118,280	94,996	-	64.8%	Residential
62	Xinyang Zensun Golden Mile House ⁽¹⁾	46,435	-	-	102,157	102,157	-	-	72.0%	Residential
63	Guangshan Zensun Scholar Mansion ⁽¹⁾	51,847	-	-	129,616	129,616	-	-	72.0%	Residential
64	Shangcheng Zensun Scholar Mansion ⁽¹⁾	45,756	-	-	64,999	64,999	35,663	-	72.0%	Residential and commercial
65	Huaibin Zensun Golden Mile House ⁽¹⁾	12,122	-	-	26,669	26,669	-	-	64.8%	Residential and commercial
66	Luoshan Zensun Scholar Mansion ⁽¹⁾	33,819	-	-	55,026	55,026	19,377	-	72.0%	Residential and commercial

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			GFA Completed (sq.m.)	Saleable/ Leasable GFA (sq.m.)	GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)		
Xinxiang										
67	Xinxiang Zensun Golden Mile House (Phase I) ⁽¹⁾	45,591	-	-	232,406	159,569	-	-	72.0%	Residential
68	Xinxiang Zensun Golden Mile House (Phase II) ⁽¹⁾	36,712	176,469	128,492	-	-	-	-	72.0%	Residential
69	Zensun Smart City • Rong Garden ⁽¹⁾	40,279	64,446	61,343	-	-	-	-	72.0%	Residential
70	Zensun Smart City • Xiang Garden ⁽¹⁾	58,642	94,537	94,537	-	-	-	-	72.0%	Residential
71	Zensun Smart City ⁽¹⁾	202,905	-	-	8,741	8,741	358,412	-	72.0%	Residential
72	Xinxiang Zensun Orchids Mansion (Phase I & II) ⁽¹⁾	85,053	-	-	119,379	119,379	50,727	-	64.8%	Residential
73	Weihui Zensun Golden Mile Court ⁽¹⁾	43,964	-	-	109,911	109,911	-	-	64.8%	Residential
74	Huixian Zensun Scholar Mansion ⁽¹⁾	37,065	-	-	81,542	81,542	-	-	72.0%	Residential
75	Yuanyang Zensun Golden Mile House ⁽¹⁾	51,293	-	-	19,259	19,259	73,067	-	72.0%	Residential and commercial
Wuhan										
76	Wuhan Zensun Golden Mile House	95,530	238,824	221,712	-	-	-	-	100.0%	Residential
77	Wuhan Zensun Scholar Mansion ⁽¹⁾	46,888	-	-	164,108	164,108	-	-	72.0%	Residential
Wenchang										
78	Hainan Red Coconut Bay(Phase IV)	45,082	-	-	73,994	67,205	-	-	100.0%	Residential
79	Hainan Red Coconut Bay(Phase V)	45,410	-	-	23,237	23,237	90,379	-	100.0%	Residential
Beijing										
80	Beijing Zensun Xinghai Court ⁽¹⁾	47,892	-	-	103,979	103,979	-	-	72.0%	Residential
81	Beijing Zensun Grand Garden ⁽¹⁾	53,214	90,890	89,017	90,890	89,017	-	-	72.0%	Residential
82	Beijing Zensun Yazhu Garden ⁽¹⁾	41,170	60,109	59,397	60,109	59,397	-	-	72.0%	Residential

No.	Project	Site Area (sq.m.)	COMPLETED		UNDER DEVELOPMENT		FUTURE DEVELOPMENT		Group's interest in the Project	Type
			GFA Completed (sq.m.)	Salable/ Leasable GFA (sq.m.)	GFA under development (sq.m.)	Salable/ Leasable GFA (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)		
Nanyang										
83	Nanyang Zensun Scholar Court ⁽¹⁾	25,293	-	-	88,524	88,460	-	-	72.0%	Residential
84	Dengzhou Zensun Kaiyue Mansion ⁽¹⁾	64,028	-	-	79,591	77,016	80,478	-	72.0%	Residential
85	Fengan Garden ⁽¹⁾	16,809	33,516	33,516	-	-	-	-	36.7%	Residential
86	Dengzhou Zensun Xintiandi ⁽¹⁾	42,393	42,393	42,393	-	-	-	-	36.7%	Residential
87	Dengzhou Zensun Pearl Lake ⁽¹⁾	53,734	122,362	122,362	-	-	-	-	36.7%	Residential
Luoyang										
88	Luoyang Zensun City North Garden (Phase II & III) ⁽¹⁾	122,327	-	-	406,418	406,418	-	-	72.0%	Residential
89	Yichuan Zensun Yihe Horizons ⁽¹⁾	202,883	-	-	125,801	125,801	113,659	-	72.0%	Residential
90	Ruyang Zensun Scholar Court ⁽¹⁾	84,043	-	-	89,484	89,412	87,008	-	72.0%	Residential
91	Luoyang Zensun Scholar Mansion ⁽¹⁾	70,095	-	-	-	-	224,302	-	72.0%	Residential and commercial
Luohe										
92	Luohe Zensun Chenyue Horizons ⁽¹⁾	47,604	-	-	33,645	33,645	85,366	-	64.8%	Residential and commercial
Shangqiu										
93	Shangqiu Zensun Kaiyue Mansion ⁽¹⁾	45,564	-	-	59,933	59,933	72,202	-	72.0%	Residential
94	Yucheng Zensun Scholar Mansion ⁽¹⁾	51,410	-	-	56,228	56,228	72,297	-	72.0%	Residential and commercial
95	Shangqiu Zensun Scholar Mansion ⁽¹⁾	67,802	-	-	196,625	196,625	-	-	72.0%	Residential commercial
Anyang										
96	Huaxian Zensun Orchids Mansion ⁽¹⁾	55,720	-	-	111,441	111,441	-	-	72.0%	Residential

No.	Project	Site Area (sq.m.)	COMPLETED		UNDER DEVELOPMENT		FUTURE DEVELOPMENT			Group's interest in the Project	Type
			GFA Completed (sq.m.)	Salenble/ Leasable GFA (sq.m.)	GFA under development (sq.m.)	Salenble/ Leasable GFA (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)			
Pingdingshan											
97	Lushan Zensun Golden Mile Mansion ⁽¹⁾	32,602	-	-	48,903	48,903	-	-	-	-	72.0% Residential
Zhoukou											
98	Zhoukuo Zensun Golden Mile House ⁽¹⁾	52,941	-	-	112,650	112,650	46,174	-	-	-	40.3% Residential
99	Huaiyang Zensun Longhu Horizons ⁽¹⁾	42,841	-	-	85,682	85,682	-	-	-	-	72.0% Residential and commercial
Total		7,267,546	6,076,782	5,567,248	7,142,523	7,022,340	3,771,479	-	-	-	

Note:

(1): These projects and project phases are held and operated by the Issuer.

Urban Redevelopment Schemes

Overview

As part of the PRC central government's plan to renew underdeveloped urban areas, local governments offer urban redevelopment schemes, or Urban Redevelopment Schemes, whereby local governments provide a statutory framework for the participation by real estate developers through public-private partnership.

Under the Urban Redevelopment Schemes, local governments designate areas in their zoning process that are available for public-private partnerships between the local communities and real estate developers. Such schemes typically involve compensation and resettlement of residents in the affected area, demolition of existing structures and clearing of the land, construction of infrastructure and public facilities, construction of resettlement housing and overall zoning and design of the redeveloped area. Pursuant to regulations issued by the People's Government of Zhengzhou, Luoyang and Xinxiang, the local governments shall take overall charge of the relevant Urban Redevelopment Schemes.

Under this regime, real estate developers like us, or Scheme Participants, typically follow the following steps:

- the local government identifies certain underdeveloped villages within an urban area as targets for redevelopment under its overall urbanization plan and zoning process. Public-private partnership under such framework is encouraged to seek funding for, and accelerate the process of, the redevelopment;
- the Urban Redevelopment Scheme is launched whereby Scheme Participants negotiate with the local governments, government-controlled entities, or the relevant villagers' autonomous organizations, as the original land use rights owners, and enter into legally binding master agreements or letters of intent;
- in accordance with the relevant agreements that have been entered into, Scheme Participants provide upfront funding for the expenses to be incurred in the land resettlement operations, including land compensation fees, resettlement and relocation expenses, among others;
- upon completion of the land clearing operations, the relevant land parcels are required to be sold through public bidding. Public bidding is an open process and the Scheme Participants may or may not secure the land for development. As part of the established practice for the Urban Redevelopment Schemes in Zhengzhou, the developer that wins the bid and obtains the land use rights, or the Project Developer, provides funding and is responsible for the construction of resettlement housing;
- the Project Developer is required to pay the land premium to obtain the land use rights. Scheme Participants have the legal right, pursuant to express provisions of the master agreements or letters of intent, or general PRC law, for the reimbursement of the expenses incurred;
- in practice, if the Scheme Participant does not win the bidding and therefore does not become the Project Developer, the Scheme Participant will seek reimbursement of all prepayments and advances it has made, and will not proceed with the funding and construction of resettlement housing;
- based on our past experience with Urban Redevelopment Schemes in Zhengzhou, if the Scheme Participant wins the bidding and becomes the Project Developer, it will be refunded an amount equivalent to certain percentage (approximately 60% in Zhengzhou) of the proceeds of land sale and will proceed with the funding and construction of resettlement housing; and
- in some instances, a Scheme Participant may negotiate for the termination of the master agreement or letter of intent prior to the land being put up for public bidding, and the termination agreements will provide for the reimbursement of all prepayments and advances made as well as a payment schedule.

Our Participation in Urban Redevelopment Schemes

We were engaged in 25 Urban Redevelopment Schemes in Zhengzhou, Luoyang and Xinxiang as of the date of this offering memorandum. We participate in Urban Redevelopment Schemes with the intention to participate in the future property development of the relevant land parcels. We believe our involvement in such schemes enables us to (i) gain more insight into the land parcels at preliminary stages, which increases our chances in the subsequent public tender process and improves the property development efficiency, (ii) access land parcels situated in urban areas with significant appreciation potential in a cost-efficient manner, and (iii) maintain favorable working relationships with the relevant government or government entities.

We have adopted a disciplined and return-driven approach to the participation of Urban Redevelopment Schemes and select only those projects that can be effectively managed by our available resources, fit into our investment budget and have the potential to meet our target project return criteria. Since we acquired our first project, “Lu Xingzhuang project”, through Urban Redevelopment Schemes in 2006, we have over 16 years of experience being an active member of the Schemes, during which we have participated in 25 shantytown renovation projects in Zhengzhou Luoyang and Xinxiang.

We have formed mature and sophisticated business lines under Urban Redevelopment Schemes, including but not limited to planning and design, business negotiation, cooperative arrangement, demolition and relocation, development and construction, and operation services in new areas of shantytown renovation.

We take into account the following factors, among others, before a decision is made whether or not to proceed with a particular Urban Redevelopment Scheme:

- location, transportation access, availability of infrastructure support and other regional resources of the land parcel;
- appreciation potential of the land parcel;
- estimated development timespan. The agreements related to the Urban Redevelopment Schemes usually involve relatively long execution periods and it typically takes three to five years from the time we enter into the relevant master agreements or letters of intent till the time the land parcels are put up for auction; and
- amount of upfront funding, estimated land premium and expected refund schedule. According to the relevant agreements we have entered into, we will provide upfront funding for the expenses to be incurred in the land resettlement operations, which will be accounted for in our total land cost. The magnitude of upfront funding can be ascertained before we enter into the master agreements or letters of intent. Although we have the legal right, pursuant to express provisions of the master agreements or letters of intent, or general PRC Law, for the reimbursement of the expenses incurred, as part of the established practice in Zhengzhou, for the Urban Redevelopment Schemes in which we thereafter successfully obtain the land use rights, we generally expect to be refunded with an amount equivalent to approximately 60% of the land premium according to the relevant local regulations and the redevelopment plans as approved by the competent local government authorities. The refund received from the governments is less than the resettlement costs funded by us in all the Urban Redevelopment Schemes we have obtained the relevant land use rights. The shortfall is born by us and accounted for as our land costs. Such refund is generally made in instalments over the course of two to three years upon our entering into the land grant contract. In the case that the upfront funding and resettlement costs are less than 60% of the land premium abovementioned in our other Urban Redevelopment Schemes in the future, we would expect to be reimbursed with the actual cost and expenses incurred in the land resettlement operations.

We may opt not to proceed to bid for the land parcels if the initial bidding price exceeds certain amount. We may also terminate the master agreements or letters of intent related to certain Urban Redevelopment Schemes in the event of the counter-party's failure to perform certain contractual obligations, the government's changes in the relevant zoning plans or significant delay in the resettlement operations, among others.

There is no assurance that we will be successful in securing the land grant contracts or obtaining the relevant land use rights certificates in respect of such Urban Redevelopment Schemes. After fulfilling our obligations under these agreements, we are still required under the relevant PRC laws and regulations to go through the public tenders, auctions or listings-for-bidding and, if we are successful in such process, enter into a land grant contract and pay the relevant land premiums before we are eligible to apply for the land use rights certificates. In the event that we are not successful in such bidding process, we will not be able to secure the land use rights, and as a result, we will not be able to proceed with the development of such projects and will not have access to any of the associated GFA for development or for sale. See "Risk Factors — We are party to certain agreements related to Urban Redevelopment Schemes, which are subject to uncertainties and delays. We may not be able to obtain the land use rights for the land parcels related to such schemes and we may not be adequately or timely compensated or refunded for the land resettlement expenses we have incurred."

We have prepaid deposits and/or advances under these contractual arrangements. These deposits or advances were payments made by us in accordance with the terms of the relevant master agreements or letters of intent and have been accounted for as prepayments, deposits and other receivables in our financial statements. When we secure the land parcel evidenced by obtaining the land use rights certificate, the land costs will be fully accrued and transferred to prepaid land lease payments in our financial statements. Such amounts will be transferred to properties under development upon commencement of construction. The land costs include land premium that has been paid and payments that are obliged in connection with the Urban Redevelopment Schemes, offset by refund received or receivable from the government. Payments in connection with the Urban Redevelopment Schemes include both prepayments and deposits already made as of the date of land acquisition and the outstanding land resettlement obligations which are to be paid in the future. The outstanding land resettlement amounts are accrued based on the management's best estimation according to the requirements set forth in the Urban Redevelopment Schemes.

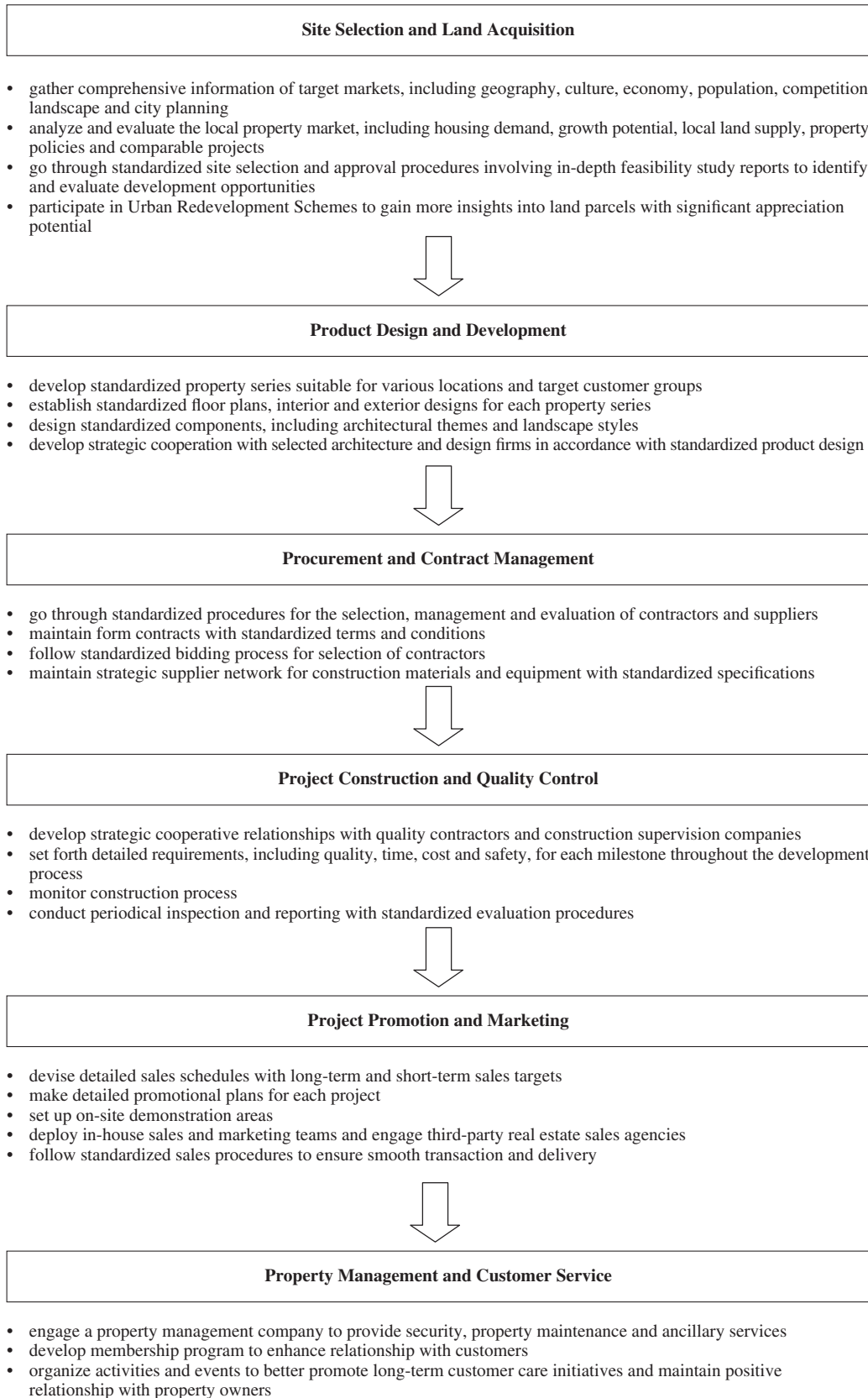
We primarily finance the contractual arrangements relating to such Urban Redevelopment Schemes using internal funds and borrowings from commercial banks and trust financing companies. We are entitled to be refunded the deposits and advances by the local governments based on the relevant provisions set out in the master agreements or letters of intent pursuant to the Civil Code of the People's Republic of China (中華人民共和國民法典) or claims in unjust enrichment.

Property Development Management

We endeavor to develop and offer a range of properties that cater to the demands and preferences of middle to upper-middle class customers in Zhengzhou and other selected cities. Our target customers generally include first time home purchasers and those purchasing to upgrade their existing living condition, primarily in Zhengzhou and other major cities in Henan Province as well as selected cities outside Henan Province such as Qingdao, which has solid industry base and high growth potential. We develop and sell a variety of residential property types, including high-rise apartments, mid-rise apartments, low-rise garden apartments and townhouses, through two residential property series, namely, “Shangjing” series and “Quality Home” series, to delineate the different positioning for a variety of segments among our target customers. We also develop office buildings for sale primarily in emerging business districts in Zhengzhou to further diversify our product offerings.

We have adopted a systematic management approach for our property development activities, through which we develop our property using standardized procedures, designs, components and modules, focusing on minimizing the time between site acquisition to pre-sale to the completion of our property development projects. Our standardized development process covers the full spectrum of our business operations, including site selection and land acquisition, project planning and design, selection of construction contractors and suppliers, quality control, cost control and contract management. In particular, we have maintained model residential property portfolios of “Shangjing” series and “Quality Home” series, each featuring its respective standardized designs, ambience, apartment layout, plot, greening and parking ratio, and construction materials, among others. We believe such business model enables us to replicate our property projects rapidly across different regions, shorten project development cycles and reduce development costs, thereby maintaining prudent financial leverage while also establishing consistent product quality and maintaining corporate brand image.

The following diagram sets forth our standardized property development process:



Although our standardized approach centralizes many critical aspects of our project development processes at our headquarters including project selection and approval, procurement of certain construction materials, product design and cost management, we also establish project companies to supervise and manage our property development projects outside Zhengzhou to better address the local market conditions. These project companies are responsible for the frontline operations of our projects outside Zhengzhou, including property development and sales and marketing, and are supported and monitored by our headquarters. The senior management of our Group works closely with the management of each of our local project companies to provide guidance as to the overall strategic directions of our Group as well as to supervise and oversee the activities of each of the project companies.

Detailed discussions of our property development process and procedures are set forth below.

Market Research and Site Selection

Our market research efforts include general studies on cities where we have operations or target regions where we expect to expand into, potential customers and customer demands as well as the availability and estimated cost of suitable land parcels in such areas. We also actively collect industry information, policies and news announcements released by industry consulting firms, local governments and competitors to facilitate our analysis and evaluation. We place significant focus on governments' policies in order to adjust our operations and property developments to ensure that our developments are in line with current macro real estate industry policies and trends and to capture market opportunities.

Our multi-tier market research activities include (i) constant market monitoring efforts carried out by our land development center and sales and marketing center at the headquarters level and, for projects outside Zhengzhou, the local management team at the project company level in order to identify real time potential opportunities and (ii) research efforts conducted by our land development center and sales and marketing center at the headquarters level relating to cities and areas where we strategically plan to expand.

We assess the potential of the local markets and the target development sites by taking into account a number of factors, including:

- competitive environment, local demographics, purchasing power and expected growth of the area in which the land parcel is located;
- customer preference and demand;
- location, transportation access, availability of infrastructure support and other regional resources of the land parcel;
- land premium, estimated development costs and time and expected investment returns; and
- local urban planning policies and regulations for the relevant site and the neighboring area.

We generally select projects that can be effectively managed by our available resources, fit into our investment budget and have the potential to meet our target project return criteria. We have adopted a disciplined approach to project selection and analyze the local real estate market, and a decision as to project selection is made generally after we perform in-depth market research and financial analysis. We have also established certain internal financial ratios as our guidance to evaluate the estimated investment returns that a project generally needs to meet in order to proceed. As a result, we are generally able to effectively manage our land acquisition costs and avoid potential adverse impact on our cash flows.

Land Acquisition

We generally follow certain procedures in our land acquisitions. In the initial evaluation, which is generally led by our land development center and involves management at the relevant local project company, our land development center, technology center and sales and marketing center jointly prepare a feasibility study by cooperating with local project companies, as necessary. The feasibility study generally presents general regional or city analysis, property market analysis, project positioning, project design, marketing strategy, construction schedule, cost and return analysis, and is subject to the approval of our investment strategy committee, comprised of our executive directors and other senior management. The report, if approved, will be submitted to our internal investment committee and chief executive officer for final confirmation. Certain material land investment will also be submitted to our Board of Directors for approval.

We generally refrain from acquiring land from the secondary market. During 2020, 2021 and 2022, substantially all of the land parcels for our property developments, including the ones for which we were involved in the Urban Redevelopment Schemes, were acquired directly from the PRC government through the bidding process in public tenders, auctions or listings-for-bidding for land use rights held by local governments in accordance with the Provisions on Bidding, Auction and Sale of Land Use Rights. Land parcels granted through such methods are generally free of title or planning issues or other legal disputes, which may have otherwise prolonged our development cycle and incurred additional costs. In addition, we established certain joint ventures with other real estate developers who hold land use rights of land parcels that suit our investment portfolio and involve lower investment risks and less legal concerns. As we believe that acquiring land parcels at competitive prices is critical to our development strategy, we will employ the acquisition strategy that will best meet such goal.

We adopt proactive and strategic approaches to replenish our land bank and have a strong project acquisition pipeline. In addition to acquiring target land by directly participating in the tender process held by local governments, we also cooperate with various local governments in Zhengzhou, Luoyang and Xinxiang in their Urban Redevelopment Schemes. Such practice is common in the real estate market of Zhengzhou as well as other cities in Henan Province. Through such participation, we have entered into a number of master agreements or letters of intent with the local governments, affiliated entities of the local governments or the relevant villagers' autonomous organizations and have been granted land use rights in the subsequent bidding process for sites located in Zhengzhou, Luoyang and Xinxiang with a total GFA of 17.7 million sq.m. as of December 31, 2022. See “— Urban Redevelopment Scheme.” As of December 31, 2022, 41.1% of our total land bank was acquired through Urban Redevelopment Schemes and 58.9% of our total land bank was acquired through public tenders, auctions or Listings-for-bidding.

Project Planning and Design

We have in-house design capabilities with a dedicated product design team of 71 employees at both headquarters and project companies levels as of December 31, 2022. We have established standardized designs, components and modules for our projects to ensure operating efficiency and to reduce costs. Our comprehensive product database includes standardized design and specifications for building types, floor plans, building decorative styles and appearances, specific ratios such as plot, greening and parking ratios, landscaping and interior components. Most notably, we have maintained standardized residential property portfolios of “Shangjing” series and “Quality Home” series, each featuring its respective standardized designs, ambience, layout and construction materials, among others. See “— Our Property Projects — Overview.”

Our product database is refined and updated based on information that we collect through our existing projects and experiences, including feedback received from customers, to ensure that our product database reflects current industry trends and market demand.

Our product design team is responsible for generating the master plans and overall designs for the project under development, based on its respective product positioning, whereas the detailed project design work is outsourced to reputable architecture and design firms. Our product design team works closely with these architecture and design firms to implement design specifications, adjust detailed blueprints and select raw materials, in order to ensure quality control and that the products will be in line with our standardized designs, components and modules. We typically use a tender process in selecting these architecture and design firms by inviting pre-selected firms to provide a proposal with a fee quote. In making our decision, we consider their proposed design concepts, reputation, reliability and quality as well as our previous experience working with them and the price of their proposed services. As of December 31, 2022, we maintained strategic relationships with a number of leading third-party architecture and design firms, and expect to deepen our cooperation with such firms in the future. As these pre-selected firms are familiar with our standardized property series, they will be able to efficiently assist us and reduce the overall timeframe for design and product development.

In addition, our project management, finance, construction cost, tendering and procurement management and sales and marketing centers are also actively involved in the project design process, in order to enhance operating efficiency and ensure the precise positioning of our products to meet market demand, which allows efficient marketing and promotional efforts and expedites the pre-sale of our properties at a later stage.

Pre-Construction

To comply with relevant PRC laws and regulations, prior to the commencement of construction work, we must first obtain the development rights to the relevant land parcel and the necessary permits and certificates, which include the construction land planning permit, the construction work planning permit and the construction work commencement permit (which will only be issued after the land use rights certificate, the construction land planning permit and the construction work planning permit are obtained). As of the date of this offering memorandum, except for the projects we had not commenced construction, we had obtained all the relevant certificates and permits as required by PRC laws and regulations for all of our projects under development and projects planned for future development according to the respective project development schedules.

Contractors and Procurement

General Contractors

We select our general construction contractors through a tendering process. According to the PRC Tendering and Bidding Law (《中華人民共和國招標投標法》), which became effective on January 1, 2000, and the Provisions on Engineering Projects Compulsorily Subject to the Bidding Process (《必須招標的工程項目規定》), the tendering process is compulsory with respect to construction projects within the PRC for projects such as (i) large-scale infrastructure and public utilities relating to social public interests or public security, (ii) projects invested completely or partly with State-owned funds or financed by the State, and (iii) projects using loans or aid funds from international organizations or governments of other countries, including the exploration, design, construction, construction supervision thereof as well as procurements pertaining to important equipment and materials in connection with project construction. The tendering process can be conducted via open tender or tender by invitation. As our projects do not involve the above situations of compulsory bidding, we may, but are generally not required to, select our construction companies through an open tender process.

In 2020, 2021 and 2022, the majority of our property projects have involved tender by invitation process and all construction contractors with competent qualification may submit bids. The successful bidder is selected based on an independent assessment by the assessment committee, having taken into account, among others, the following factors: the fee quote, the construction schedule for completion, the quality of construction work, professional qualifications and the construction plan, which includes allocation of manpower, safety measures and standard, equipment and facilities to be adopted, technical specifications, and capacity and track record of the bidder. In general, the fee quote will be given the greatest importance, followed by the construction plan and quality and service of construction work.

We have selected our construction contractors through tender by invitation or open tender in compliance with the relevant laws and regulations as well as local regulations where our properties are situated. Our typical selection process regarding construction contractors has involved the following steps:

- The mandatory tender requirement as required under the Administration Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures (房屋建築和市政基礎設施工程施工招標投標管理辦法) was no longer applicable to our property projects. Nonetheless, as a matter of good corporate governance, we adopted internal control measures in our procurement process of construction, engineering and related services and continued to issue tender invitations with contract sum of RMB2 million or above before entering into the each construction contract;
- For contracts in relation to procurement of contracting services with contract sum of RMB2 million or above, we shall issue tender invitations to at least three construction contractors on the list of authorised contractors maintained by us with the required qualifications and capability to undertake construction projects as well as good reputation and credibility.
- For contracts in relation to procurement of contracting services with contract sum of less than RMB2 million, we shall obtain quotations from at least three organisations with the required qualifications and capability as well as good reputation and credibility.
- Our assessment committee will assess the tenders or quotations submitted in respect of the contracting services with the following principal criteria:
 - (i) the pricing of the tender or quotation (in particular, in respect of a quotation or tender submitted by Zensun Corporate Development Group Co., Ltd, the service fees and terms shall be no less favourable to us than the fees to be quoted by and terms available from independent third parties);
 - (ii) the technical specifications of the tender including construction planning, technical skills, quality and construction schedule; and
 - (iii) the evaluation of the service provider considering the background and qualification, industry reputation, track record and previous work experience with the us (if any).
- In the event that we fail to receive enough bids or quotations at its satisfaction, we may reassess the scope of services required or revisit the design requirements and relaunch the tender or seek revised quotations.
- The service provider assessed with the highest score based on the above assessment criteria will be awarded the agreement for the contracting services.

Our general construction contractors are obliged to undertake the entire construction project in strict compliance with laws and regulations as well as our design specifications, requirements and time schedules, as specified in our construction contracts. Under relevant PRC laws and regulations, construction contractors need to obtain the relevant construction qualification certificate for the type of construction work they carry out before they can undertake such property construction work. In 2020, 2021 and 2022, most of construction contractors we appointed hold Class I Qualification for General Contractors of Building Construction Works (房屋建築工程施工總承包一級資質). With this license, our contractors are permitted to engage in construction work for the following buildings under a construction or installation contract provided that the single contract value does not exceed five times the registered capital of the enterprise: (1) buildings less than 40 stories with various spans; (2) structures with a height no more than 240 meters; and (3) residential quarters or building complexes with a GFA no more than 200,000 sq.m. The construction phase of a development project begins once we obtain the construction permit for the project. The contractors are required to comply with the relevant PRC laws and regulations as well as our internal requirements and specifications, such as our quality control procedures, including examination of materials and supplies, regular on-site inspection and production of monthly progress reports. See “— Project Management.”

The price of our construction contracts are typically subject to adjustment based on the price fluctuation of construction materials on a quarterly basis and the payments to construction contractors are made in stages upon the completion of each construction milestone in accordance with the construction contracts. Under the construction contracts with Henan Zensun Corporate Development Group Co., Ltd, we generally prepay 10% of the construction price one week in advance to the commencement of construction and make monthly progress payments as the construction work proceeds. Henan Zensun Corporate Development Group Co., Ltd is required to provide us with warranties, with a warranty period generally ranging from two to five years, for any losses we may incur as a result of not meeting contractually or statutorily specified quality standards. In addition, under circumstances where the construction schedules are delayed for more than the period of time as stipulated in the contracts, we will also be entitled to a pre-determined amount as a penalty and, in some cases, we will have the right to terminate the contracts.

We generally do not carry insurance against personal injuries that may occur during the construction of our properties. The construction contractors are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers according to PRC laws and regulations. We are not responsible for any labor problems of our contractors.

Procurement

Certain basic building construction materials, such as steel and concrete, are procured by the general construction contractors we engage although we typically designate the brands and quality requirements of these construction materials as part of our construction agreements, and identify a number of suppliers from whom such materials and equipment should be purchased to ensure the quality of these construction materials. Pursuant to the construction agreements with Henan Zensun Corporate Development Group Co., Ltd, the price for construction materials will be determined by the market price and we bear the risks arising from fluctuation of construction material prices if the fluctuation is over a certain percentage (usually 5%). We conduct regular on-site inspection of construction materials procured by our contractors so as to monitor the quality and inventory level of such materials. The relevant construction materials shall not be used in construction before the testing report certifying the quality of such construction materials is released.

We also procure certain construction materials and equipment directly from third-party suppliers, who in certain circumstances install such materials and equipment for us. We evaluate our suppliers in terms of reputation, product quality and other capabilities and currently maintain a list of over 300 qualified suppliers, covering suppliers for elevators, doors, windows and electronics as well as fire and heating equipment. We generally select our suppliers through a tendering process by inviting at least three qualified suppliers, and enter into short-term supply agreements with our suppliers every time we purchase from them, which include quantity and price for the construction materials to be purchased by us. In addition, we inspect all equipment and materials delivered to us to ensure compliance with the contractual specifications before accepting the materials and approving payment. Direct procurement does not only help us reduce and control our overall construction costs, but also enables us to better control the quality of such materials.

Project Management

We develop and manage our projects through our project management center at the headquarters level and also through the local project management teams for the respective projects outside Zhengzhou. The project management center at our headquarters level makes key decisions and sets strategic parameters for our project construction process, including overall project construction planning and periodic targets, scope and size of construction work, selection of key construction contractors and the procurement of key raw materials and equipment. Our project management teams oversee the day-to-day construction process of their respective projects. Our project management center coordinates with various project management teams on an on-going basis through established reporting mechanisms.

Time Control

We emphasize operating efficiency and project execution capability. For each project, we formulate a detailed schedule which specifies the timeframe in which each milestone needs to be achieved during the project development process. Our project management center at our headquarters is responsible for formulating an overall development timeline, monitoring the progress of major milestones, such as the timing of construction commencement, the beginning of the pre-sale process and the completion of construction. We generally monitor the daily progress of the construction processes and focus our review on the inspection of major construction related milestones to avoid unnecessary delays in the construction process. In general, weekly reports for each project and phase are submitted to our project management center. Such project schedule management enables us to monitor the pace of each project development and to identify any potential delays in a timely manner. Once a potential delay is identified, we aim to implement remedial measures to shorten the time frame for future milestones to ensure that the overall project timeline will not be compromised or to reduce the impact of such delay. In addition, we generally provide a detailed project construction timeline to our construction contractors and together with the construction supervision companies, closely monitor that to ensure such timeline is met.

Quality and Safety Control

High quality properties are critical to our reputation and business success. We have placed, and will continue to place, significant emphasis on quality control over our project development to ensure regulatory compliance and high quality property products. The construction contracts we enter into with our construction contractors contain warranties with respect to quality of the construction projects. In addition, we adopt the following measures for quality control and supervision of our property development:

- We place a strong emphasis on the selection of service providers. We perform due diligence in the selection of construction contractors and other third-party service providers, including external architecture and design firms and construction material and equipment suppliers, based on their track record, reputation, qualification and financial condition and maintain lists of qualified suppliers and design firms;

- We have established standardized quality inspection guidelines that provide requirements as to quality control standards and specifications for all major aspects of our construction processes. Our department heads inspect all our construction sites, generally on a monthly basis, to ensure compliance with our quality control guidelines and all relevant laws, regulations and industry standards. In addition, quality control reports for each project are submitted to our project management center on a regular basis. We assist our general contractors in selecting construction materials in accordance with quality specifications and inspect quality of the construction materials used in our projects to ensure compliance with our own standards and specifications on each delivery;
- In compliance with relevant PRC laws and regulations, we engage qualified construction supervision companies to monitor certain aspects of our project construction and conduct quality and safety control checks on building materials, equipment and construction in accordance with the relevant PRC laws. These construction supervision companies report the progress and the quality conditions of the projects on a monthly basis; and
- Prior to delivery of our properties to customers, our property management and technology teams inspect such properties to ensure that they are in satisfactory conditions.

Cost Control

Led by our finance center and involving our construction cost, tendering and procurement management center, sales and marketing center and technology center at our headquarters as well as the property management team for each project, we have established a centralized and standardized procedure to set the relevant budget for our projects, including how to assess the different cost components. For a typical project, our construction cost, tendering and procurement management center or the relevant project company, as the case may be, will prepare a master budget which will be submitted to the project management center and finance center at the headquarters level and then ultimately approved by our chief executive officer.

We implement our budget control system and monitor the development costs for each project on a regular basis, including construction costs and marketing expenses, in order to maximize our profitability and ensure compliance with our project budget. Our construction cost, tendering and procurement management center records and monitors construction and supplier contracts we have entered into. It reviews and ensures that the relevant contracted amount and payment schedule is in accordance with those set forth in our master budget. Our project management center reviews and verifies the actual costs incurred in detail and compare such costs with the master budget and with similar expenses incurred at our other projects on a regular basis. In the event that the master budget for a project needs to be revised, approval from our senior management must be obtained. In addition to our cost control procedures, our standardized and centralized procurement policy also contributes to our ability to control development cost as we establish strategic relationships with qualified construction contractors, design firms and raw materials suppliers to control the procurement costs while ensuring high quality.

Sales and Marketing

Pricing

Prior to the pre-sale for each project, our sales and marketing center at our headquarters level, in consultation with our other departments, including construction cost, tendering and procurement management center, finance center and project management center, will establish the overall marketing budget and target ASPs based on the original feasibility study conducted for the project. Marketing budget plans and target prices are then reviewed and modified from time to time by our sales and marketing center on an as-needed basis, based on market conditions and actual pre-sale activities of each project.

We price our properties primarily based on the estimated total costs, target profit and the prices of comparable properties in the same area, while also taking into account recent prevailing market price trends. Our sales and marketing team will closely monitor and analyze the pricing strategies and promotion campaigns of other competing properties and propose adjustment to our marketing and pricing strategies as appropriate.

Due to the highly competitive and evolving nature of the real estate industry in China, we constantly monitor the changing market conditions and adjust the sales prices of our projects as appropriate. Price adjustment, whether upwards or downwards, is usually proposed by the sales and marketing center or, for projects outside of Zhengzhou, the local project company, which will then be carefully reviewed and approved by our senior management.

Sales and marketing

We have a dedicated sales and marketing team at both headquarters and project companies levels. Our sales and marketing team is responsible for conducting market research, formulating our marketing and sales strategies and managing the overall sales and marketing process. Our sales and marketing strategy varies from project to project and depends on factors including market conditions, land size, phase and location of the project, timing for sales and targeted customer group. We retain third-party real estate sales agencies to facilitate the sales and marketing of most of our projects. The agency commissions usually range from 0.8% to 1.2% of the total sales proceeds from a particular project depending on the agents' sales performance and are negotiated on a case-by-case basis.

Our sales and marketing team provides valuable input throughout the property development process. Prior to land acquisition of our projects, our sales and marketing team works closely with our land development team to collect relevant market data and conduct the feasibility study of each proposed land acquisition, and participates in developing the optimal positioning and the conceptual design of all of our projects after land acquisition. Prior to the property pre-sale, our sales and marketing team formulates strategies and plans for marketing our properties, including proposed unit sale price, timing and overall budget. The team is also in charge of engaging external real estate sales agents and monitoring these agents' sales and marketing activities to ensure that our marketing strategies and plans are implemented and our products are well-positioned and presented.

We implement traditional marketing efforts, including advertisement through newspapers, magazines, outdoor billboards, brochures, television and Internet. We primarily conduct sales through the sales agencies that we are in cooperation with, in addition to our own property consultants. Among the sales agencies, we maintain close cooperative relationship with Henan Henghui Real Estate Consultant Co., Ltd. and Henan Yiju Real Estate Consultant Co., Ltd., both of which are professional and reputable real estate sales consultants rooted in Henan Province. We also list our property information on Sina Leju, a gateway to Sina's real estate channels and online communities, dahe.com, hnr.cn, zynews.cn and Fang.com, a leading real estate internet portal in China, to further expand our reach to potential customers. In addition, we have opened a public account on WeChat, a popular social networking and mobile chat application by Tencent, to promote our brand name and introduce our property projects.

Pre-sales

We generally commence pre-sales of our properties prior to completion of construction. Prior to starting pre-sale, we will complete and stage select demonstration units and display areas in order to provide visual presentations to our customers as to the quality of our products. We launch pre-sale upon the receipt of pre-sale permits in accordance with PRC laws and regulations. Among others, we must fulfill the following conditions before we can obtain the pre-sale permits:

- the land premium is paid in full and the land use right certificate must have been obtained;
- the construction land planning permit, construction work planning permit and the construction work commencement permit must have been obtained;
- the commodity housing pre-sale permit must have been obtained; and
- other specific milestones or requirements provided by local government authorities have been completed.

In addition, property developers are also required to use a standard pre-sale contract prescribed by the local governmental authorities.

Delivery and After-sales Services

Payment Arrangements

Our customers may purchase our properties either in one lump sum or by installments with mortgage financing. We typically ask our customers to pay a non-refundable deposit before entering into the sales or pre-sales contract. The deposit will be forfeited if the customer decides not to sign the formal sales or pre-sales contract. The deposit will be deducted from the purchase price if the customer later opts to purchase the property.

Customers may also choose to fund their purchases using mortgage loans provided by commercial banks. In this case, they will be required to pay a non-refundable down payment of at least approximately 30% of the purchase price upon entering into the sales or pre-sales contract in accordance with the terms stipulated in the contract, depending on the type and GFA of the property and whether it is their first mortgage. The remainder of the purchase price will normally be paid by the mortgagee bank within three months depending on the approval process of relevant mortgagee banks. Under the relevant PRC laws and regulations, our customers may obtain mortgage loans with a repayment period of up to 30 years. In addition, these customers must pay to us the outstanding balance of the purchase price that is not covered by the mortgagee banks. We generally request our customers to make down payments to us in lump sum, and as part of our marketing efforts to appeal to our targeted customers, we introduced promotional schemes that allowed our customers to make down payments in installments. The customers are, however, required to remit such down payment to us in full before drawing down the mortgage loans from the commercial banks according to the relevant bank regulations.

In line with market practice in China, we assist our customers with obtaining mortgage loans by providing the relevant property information to expedite their application process, and provide guarantees as security for these mortgage loans. We do not conduct independent credit checks on the purchasers but rely on credit checks conducted by the relevant banks. As with other property developers in the PRC, we are usually required by the banks to guarantee the customers' obligations to timely repay the mortgage loans on the property. The guarantee periods normally last until the release or satisfaction of the repayment obligations after (i) the relevant property ownership certificate is delivered, or (ii) if the relevant property ownership certificate has not yet been obtained, the mortgage loans are settled between the mortgage banks and our customers. If a customer defaults under a mortgage loan, we are obligated to repay all debt owed by the customer to the mortgagee bank under the loan, after which the mortgagee bank will assign their rights under the loan and the mortgage to us and, we will have full recourse to the properties of our customers.

Our general policy is that for customers purchasing through mortgage loans, if they default on subsequent payment after the initial down payment, the full amount of their down payment is forfeited.

Delivery of Properties for Sale

Delivering quality properties and providing superior purchasing experiences to our customers are key to the success of our business. Prior to delivery of properties to our customers, our project management and technology teams conduct on-site inspections to ensure such properties are in compliance with statutory requirements and our prescribed standards. Under the current PRC rules and regulations, we are required to obtain a “Record of Acceptance Examination Upon Project Completion” (竣工驗收備案) prior to delivering properties to our customers. Once requisite records and certificates are obtained and the relevant acceptance inspection is conducted, we will notify our customers regarding delivery.

We aim to deliver properties to our customers within the time frame prescribed in the sale or pre-sale contracts. Pursuant to a typical sale or pre-sale contract, if we fail to deliver the property on the delivery day stipulated in the sale or pre-sale contract, we will generally be liable to pay a monetary penalty of 0.01% of the property price on a daily basis until the delivery of property. If our delay exceeds 60 days, the relevant purchaser may have the right to repudiate the sale or pre-sale contract in addition to claiming a higher penalty, generally 1% of the contract price. We experienced delays in a small number of our residential projects in 2020, 2021 and 2022. See “Risk Factors — Risks Relating to Our Business — We may not be able to complete our development projects according to our budget or schedule, or at all, which may lead to loss of or delay in recognizing revenues, lower returns and claims from customers.” We did not experience any significant delay in the completion of our projects or delivery of properties that had a material adverse impact on our financial performance in 2020, 2021 and 2022.

After-sales Services

Our sales and marketing team is responsible for our comprehensive after-sales customer services, including assisting customers in obtaining property ownership certificates and handling customer complaints. Our sales and marketing team is also responsible for collecting and analyzing customer data through customer satisfaction surveys, service hotlines and our website in order to improve service quality, identify customer preferences and provide such feedback to the design and project management teams to improve our operation, including project design and marketing strategies. We have established “Zensun Community” (正商會), a membership program in which purchasers of our properties are automatically enrolled. The membership program provides our customers with reward points redeemable for free gifts when they purchase properties from us or recommend new customers to purchase our properties, as well as discounts when they purchase other properties from us in the future. The membership program also offers other premium services or activities as well, such as discounts with our local merchant partners. In addition, we organize complimentary seminars, outings and other events for our members. We believe this membership program enables us to establish better relationships with customers, build customer loyalty, foster brand awareness, solicit timely customer feedback and also to handle customer complaints. We intend to organize more diversified events to promote neighborhood relations and foster communications with our customers in the near future.

Property Management

Upon the completion of our properties and until the property owners have established an owners' committee, we appoint professional property management companies to manage the properties we develop by way of a tender by invitation process in accordance with the relevant property management laws and regulations to provide pre-delivery property management services. In 2020, 2021 and 2022, all of the pre-delivery services for our projects were provided by Zensun Property Management, a professional third-party property management company and Henan Xingye Internet of Things Management Technology Co. Ltd., our related party. Delivery of the properties to the purchasers by us, we entered into the pre-delivery property management services agreement with Zensun Property Management in respect of each of such property and the services provided by Zensun Property Management typically include security, property maintenance, gardening and other ancillary services which are reasonably expected from a property management company. The management fee is determined with reference to the prevailing market rates set by the relevant government authorities and is calculated based on the GFA of the units. The management fee is usually settled on a quarterly basis upon receipt of the invoice issued by the property management companies. The property owners are responsible for the payment of management fees, and we are responsible for the payment of management fees for units that are completed but not yet sold or delivered. We do not assume any obligation for payment of management fee in respect of the units we have handed over to our purchasers.

INVESTMENT PROPERTIES

Our investment properties comprise land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or capital appreciation. We have investment properties located in Hong Kong, Singapore, the United States and the PRC.

COMPETITION

The property market in Henan Province and elsewhere in China is highly fragmented and competitive. Our existing and potential competitors include major national and regional property developers, including local property developers that focus on one or more cities in Henan Province. We believe that the major competitive factors in the residential property development industry include land acquisition, geographic location, management expertise, financial resources, access to transportation infrastructure, size of land reserves and land bank, product quality, brand recognition by customers, customer services and support, pricing and design quality. Some of these competitors may have better track records, greater financial, marketing and land resources, broader name recognition and greater economies of scale than we have in the cities or markets in which we operate and there is no assurance that we will be able to continue competing effectively in our industry. See "Risk Factors — Risks Relating to Our Industry — The PRC property market industry is highly competitive."

In particular, the residential property market in Henan Province has been highly competitive in recent years. An increasing number of property developers have begun undertaking property development and investment projects in Zhengzhou and other major cities in Henan Province. The rapid development of Henan Province in recent years has led to a diminishing supply of undeveloped land in desirable locations in major cities such as Zhengzhou, the capital and largest city in Henan Province. Moreover, the PRC government has implemented policies tightly controlling the amount of new land available for development. Further, the property sector in China has continued to experience volatility in 2022 and the first half of 2023. Further tightened bank lending, coupled with certain negative credit events, has intensified market concerns over the operations of Chinese property developers. As a result, market demand remains weak and pre-sale of Chinese property developers has generally decreased. These factors have increased competition and land grant premiums in relation to land made available for development.

INSURANCE

In accordance with the relevant PRC laws and regulations, we contribute to social welfare insurance for our full-time employees, including basic pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance.

We do not maintain insurance policies for properties that have been delivered to our customers. Instead, the property management company of our projects maintains all property risk insurance and public liability insurance for common areas and amenities of these properties.

We believe that the insurance coverage of our Group is adequate and is in line with customary industry practices of property developers and is adequate. However, there are risks for which we do not have sufficient or any insurance coverage for losses, damages and liabilities that may arise in our business operations.

ENVIRONMENTAL MATTERS

Property developers in China are subject to a number of environmental laws and regulations including the Environment Protection Law of the PRC, the Prevention and Control of Noise Pollution Law of the PRC, the Environmental Impact Assessment Law, and Administrative Regulations on Environmental Protection in relation to Construction Projects.

We expect that we will continue to incur compliance costs with applicable environmental rules and regulations at a similar rate. In 2020, 2021 and 2022 and as of the date of this offering memorandum, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our properties.

LEGAL PROCEEDINGS

As a property developer in the PRC, from time to time, we have been involved in legal or arbitration proceedings, disputes or claims in the ordinary course of business, which primarily are legal proceedings concerning the quality of our products and disputes with our customers over payment of amounts overdue. In 2020, 2021 and 2022, we believe we were not involved in any litigation, arbitration or administrative proceedings which had a material adverse effect on our financial condition or results of operations.

As of the date of this offering memorandum, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against our Group which could be expected to have a material adverse effect on our financial condition or results of operations.

DESCRIPTION OF THE ISSUER

The Issuer was founded in 1965 and listed on the Hong Kong Stock Exchange since 1972. In July 2015, the Parent Guarantor became its controlling shareholder and changed its name to ZH International Holdings Limited. Its name was further changed to Zensun Enterprises Limited in July 2019. The Issuer primarily engages in property development and property investment and management in the PRC, Hong Kong and overseas. It is headquartered in Hong Kong, and has offices in the United States. It also owns a sizeable portfolio of properties in Singapore, Hong Kong, the United States and the PRC.

Since the Parent Guarantor became its controlling shareholder, the Issuer has been expanding in the property development sector in the PRC. Through the midst 2015 to 2022, the Issuer completed 162 land acquisitions for property development in the PRC through tenders, auctions and listings-for-sale in Henan Province, Beijing and Hubei Province. As of December 31, 2022, the Issuer had 41 completed projects/sub-phases and 55 projects/sub-phases under development in the PRC, with a total site area of approximately 4.6 million sq.m. and an aggregate estimated GFA attributable to the Issuer of approximately 9.9 million sq.m. Following the Issuer's strategy in expanding its business operation in the PRC, in the foreseeable future, the Issuer will continue to identify new property development projects and bid for land use rights of selective land parcels in the PRC with focus on Zhengzhou City, Henan Province, as well as other first- and second- tier cities in the PRC.

The Issuer currently holds interests in a Real Estate Investment Trusts ("REIT") in the United States, Global Medical REIT, Inc. ("GMR"). GMR completed in 2016 the offering of its shares and migrated from the Over-The-Counter market to the New York Stock Exchange.

Utilizing the Parent Guarantor's financial, human and technological resources, the Issuer continuously enhances its asset portfolio and brand image with an aim to create new sustainable revenue streams and enhance its shareholder value.

REGULATION

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives, local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the full NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul the conflicting administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations, and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the "Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws" (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

We operate our business substantially in China under a legal regime consisting of the Standing Committee of the National People's Congress, the State Council and several ministries and agencies under its authority including, among others, the Ministry of Land and Resources, the Ministry of Housing and Urban-Rural Development, and the Ministry of Environmental Protection. According to the Institutional Reform Program of the State Council (國務院機構改革方案) promulgated by the PRC National People's Congress on March 17, 2018, the Ministry of Land and Resources has been incorporated into the newly organized the Ministry of Natural Resources and the Ministry of Housing and Urban-Rural Development's functions with respect to urban and rural planning has been transferred to the Ministry of Natural Resources. Besides, the Ministry of Environmental Protection has been incorporated into the newly organized Ministry of Ecology and the Environment. Both the Ministry of Land and Resources and the Ministry of Environmental Protection will no longer be retained following the structure reform of administrative organs led by the State Council. Pursuant to the Program for Deepening the Reform

of the Party and the State Institutions (深化黨和國家機構改革方案) promulgated by the Central Committee of the PRC Communist Party on March 21, 2018, the reform of the central and state institutions was expected to be completed by the end of 2018.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level court supervise the basic and intermediate courts. The People's Procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the level immediately superior. Second judgments or orders given at the same level and at the level immediately superior are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法), which was adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012 and June 27, 2017 and December 24, 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. A time limit of two years is imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

ESTABLISHMENT OF A PROPERTY DEVELOPMENT ENTERPRISE

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") promulgated by the

Standing Committee of the NPC on July 5, 1994, effective on January 1, 1995 and as amended in August 2007, August 2009, and August 2019, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profit. Under the “Regulations on Administration of Development of Urban Real Estate” (城市房地產開發經營管理條例) (the “Development Regulations”) promulgated and implemented by the State Council in July 1998 and as amended in January 2011, March 2018, March 2019, March 2020, and November 2020, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate.

In May 2009, the State Council issued a “Notice on Adjusting the Ratio of Capital Fund for Investment Projects in Fixed Assets” (關於調整固定資產投資項目資本金比例的通知) setting the portion of capital fund of property projects at 20% for affordable housing projects and ordinary commodity housing projects and 30% for other property projects.

In September 2015, the State Council issued a “Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets” (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

To establish a property development enterprise, the developer should apply for registration with the administration for industry and commerce. The property developer must also report its establishment to the property development registration authority in its respective locality, within 30 days of the receipt of its Business License. Where a foreign-invested enterprise is to be established to engage in the development and sale of property, the relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises must also be observed, the relevant examinations conducted and the relevant approvals obtained.

On June 23, 2020, a newly updated “Special Administrative Measures (Negative List) for Foreign Investment Access (2020 version)” (外商投資准入特別管理措施(負面清單)(2020年版)) was issued, pursuant to which foreign investment is now permitted in the real estate development industry.

In July 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE promulgated the “Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market” (關於規範房地產市場外資准入和管理的意見), which stipulates requirements in terms of admittance and administration of foreign capital in the property market.

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強、規範外商直接投資房地產審批和監管的通知) which was amended in October 2015, stipulates the requirements for the approval and supervision of foreign investment in real estate.

On September 27, 2007, the PBOC and the CBRC jointly issued a “Circular on Strengthening Commercial Real Estate Loan Administration” (關於加強商業性房地產信貸管理的通知) This circular reaffirmed some of the restrictions applicable to the sale of residential and commercial units imposed by prior regulations as well as introduced new rules that prohibit, among other things, the provision of working capital financing by commercial banks to property developers (other than property development loans, which may only be used on local property development projects and not on projects in other regions without prior approvals from governmental authorities).

On December 5, 2007, the PBOC and the CBRC further jointly issued the Supplementary Notice of the People’s Bank of China and China Banking Regulatory Commission on Strengthening the Administration of Commercial Real Estate Loans (關於加強商業性房地產信貸管理的補充通知). The notice provided that the number of loans to a borrower shall be determined on the basis of loans to the borrower’s family (including the borrower, his/her spouse and his/her

under-aged children), and for a family which has purchased the first house for its own dwelling purpose with a bank loan or which has purchased a house with a loan from the public accumulation fund for housing construction, if its per capital dwelling space is smaller than the local average level and it applies to a commercial bank for another housing loan, such application shall be handled by referring to the policies governing loans for purchasing the first house, while circumstances other than the aforesaid one shall be handled in accordance with policies and provisions governing loans for purchasing a second house.

On April 6, 2010, the State Council issued the “Opinions on Further Enhancing the Utilization of Foreign Investment” (關於進一步做好利用外資工作的若干意見), which provides that, projects with total investment (including capital increase) of less than US\$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Guidance Catalog may be approved by local governments, except for those required to be approved by relevant departments of the State Council under the “Catalog of Investment Projects Approved by the Government” (政府核准的投資項目目錄).

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知). This Notice amended the registered capital requirement in the 171 Opinion and stipulates that when a foreign investor establishes a property development enterprise in China in which (i) the total investment amount is more than US\$10.0 million and less than US\$30.0 million, such enterprise’s registered capital must not be less than 40% of its total investment amount; (ii) the total investment amount is less than US\$12.5 million, such enterprise’s registered capital must not be less than US\$5.0 million; (iii) the total investment amount is US\$30.0 million or more, such enterprise’s registered capital must not be less than 33.3% of its total investment amount; and (iv) the total investment amount is less than US\$36.0 million, such enterprise’s registered capital must not be less than US\$12.0 million.

On September 3, 2016, the National People’s Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the “Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises” (外商投資企業設立及變更備案管理暫行辦法) which was amended on July 30, 2017 and June 29, 2018 and replaced by Measures for Reporting of Information on Foreign Investment (外商投資信息報告辦法) on January 1, 2020.

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

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China

- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council

The Foreign Investment Law establishes a nationwide “pre-establishment national treatment and negative list” management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the “Special Administrative Measures (Negative List) for Foreign Investment Access.” According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

Pursuant to the Rules Governing the Administration of Urban Property Development Operations in Henan (河南省城市房地產開發經營管理條例) (the “Henan Development Rules”) promulgated on June 4, 2002, as amended on January 14, 2005 and July 30, 2010 by the Standing Committee of the People’s Congress of Henan, property developers established in Henan should satisfy the following requirements: (i) the registered capital should be RMB2 million or more; (ii) it should have five or more full-time professional property/construction technicians, of whom three or more should have intermediate professional titles or above; and (iii) it should have two or more full time accounting officers, each of whom should hold the relevant professional qualification certificates. Any property developer who does not conform to the requirements set forth by the Henan Development Rules and was established before the implementation of the Henan Development Rules, is required to meet the aforesaid requirements within one year or will be deregistered by the Administration for Industry and Commerce.

QUALIFICATIONS OF A PROPERTY DEVELOPER

On December 27, 2021, the NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “Negative List”), which became effective on January 1, 2022. The Negative List has replaced the special administrative measures as provided in the Catalogue, and has uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment.

Under the “Provisions on Administration of Qualifications of Property Developers” (房地產開發企業資質管理規定) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction in March 2000 and amended in May 2015, a property developer shall apply for registration of its qualifications in accordance with the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A

developer who fulfills the qualification requirements will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

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 developer within 30 days after accepting the report application. The term of validity of Provisional Qualification Certificate is one year, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is restricted to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be restricted to those agreed by the construction authority of the relevant province, autonomous region or municipality. 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 authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority of the relevant province, autonomous region or municipality.

According to the Henan Development Rules, a property development enterprise must register with the municipal property development authority directly under the provincial government within 30 days upon receiving its business license. The municipal property development authority must submit to the provincial construction authority for approval within 15 days and the provincial construction authority must issue a provisional qualification certificate to the eligible developer within 15 days. The provisional qualification certificate will be effective for two years from the date of its issuance. For property development enterprises who fail to complete their project within two years, the property development authority may extend the validity to a period of no more than one year.

In accordance with the Circular on Further Regulating the Administration of Qualification of Real Estate Developers (關於進一步規範房地產開發企業資質管理工作的通知) issued by Henan Provincial Department of Housing and Urban-Rural Development, the class 1 qualification is preliminary examined by the provincial construction authority for submission to MOHURD, the class 2 qualification is preliminary examined by the local construction authority at the level of provincial directly governing city or county or airport economy zone for submission to the provincial construction authority for approval, and the class 3 or lower qualification is approved by the local construction authority at the level of provincial directly governing city or county or airport economy zone since January 1, 2015.

Under the Henan Development Rules, a property development enterprise must, after obtaining its qualification certificate, only engage in the development of the property according to its qualification classification: (a) the construction scale of a property development project undertaken by a property development enterprise with class 1 qualification is not subject to restriction; (b) a property development enterprise with class 2 qualification may undertake any property development project with a GFA of less than 250,000 sq.m.; (c) a property development enterprise with class 3 qualification may undertake any property development project with a GFA of less than 100,000 sq.m.; (d) a property development enterprise with class 4 qualification may

undertake any property development project with a GFA of less than 30,000 sq.m.; and (e) a property development enterprise with a provisional qualification certificate may be engaged in a development project relative to the approved standards of the class of qualification so stated in the certificate. With respect to property projects developed in stages, the overall scope of the project must be taken into account when calculating the GFA.

DEVELOPMENT OF A PROPERTY PROJECT

Under the “Interim Regulations of the People’s Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land” (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) (“Interim Regulations on Grant and Transfer”) promulgated by the State Council in May 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay an land premium to the government as consideration for the grant of the right to use a land site within a specified term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use right 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 to provide for the grant of land use right. The land user shall pay the land premium as provided by the land grant contract. After payment in full of the land 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 Urban Real Estate Law and the Development Regulations provide that land use right for a site intended for property development shall be obtained through government grant except for land use right which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

Under the “Rules Regarding the Grant of State-owned Land Use Rights for construction by Way of Tender, Auction and Listing-for-sale” (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on September 28, 2007, state-owned land use rights for the purposes of industrial use, commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction and listing-for-sale. The procedures are as follows:

- The land authority under the people’s government of the city and county (the “assignor”) shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as the size of the 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.
- The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.
- After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposits to the unsuccessful bidding or auction applicants.
- The assignor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use right according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land.
- The winning tender or winning bidder should apply for the land registration after paying off the land grant premium in accordance with the state-owned land use right grant contract. The people’s government above the city and county level should issue the “Land Use Permit for State-Owned Land.”

When carrying out a feasibility study for a construction project, a construction company shall make a preliminary application for construction on the relevant site to the land administration

authority of the same level as the project approval authority, in accordance with the “Measures for Administration of Examination and Approval for Construction Sites” (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources in March 1999 and as amended in November 2010 and November 2016 and the “Measures for Administration of Preliminary Examination of Construction Project Sites” (建設項目用地預審管理辦法) promulgated by the Ministry of Land and Resources in July 2001 and as amended in October 2004 and November 2008 and November 2016, respectively. After receiving the preliminary application, the land administration authority shall carry out a preliminary process for the approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the government, and shall issue a preliminary approval report in respect of the project site. The land administration authority of the relevant city or county shall sign a land grant contract with the land user and issue an approval for construction site to the construction company.

According to the Urban Real Estate Law, a land user who obtains land use right under the grant system must develop the land in accordance with the purposes for which the land is acquired and must commence the development within the time frame agreed to under the land grant contract. If the land user fails to commence development and construction within one year of the construction commencement date stipulated in the land grant contract, then the local land administration authority may impose a fine on the land user an “idle land fee” of up to 20% of the land premium agreed. If the land user fails to commence development of the relevant land after two years from the deadline set forth in land grant contract, the land user’s land use right may be forfeited. However, the foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions.

On January 3, 2008, the State Council reiterated the abovementioned policies in the “Notice on Enhancing the Economical and Intensive Use of Land” (關於促進節約集約用地的通知) and was amended on July 24, 2019. This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy on land appreciation value on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

On June 1, 2012, the Ministry of Land and Resources revised and promulgated the “Measure for the Disposal of Idle Land” (閒置土地處置辦法), which clarified the scope and definition of idle land, as well as the corresponding punishment measures. Pursuant to the Measures for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as “idle land”:

- any State-owned land for construction use, of which 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
- any State-owned land for construction uses of which 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% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by competent department of land and resources, unless otherwise prescribed by the new Measures for the Disposal 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 right to use the land and collect the charges for idle land at the rate of 20% of the land assignment 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 Recovering the Right to Use the State-owned Land for Construction Use to the holder of the land use right and recover the right to use the State-owned construction land without compensation.

On September 12, 2014, the Ministry of Land and Resources issued the “Guidelines on Improving Economical and Intensive Use of Land” (關於推進土地節約集約利用的指導意見), which implements the rules regarding idle land and specifies the controlling requirements of the land use standards in the relevant legal documents including land use approvals and land grant contracts.

Under the “Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land” (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992 and amended on January 26, 2011, the grantee to an land grant contract (i.e., a property developer) shall apply for a Permit for Construction Site Planning from the municipal planning authority with the land grant contract.

After obtaining a construction site planning permit, a property developer shall organize the necessary planning and design work in respect of the planning and design requirements. For the planning and design proposal in respect of a property development project, the relevant reporting and approval procedures required by the “PRC City and Rural Planning Law” (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the NPC in October 2007 and amended in April 2015 and April 2019 as well as local statutes on municipal planning must be followed and a construction works planning permit must be obtained from the municipal planning authority.

On January 21, 2011, the State Council promulgated the “Regulation on Expropriation and Compensation Related to Buildings on State-owned Land” (國有土地上房屋徵收與補償條例) (the “Expropriation and Compensation Regulation”). The Expropriation and Compensation Regulation provides that, among other things:

- (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;
- (ii) compensation shall be paid before the resettlement;
- (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and
- (iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the “Measure for the Administration of Construction Permits for Construction Projects” (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban Rural Development on June 25, 2014 and effective from October 25, 2014 and as amend on September 28, 2018 and March 30, 2021.

A property project developed by a property developer shall comply with the relevant laws and statutes, requirements on construction quality, safety standards and technical guidelines on survey, design and construction work, as well as provisions of the relevant construction contract. After completion of works for a project, the property developer shall organize an acceptance examination according to the “Regulations on the Administration of Quality of Construction Works” (建設工程質量管理條例) promulgated and implemented by State Council on January 30, 2000 and as amended on October 7, 2017 and April 23, 2019, and the “Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, and shall also report details of the acceptance examination according to the “Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction in April 2000 and as amended in October 2009. Possession of a property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is completed or without passing such an acceptance examination. 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, an acceptance examination may be carried out for each completed phase.

LAND FOR PROPERTY DEVELOPMENT

According to the Civil Code of the People’s Republic of China (中華人民共和國民法典) promulgated in May 2020 and became effective on January 1, 2021, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, and use such land use rights as equity contributions or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

In October 2007, the Standing Committee of National People’s Congress promulgated the PRC City and Countryside Planning Law (中華人民共和國城鄉規劃法), as amended in 2015 and 2019, pursuant to which a construction planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

The provisions of the “Regulations on the Development, Operation and Management of Property” provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall initially be obtained by government grant. Under the “Rules regarding the Grant of State-Owned Land Use Rights for construction by way of Tender, Auction and Listing-for-Sale” (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more

prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under the aforementioned regulations, the assignor shall prepare the public tender and competitive bidding documents and shall make an announcement 20 days prior to the day of public auction to announce the basic particulars of the land parcel and the time and venue of the public auction. The assignor shall conduct a vetting process of the bidding applicants and auction applicants, accept an open public tender to determine the winning tender; or hold an auction to ascertain a winning bidder. The assignor and the winning tender or winning bidder shall then enter into a confirmation and, then, into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

On September 24, 2003, the Ministry of Land and Resources issued 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” (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) designed to strictly control land supply for high-end luxury property development.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, 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” (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment level on land premiums to 50% of the total premium and requires the land premium to be paid in full within one year after the signing of a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources promulgated the “Circular on Strengthening Real Estate Land Supply and Supervision” (關於加強房地產用地供應和監管有關問題的通知). Under the circular, the minimum land premium shall not be less than 70% of the benchmark market price in the locality of the parcel of land granted, and the bidding deposit shall not be less than 20% of the minimum land premium. The circular makes further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal is concluded. The down payment of 50% of the land premium shall be paid within one month of the date of land grant contract. The remaining balance shall be paid in accordance with provisions of the land grant contract within one year.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the “Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development” (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty town 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 the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers’ own reasons; (3) noncompliance 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) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) 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 (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the “Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets” (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), which provides, among other things, that; (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing

for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties shall report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal dealing will be confiscated and the relevant land use rights will be withdrawn. Moreover, amending the plot ratio without approval is strictly prohibited.

On January 26, 2011, the State Council circulated the “Notice on Further Regulating the Real Estate Market” (關於進一步做好房地產市場調控工作有關問題的通知), which provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

According to the “Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition)” and the “Catalog for Prohibited Land Use Projects (2012 Edition)” (關於印發《限制用地項目目錄》(2012年本)和《禁止用地項目目錄》(2012年本)) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to improve the Regulation and Control of Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知) which requires, among other restrictive measures, expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years.

The restriction of residential property loan has little connection with “the land for property development”.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers.

On February 13, 2017, the Asset Management Association of China issued the “No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions” (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) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

The MOHURD and the Ministry of Land and Resources jointly issued the “Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply” (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017-2019) and a five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18

months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

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

SALE OF COMMODITY PROPERTIES

Under the “Measures for Administration of Sale of Commodity Properties” (商品房銷售管理辦法) promulgated by the Ministry of Construction in April 2001, sale of commodity properties can include both post-completion sales and pre-sales.

Any pre-sale of commodity properties shall be conducted in accordance with the “Measures for Administration of Pre-sale of Commodity Properties” (城市商品房預售管理辦法) (the “Pre-sale Measures”) promulgated by the Ministry of Construction in November 1994 and as amended in August 2001 and July 2004, respectively, and the Development Regulations. The Pre-sale Measures provide that pre-sale of commodity properties is subject to certain procedures. According to the Development Regulations and the Pre-sale Measures, a permit shall be obtained before a commodity property may be put up for pre-sale. A developer intending to sell a commodity property before its completion shall make the necessary pre-sale registration with the property development authority of the relevant city or county to obtain a pre-sale permit of commodity properties. A commodity property may only be sold before completion if the following conditions have been met:

- the land premium has been paid in full for the grant of the land use right involved and a land use right certificate has been obtained;
- a construction works planning permit and a construction works commencement permit have been obtained;
- the funds invested in the development of the commodity properties put up for pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and
- the pre-sale has been registered and a pre-sale permit has been obtained.

According to the Pre-sale Measures, the proceeds obtained by a real estate developer from the advance sale of commercial housing must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the real estate administrative departments.

According to the Henan Development Rules, the following conditions shall be fulfilled for the pre-sale of commodity properties in Henan: (a) a property developer’s qualification certificate

has been obtained; (b) land premium has been paid in full and state-owned land use rights certificates have been issued; (c) construction works planning permit and permit for construction work have been obtained; (d) more than half of the construction work has been completed in line with the design of image progress and the progress of work and delivery dates have been ascertained; and (e) other conditions as may be stipulated by laws and regulations. A property developer must apply for a permit for pre-sale of commodity properties with the land and housing authority at the municipal or county level by presenting certificates proving that the aforesaid conditions have been fulfilled. The land and housing authority at the municipal or county level must keep track of the construction progress of a property project for which permits for pre-sale of commodity properties have been issued and, if there is any noncompliance with relevant laws and regulations, will order the property developer to redress within a specified time period. Without permits for pre-sale of commodity properties, pre-sale of commodity properties is prohibited and any fees in relation to pre-sales are prohibited to be collected from buyers.

In addition, according to the Regulation on Urban Real Estate Transactions in Henan (河南省城市房地產交易管理辦法) promulgated by the Henan provincial government on November 23, 2001 and effective May 1, 2002 as amended on January 5, 2011, a commodity property purchase agreement shall be negotiated and agreed upon between a buyer and a seller in relation to a commodity property for presale. The property developer shall apply for registration and record with the local land and housing registration department within 30 days from the execution of the commodity property purchase agreement. Only after obtaining permits for pre-sale of commodity properties can a property developer release advertisements on pre-sales of commodity properties. The advertisements must specify the serial numbers of the permits for pre-sale of commodity properties and the name of the authorities issuing the permits for pre-sale of commodity properties. The advertisements must be true and accurate. Any information which may be deceptive, misleading or does not conform to the property projects for presale is prohibited in advertisements.

Under the “Circular of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Good Handling of Stabilizing House Prices” (國務院辦公廳轉發建設等部門關於做好穩定住房價格工作意見的通知) promulgated by General Office of the State Council in May 2005, the purchaser of a pre-sold commodity property is prohibited from transferring such pre-sold property before the completion of its construction. Property developers are required to register pre-sales and sales of properties electronically with the local authorities on a real name and real time basis.

On April 13, 2010, the MOHURD issued the “Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses” (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). Pursuant to the notice, without the pre-sale approval, the commodity houses are not allowed to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

On March 16, 2011, NDRC promulgated the “Regulation on Price of Commodity Property” (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect housing prices and relative charges before the property sale, such as commission fee and property management fee. No additional charge beyond what is specified in the price tag or made public by the property developers is permitted.

On October 10, 2016, MOHURD promulgated the Circular on Further Regulating the Operation of Real Estate Developers to Protect the Real Estate Market Discipline (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements,

maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

REAL ESTATE REGISTRATION

On November 24, 2014, the State Council promulgated the “Interim Regulations on Real Estate Registration” (不動產登記暫行條例), which became effective on March 1, 2015 and was amended on March 24, 2019, and provides for the following, among others:

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region, and such department shall be subject to the guide and supervision by the competent real estate registration authority at the higher level;
- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition, ownership conditions of the real estate and restriction of rights;
- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management database for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic database to ensure the real-time sharing of registration information at the national, provincial, municipal and county level; and
- any right holder or interested party may apply for inquiring about or copying the real estate registration materials, and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose, and no such information may be disclosed to the public or others without the consent of the right holder.

The “Implementing Rules of the Interim Regulations on Real Estate Registration” (不動產登記暫行條例實施細則), effective from January 1, 2016 and amended on July 24, 2019, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

TRANSFER OF REAL ESTATE

According to the Urban Real Estate Law and the “Regulations on Administration of Transfer of Urban Real Estate” (城市房地產轉讓管理規定) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a property owner may sell, bequeath or otherwise legally transfer the property to another person or legal entity. When a property is transferred, the ownership of the property and the land use rights attached to property are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by government grant, the property may only be transferred on the condition that: (i) the land premium has been paid in full and a land use right certificate has been obtained; (ii) development has been carried out according to the land grant contract; and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed, or in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been installed, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by government grant, the term of the land use rights after transfer of the property shall be the remaining life of the original term provided by the

land grant contract. In the event that the transferee intends to change the use of the land provided in the original land grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land grant contract or a new land grant contract shall be signed in order to adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, transfer of the property shall be subject to the approval of the government vested with the necessary approval authority as required by the State Council. After such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

LEASES OF PROPERTIES

On December 1, 2010, the MOHURD issued the “Administrative Measures for Commodity Housing Tenancy” (商品房屋租賃管理辦法), according to which parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent governmental construction (real estate) departments of the county, city, or directly-controlled municipality where the housing is located within 30 days of signing the housing tenancy contract. The relevant construction (real estate) departments are authorized to impose a fine of up to RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other legal entities which are not natural persons and which fail to comply with the regulations within the specified time limit.

On September 14, 2017, the MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. Urban-Rural Development Commission, Beijing Municipal Planning and Land Resources Management Committee, Beijing Municipal Development and Reform Commission and Beijing Municipal Bureau of Finance released the “Interim Measures for the Administration of Houses with Joint Property Rights” (北京市共有產權住房管理暫行辦法), which was implemented on September 30, 2017. According to the aforementioned measures, the houses with joint property ownership rights refers to the housing that the property ownership rights are jointly owned by the government and the purchasers, and the sales price is lower than the market price and the ownership of the housing is restricted. The land for joint property ownership rights will be included in the annual plan of land supply of the local government, listed separately and supplied with priority.

MORTGAGES OF REAL ESTATE

Under the “Urban Real Estate Law” (城市房地產管理法) promulgated in July 1994, as amended in August 2007, August 2009 and August 2019, the Civil Code of the People’s Republic of China (中華人民共和國民法典) promulgated in May 2020 and implemented in January 2021, the “Measures for Administration of Mortgages of Urban Real Estate” (城市房地產抵押管理辦法) promulgated in May 1997, as amended in August 2001 and March 2021, when a mortgage is created on a building, a mortgage shall be simultaneously created on the land use right of the land on which the property is situated. The mortgager and the mortgagee shall sign a mortgage contract. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the property is situated. A real estate mortgage contract shall come into effect on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original property ownership certificate and then issue a certificate of third-party rights on the property to the mortgagee. If a mortgage is created on the commodity property put up for pre-sale or on property in development, the registration authority shall record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the property.

REAL ESTATE FINANCING

The PBOC issued the “Circular on Further Strengthening the Management of Loans for Property Business” (關於進一步加強房地產信貸業務管理的通知) in June 2003 to specify the

requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans should be granted to property developers that are qualified for property development, with high credit ratings and have no overdue payment for construction. For property developers with a high vacancy rate of commodity properties and high debt ratio, banks shall apply more stringent approval procedures for new property development loans and closely monitor their activities.
- Commercial banks shall not grant loans to property developers to finance the payment of land premium.
- Commercial banks may not provide loans in any form for a property development project without a land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

The State Council issued the “Circular on Facilitating the Continuously Healthy Development of Property Market” (關於促進房地產市場持續健康發展的通知) issued by the State Council in August 2003, which contains a series of measures to control the property market. They include, but are not limited to, strengthening the construction and management of economical houses, increasing the supply of ordinary commodity properties and controlling the construction of high-end commodity properties. The PRC government also adopted a series of measures in respect of property development loans, which include placing greater effort on provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring procedures over property loans. It is expected that the circular should have a long-term positive effect on the development of the PRC property market by facilitating the healthy growth of the PRC property market.

Pursuant to the “Guidance on Risk Management of Property Loans Granted by Commercial Banks” (商業銀行房地產貸款風險管理指引) issued by the CBRC in August 2004, any property developer applying for property development loans must have at least 35% of the total capital required for the development and a commercial bank should maintain a strict loan system for considering applications for property development loans.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued “Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices” (關於調整住房供應結構穩定住房價格的意見). These opinions stipulate that a commercial bank shall not lend funds to property developers with an internal capital ratio of less than 35%, or grant revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, or take commodity properties which have been vacant for more than three years as security for mortgage loans.

On September 27, 2007, the PBOC and the CBRC issued the “Circular on Strengthening the Credit Management for Commercial Real Property” (關於加強商業性房地產信貸管理的通知), 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.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% 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 premises that have been vacant for more than three years as collateral. 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.

INSURANCE

Pursuant to the Construction Law of the PRC (《中華人民共和國建築法》) enacted by the Standing Committee of the National People’s Congress on November 1, 1997, which took effect on

March 1, 1998 and was amended on April 22, 2011 and April 23, 2019, construction enterprises are required to pay for work injury insurance for workers, and encouraged to maintain and pay for accident and casualty insurance for workers engaged in dangerous operations.

The Guidance of the MOHURD on Strengthening the Insurance of Accidental Injury in Construction Works (《建設部關於加強建築意外傷害保險工作的指導意見》) (Jianzhi [2003] No. 107) issued by the MOHURD on May 23, 2003 further emphasizes the importance of accidental injury insurance in construction works and provides specific guidance.

There is no mandatory provision in under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. According to the common practice of the real estate industry in some provinces or cities of PRC, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

Income Tax

According to the EIT Law which was promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008 and as amended on February 24, 2017 and December 29, 2018, respectively, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the EIT Law and its implementation rule provide that a withholding tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

Business Tax and Value Added Tax

Pursuant to the "Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax" (關於全面推開營業稅改徵增值稅試點的通知). On May 1, 2016, the "transitioning from business tax to value-added tax" scheme became effective. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Pursuant to the "Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers" (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by SAT, "self-development" means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company ("taxpayer"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estate self-development in accordance with the following formula:

$$\text{Prepaid VAT} = \text{Presale proceeds} \div (1 + \text{applicable rate or simplified rate}) \times 3\%$$

The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects which commencement dates of construction are not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 but has yet to receive Construction Permits.

On November 19, 2017, the Interim Regulations of the People's Republic of China on Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax. According to a notice jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the VAT rate has been lowered from 17 percent to 16 percent for manufacturing and some other industries, and from 11 percent to 10 percent for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. Starting from April 1, 2019, the VAT rate for real estate industry has been lowered from 10% to 9%.

LAT

According to the requirements of the "Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (中華人民共和國土地增值稅暫行條例) (the "Provisional Regulations") promulgated on December 13, 1993 and effective on January 1, 1994, as amended on January 8, 2011, and the "Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (中華人民共和國土地增值稅暫行條例實施細則) (the "Detailed Implementation Rules") promulgated and effective on January 27, 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to LAT. LAT is levied according to four progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the "Provisional Regulations, the Detailed Implementation Rules" LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- Property taken over and repossessed according to the law due to the construction requirements of the government;
- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities' approval;

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the

course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership 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” (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the “Notice of the State Administration of Taxation in Respect of Enhancing the Administration of Land Appreciation Tax” (關於加強土地增值稅管理工作的通知) in order to further clarify the taxpayers’ duties in relation to filing of periodic tax returns, and the Notice was amended on June 15, 2018. On August 5, 2004, the State Administration of Taxation issued the “Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax” (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) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the “Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax,” which was amended on January 1, 2015 (關於土地增值稅若干問題的通知). The Circular stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.
- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.
- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the “Administrative Law of the People’s Republic of China on the Levying and Collection of Taxes.”
- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (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) which came into effect on February 1, 2007 and was amended on July 7, 2016 and June 15, 2018.

Pursuant to the notice, 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. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole uncompleted development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancelation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess 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, and such failure is not cured 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 enforcement, in May 2009, the State Administration of Taxation released the “Rules on the Administration of the Settlement of Land Appreciation Tax” (土地增值稅清算管理規程), which became effective on June 1, 2009.

On May 19, 2010, the State Administration of Taxation has issued the “Circular on Issues Concerning Settlement of Land Appreciation Tax” (關於土地增值稅清算有關問題的通知) which clarifies revenue recognition in the settlement of LAT and other relevant issues. According to the said circular, in the settlement of LAT, if the sales invoices of commodity properties are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity properties are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other proceeds. If the area of a commodity property specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey, and if purchase price for the property is made up or refunded before the settlement of LAT, adjustments shall be made accordingly in the calculation of LAT. The said circular also provides that the deed tax paid by a real estate development enterprise for land use rights shall be treated as the “relevant fees paid in accordance with the uniform regulations of the state” and be deducted from the “amount paid for land use rights.”

On May 25, 2010, the State Administration of Taxation published the “Circular on Strengthening the Collection and Administration of Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知) to require all local governments to scientifically formulate the tax rate and strengthen provisional LAT taxation. According to this circular, all local governments shall make adjustments to the current provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the provisional LAT rate applicable to different types of real estate.

Deed Tax

Pursuant to the “People’s Republic of China on Deed Tax Law” (中華人民共和國契稅法) promulgated by the National People’s Congress on August 11, 2020 and became effective on September 1, 2021, the transferee, whether an individual or otherwise, of the title to a land site or

building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%-5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record. Pursuant to the “Implementation Provisions on Deed Tax in Guangdong Province” promulgated by the People’s Government of Guangdong in May 1998, the rate of deed tax in Guangdong is 3%.

Urban Land Use Tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land” (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988 as amended in December 2006, December 2013 and March 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the “Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China” promulgated by the Ministry of Finance on November 2, 1988 and the “Approval on Land Use Tax Exemption of Foreign-Invested Enterprises” issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Property Tax

Under the “Interim Regulations of the People’s Republic of China on Property Tax” (中華人民共和國房產稅暫行條例) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986 and amended on January 8, 2011, the property tax rate is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

Stamp Duty

Under the “People’s Republic of China on Stamp Duty Law” (中華人民共和國印花稅法) promulgated by the National People’s Congress on June 10, 2021 and became effective on July 1, 2022, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Municipal Maintenance Tax

Under the “People’s Republic of China on Municipal Maintenance Tax Law” (中華人民共和國城市維護建設稅法) promulgated by the National People’s Congress on August 11, 2020 and became effective on September 1, 2021, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the “Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals” (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), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the “Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises” (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay

municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

Education Surcharge

Under the “Interim Provisions on Imposition of Education Surcharge” (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged 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” (國務院關於籌措農村學校辦學經費的通知). Under the “Supplementary Notice Concerning Imposition of Education Surcharge” (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises” and the “Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises” issued by the State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid “Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (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)”, from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid “Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises”, foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

MEASURES ON STABILIZING HOUSING PRICES

The General Office of the State Council promulgated the “Circular on Stabilizing Housing Prices” (關於切實穩定住房價格的通知) in March 2005 requiring measures to be taken to keep housing prices from increasing too fast and to promote the healthy development of the property market. The “Opinions on Work of Stabilizing Housing Price,” jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Administration of Taxation and the CBRC in April 2005 provides that:

- Where housing prices grow too fast at a time when the supply of medium-or low-priced ordinary commodity houses and affordable housing is insufficient, construction of new names should mainly focus on projects of medium-or low-priced ordinary commodity houses and affordable housing. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium-or low-priced ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the property authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be established as preconditions of land grant to ensure adequate supply of medium-or low-priced houses and houses with medium or small area. Local governments are asked to strengthen the supervision of planning permit for property development projects. Housing projects that

have not been commenced within two years must be examined again, and those not in compliance with the planning permits shall have their permits revoked.

- Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.
- Idle land fee shall be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use right of land that has not been developed for two years shall be forfeited without compensation.
- Starting from June 1, 2005, business tax on the transfer of a residential house by an individual within two years from date of purchase shall be levied on the basis of the full amount of the income therefrom. For an individual having transferred an ordinary residential house for two years or more from date of purchase, the business tax will be exempted. For an individual having transferred a residential property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the difference between the income from selling the house and the purchase price.
- Low-to medium-cost ordinary residential houses with medium or small area may enjoy such preferential policies as planning permit, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the floor area of a single unit is less than 120 sq.m., and the actual transfer price is lower than 1.2 time of the average transfer price of houses located on the land of the same level. The local government of a province, autonomous region or municipality may, based on actual circumstances, set up the specific standard for ordinary residential houses enjoying the preferential policies. Under the “Circular on Setting up the Standard for Ordinary Residential House in Guangdong Province” issued by Guangdong Provincial Construction Bureau in June 2005, ordinary houses in Guangdong Province enjoying preferential policies must also satisfy the following conditions: the plot ratio of the residential district is above 1.0, the gross floor area of one single unit is less than 120 sq.m. or the internal gross floor area of a single unit is less than 144 sq.m., and the actual transfer price is lower than 1.44 time of the average transfer price of houses located on the land of the same level.
- The transfer of uncompleted commodity properties by any pre-sale purchaser shall be prohibited. A system shall be adopted to require purchasers to buy properties in their real names. Any commodity property pre-sale contract shall be filed through the Internet immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued the “Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices” (關於調整住房供應結構穩定住房價格的意見). Such opinions reiterated the existing measures and introduced new measures intended to further curtail the rapid increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include the following:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA less than 90 sq.m. per unit and that projects which have received project development approvals prior to that date but have

not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the project, of less than 35%; restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties; and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a residential property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

To carry out “Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices,” the Ministry of Construction promulgated “Opinions on Carrying Out Structure Proportion of Newly-Built Housing” (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- from June 1, 2006, in any city (including county), the floor area of the housing which is less than 90 sq.m. should total at least 70% of the total floor area of commercial commodities newly approved or constructed in a given year;
- according to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings and that such buildings conform to the structure proportion requirements. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permits should not be issued by the municipal planning authority if there is any noncompliance with the planning permits; certifications should not be issued by the authority charged with censoring construction documents; construction works permits should not be issued by the construction authority; permits for pre-sale of commodity buildings should not be issued by the property development authority; and
- for projects which were approved before June 1, 2006 but that have not obtained construction permits, the city governments should adjust specific projects to conform to the structure proportion requirements in that year.

On July 11, 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly promulgated the “Opinions on Regulating the Admittance and Administration of Foreign Capital in the Real Estate Market,” (關於規範房地產市場外資准入和管理的意見) which provided as follows:

- an overseas entity or individual investing in real estate in China other than for self-use shall apply for the establishment of a foreign-invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;
- the registered capital of a foreign-invested real estate enterprise with a total investment of US\$10 million or more shall not be less than 50% of its total investment amount,

whereas for a foreign-invested real estate enterprise with a total investment of less than US\$10 million, the current rules on registered capital shall apply;

- a newly established foreign-invested real estate enterprise can only obtain an interim approval certificate and business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid;
- an equity transfer of a foreign-invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the relevant commerce administration authorities. The investor shall submit a letter to the relevant commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;
- foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise's employees and bank loans are properly handled with in accordance with applicable PRC laws;
- if the registered capital of a foreign-invested real estate enterprise is not yet fully paid, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the foreign-invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans;
- the investors in a foreign-invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and
- a branch or representative office established by a foreign investor in China (other than a foreign-invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued "Notice in respect of Standardization of Issues Relating to Management of Foreign Exchange of Real Estate Market" (關於規範房地產市場外匯管理有關問題的通知), which was amended on May 4, 2015. This notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin.

On May 23, 2007, MOFCOM and SAFE promulgated the "Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry" (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) (Shang Zi Han No. 50, 2007) which was amended in October 2015. The circular provides stricter controlling measures including, among others:

- Where the application is filed for establishment of the real estate company, the land use rights, the ownership of the real property should be obtained first, or the pre-assignment/purchase agreement has already been concluded with the land administration authority, land developer/owner of the real property. If the above requirements have not been satisfied, the approval authority shall not approve the application.

- Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled.

Oversea investors may not avoid approval for foreign investment in real estate by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested real estate enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.

- Agreement as to any fixed return or of the same effect for either party of a foreign-invested real property enterprises is prohibited.
- The local SAFE administrative authority and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the Ministry of Construction's filing requirement.

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and/or commence development on the land, effective November 1, 2007.

Pursuant to the notice on "Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans," (擴大商業性個人住房貸款利率下浮幅度等問題的通知) the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%. On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Adjustments to Taxation on Real Property Transactions" (關於調整房地產交易環節稅政策的通知) which was amended on October 1, 2010, pursuant to which, from November 1, 2008, the rate of deed tax has been reduced to 1% for a first time home buyer of an ordinary residence with a unit floor area less than 90 sq.m., 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 LAT.

On December 20, 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (關於促進房地產市場健康發展的若干意見), 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 January 1, 2009 to December 31, 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 an 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 favorable 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 January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問

題的通知), 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.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a “Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties” (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner’s purchase. This notice became effective on January 28, 2011 and was replaced by a notice of the same name on March 30, 2015, which stipulated that business tax is imposed on (i) the full amount of transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the date of the individual owner’s purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city; (ii) for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties; and (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

On September 29, 2014, the PBOC and CBRC jointly issued the “Notice on Further Improving Financial Services for Real Estate Sector” (關於進一步做好住房金融服務工作的通知), which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued the “Notice on Relevant Issues Concerning the Individual Housing Loan Policy” (關於個人住房貸款政策有關問題的通知), which provides that where households that own a residential property and have not paid off their existing mortgage loan applies for a new mortgage loan to buy another residential property to improve their living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower.

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

On October 10, 2016, the MOHURD issued the “Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order” (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

On October 1, 2016, the Municipal Government of Zhengzhou issued the Notice to Implement Restriction Measures on the Purchase of Residential Properties in Certain Districts of Zhengzhou (關於在鄭州市部分區域實施住房限購的通知) effective from October 2, 2016, under which, within certain districts in Zhengzhou, local residents who own two or more residential properties or non-local residents who own one or more residential properties, are prohibited from purchasing residential properties not more than 180 sq.m. On October 2, 2016, Zhengzhou Municipal Housing Security and Real Estate Administration Bureau issued the Implementing Rules of the Purchase Restriction Measures, according to which within certain districts in Zhengzhou, local residents who own one residential property or non-local residents who do not own any residential property are allowed to purchase one residential property not more than 180 sq.m., while local residents who own two or more residential properties or non-local residents who own one or more residential property are prohibited from purchasing residential properties.

Planning of Property Projects

Pursuant to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) enacted by the Standing Committee of the National People’s Congress on October 28, 2007, and partly amended by the Decision of the Standing Committee of the National People’s Congress on Amending Seven Laws (《全國人民代表大會常務委員會關於修改〈中華人民共和國港口法〉等七部法律的決定》) (Presidential Decree [2015] No. 23) issued by the Standing Committee of the National People’s Congress on April 24, 2015 which came into force as of January 1, 2008 and the Decision of the Standing Committee of the National People’s Congress on Amending Eight Laws (《全國人民代表大會常務委員會關於修改〈中華人民共和國建築法〉等八部法律的決定》) (Presidential Decree [2019] No.29) issued by the Standing Committee of the National People’s Congress on April 23, 2019, to build any structure, fixture, road, pipeline or other engineering project within a city or town planning area, the construction entity or individual shall apply to the competent department of urban and rural planning under the people’s government of the city or county or the town people’s government specified by the people’s government of the province, autonomous region or municipality directly under the PRC government for a construction works planning permit.

In addition, to apply for a construction works planning permit, the relevant documentary evidence on land use, the engineering design plan of the project as well as other related documents shall be submitted. If the project requires a site detailed planning, such planning shall also be submitted. If the project satisfies the regulatory detailed planning and the planning requirements, the competent department of urban and rural planning under the people’s government of the city or county or the town people’s government specified by the people’s government of the province, autonomous region or municipality directly under the PRC government shall issue a construction works planning permit. If a construction project begins without obtaining the construction works

planning permit or by violating the provisions of the construction works planning permit, the competent department of urban and rural planning of the local people's government at or above the county level shall order it to stop construction. If it is still possible for the construction entity or individual to take measures to eliminate the impact on the implementation of urban and rural planning, the department shall order it or him to correct within a certain time limit and impose a fine of not less than 5% of the construction cost but not more than 10% the cost; if it is impossible to take measures to eliminate the impact, the department shall order the construction entity or individual to dismantle the building or structure within a certain time limit and confiscate the real objects or the illegal gain, and may also impose a fine not more than 10% of the construction cost.

CONSTRUCTION SAFETY

Under relevant laws and regulations such as the Laws for Safe Production in the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress in November 2002, as amended in August 2009, August 2014 and June 10, 2021 respectively, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State. Under the Construction Law of the People's Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

FOREIGN EXCHANGE

With effect from January 1, 1994, the PRC government abolished its two-tier exchange rate system and replaced it with a unified floating exchange rate system based largely on supply and demand. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the exchange rate published by the PBOC according to market condition. However, despite such developments, RMB is still not a freely-convertible currency.

Pursuant to the Foreign Exchange Control Regulations of the PRC issued by the State Council which came into effect on April 1, 1996 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, which came into effect on July 1, 1996, foreign investment enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange from their foreign exchange bank accounts in the PRC.

If foreign investment enterprises require foreign exchange services for transactions relating to current account items, they may, without approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof. If such enterprises need foreign exchange services for the distribution of dividends to their shareholders, they may, on the strength of a board of directors resolution authorizing the distribution of dividends and any other relevant documents, effect payment from their foreign exchange accounts and make such payments at the designated foreign exchange bank.

However, convertibility of foreign exchange in respect of capital account items, like direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought.

On April 28, 2013, SAFE issued the “Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈〈外債登記管理辦法〉的通知), which became effective on May 13, 2013, as amended on May 4, 2015, April 26, 2016 and June 9, 2016, including three appendices: (i) Administrative Measures on Foreign Debt Registration, (ii) Operating Guidelines for Foreign Debt Registration Administration, and (iii) List of Repealed Regulations. The measures stipulate the general provisions on foreign debt registration, administrative provisions on foreign debt account management, use and settlement of foreign debt funds, foreign guarantee for domestic loans, foreign exchange managements for outbound transfer of non-performing assets, as well as relevant penalty provisions. The Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引) provide specific operational rules in relation to foreign debts administration, which contain 15 items. Among these 15 items, foreign debt registration of foreign invested real estate enterprises is regulated as follows: (i) foreign invested real estate enterprises established before June 1, 2007, which have increased the registered capital on and after June 1, 2007, may raise foreign debt financing limited to the balance of the difference between its total investment and registered capital. Provided that such difference between its total investment and registered capital after increasing its capital is smaller than that of before increasing its capital, the smaller one shall prevail, (ii) that SAFE will no longer process foreign debt registration or foreign exchange settlement for foreign debt for foreign invested real estate enterprises that obtained approval certificates from and filed with MOFCOM on or after June 1, 2007, and (iii) foreign invested real estate enterprises of which the land use rights certificate has not been obtained, or the project capital is less than 35% of the total investment of the project, are prohibited from raising foreign debt financing, and SAFE will not process foreign debt registration for such enterprises.

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. On June 27, 2018, the NDRC emphasized in a post on its website that the proceeds from offshore bond offerings by PRC property enterprises shall be mainly used for repayments of existing debts and shall be restricted for investments in property projects within or outside China or as working capital. The NDRC planned to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On July 12, 2019, the NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (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) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium- to long-term offshore debts that will become due within one year, and the real estate developer is required to specify in the application material of foreign debt registration with the NDRC, the details of such debts to be refinanced, such as amount, maturity date and whether registered with the NDRC. The real estate developer is also required to submit a commitment letter to the NDRC regarding the authenticity of its foreign debt issuance. Failure to comply with the aforesaid restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future.

On May 11, 2013, SAFE issued the “Notice on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Ancillary Documents” (國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知), which includes three appendices as follows: (i) the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China, (ii) the List of Repealed Regulations on Foreign Exchange Administration over Direct Investment in China, and (iii) the Business Operating Guidelines for Domestic Direct Investment. This notice was amended on October 10, 2018 and December 30, 2019 thereafter.

The “Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China” (外國投資者境內直接投資外匯管理規定), effective on May 13, 2013, set out the general principles for foreign exchange control in direct investments by foreign investors, and specific provisions on the foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments by foreign investors. The provisions apply to foreign investors setting up foreign invested enterprises, foreign invested projects and foreign invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises.

On January 10, 2014, SAFE issued the “Notice of the State Administration of Foreign Exchange on the Further Improvement and Adjustment of the Foreign Exchange Control Policy for Capital Projects” (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知), effective on February 10, 2014, which provides for, among others: (i) loosening of certain administrative procedures for the initial expenses outlay for overseas direct investments by domestic enterprises; (ii) loosening of certain restrictions on overseas lending by domestic enterprises; (iii) simplifying the procedures for remitting profits offshore by domestic enterprises.

In March 30, 2015, the SAFE issued “Notice on the Reform of Foreign Investment Enterprises of Foreign Exchange Capital Settlement Management” (關於改革外商投資企業外匯資本金結匯管理方式的通知) which will be effective since June 1, 2015. The notice provides that a voluntary foreign exchange settlement system will be established. On June 9, 2016, SAFE issued the “Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement” (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On August 19, 2015, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly issued the Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知). According to this Notice, the foreign invested real estate enterprises can directly conduct foreign exchange registration concerning foreign direct investment in bank according to foreign exchange regulations.

According to Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) issued by the SAFE on January 26, 2017, funds for overseas loans under domestic guarantees are allowed to be repatriated into the PRC for domestic use. Debtors can repatriate, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions.

“Administrative Measures on Inspection and Registration of Enterprises’ Medium to Long Term Foreign Debt” (企業中長期外債審核登記管理辦法), effective from February 10, 2023, was promulgated by the NDRC, which provides that a PRC enterprise must file certain prescribed information and documents with NDRC and procure a registration certificate from NDRC before the settlement of the foreign debts.

Environment Protection in the Development of Real Estate

The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (中華人民共和國環境保護

法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to those laws and regulations, the developer shall, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, or in the scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Simultaneous design, simultaneous construction and simultaneous going into operation with the main body project must be realized for matching environmental protection facilities construction which is required for the construction project. In addition, the developer shall, during the trial production of a construction project, monitor the operations of the environmental protection facilities and the environmental impact of the construction project. On completion of construction, the developer shall file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks. Acceptance checks for completion of construction of environmental protection facilities shall be conducted simultaneously with the acceptance checks for of the main body project.

The Ministry of Environmental Protection issued the Rules on the Examination and Approval of Environmental Impact Assessment Documents of Construction Projects by Authorities at Various Levels (建設項目環境影響評價文件分級審批規定) on January 16, 2009, effective from March 1, 2009. According to the Rules, the power endowed to the authorities at various levels in charge of the examination and approval of environmental impact assessment documents of construction projects shall, in principle, be determined in accordance with the power to examine, approve, verify and file the construction project concerned as well as the nature and degree of the environmental impact brought by the construction project concerned. The Ministry of Environmental Protection may entrust the local environmental protection department at provincial level at the place of the project to exercise part of its statutory power of examination and approval, in which case, public announcement thereof shall be made.

MANAGEMENT

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 the members of the senior management of the Group and the Issuer:

Name	Age	Position
Zhang Jingguo (張敬國)	60	Sole director of the Group, chairman and president of the Group and the Issuer
Zhang Guoqiang (張國強)	60	Vice president of the Group
Liu Zhenqiang (劉振強)	63	Vice president of the Group
Wang Jinhu (王金虎).	52	Vice president of the Group
Guo Wei (郭偉)	51	Vice president of the Group
Xing Zhumei (行竹梅)	53	Chief Financial Officer of the Issuer, Financial center director and chief accountant of the Group
Yuen Ping Man (Dickman) (源秉民)	59	Company Secretary of the Issuer

SENIOR MANAGEMENT

Mr. Zhang Jingguo (張敬國), aged 60, is the sole director of our Group and the Chairman and president of the Issuer. Mr. Zhang is the founder of our Group. Mr. Zhang has approximately 28 years of experience in the real estate development industry in China. From July 1983 to April 1995, Mr. Zhang held various positions at the then Light Industry Bureau of Henan Province, the governmental authority in charge of the light industry in Henan Province, and its associated collectively owned enterprises, including division chief, engineer and vice manager, where he was responsible for administrative management. From April 1995 to April 2001, he worked at Xingye Real Estate as general manager, where he was responsible for its overall operations. Mr. Zhang and Ms. Huang Yanping cofounded a real estate company which has become one of the top 100 property development companies in China. Mr. Zhang has served as the Chairman and chief executive officer of this top 100 real estate company since 2001. Mr. Zhang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion.

Mr. Zhang received a bachelor's degree in radio science from Zhengzhou University in July 1983, an Executive MBA degree from Guanghua School of Management, Peking University in July 2013 and an Executive MBA degree from PBC School of Finance, Tsinghua University in July 2018. Mr. Zhang currently serves as senior consultant of Henan Real Estate Chamber of Commerce, vice president of Industry & Commerce Association of Henan Province, graduate tutor of Zhengzhou University. During the years of 2016, 2017 and 2018, Mr. Zhang was named "Outstanding Real Estate Developer of Henan Province by Real Estate Association of Henan Province. Mr. Zhang received his senior engineer qualification from the People's Government of Henan Province in May 2012, he received his first class construction engineer qualification from the Ministry of Housing and Urban- Rural Development.

Currently, Mr. Zhang is the Chairman of Zanyu Technology Group Co. Ltd., a listed company on the Shenzhen Stock Exchange (stock code: 002637).

Mr. Zhang Guoqiang (張國強), aged 60, is a vice president of our Group. Mr. Zhang joined our Group in January 2006 and is responsible for the management of marketing center and tendering and procurement center. Between August 1983 and October 1997, Mr. Zhang worked as a tutor at the Communication Command Academy of PLA (中國人民解放軍通信指揮學院), now known as the National Defence Information Academy of PLA (中國人民解放軍國防信息學院). Between October 1997 to March 2003, Mr. Zhang served as the director of the marketing department of Wuhan Research Institute of Post & Telecommunications (武漢郵電科學研究院), also known as FiberHome Technologies Group (烽火科技集團), a product and solution provider in the field of information and telecommunications, where he was responsible for marketing. Prior to joining our Group, Mr. Zhang worked as a general manager at Nanjing North Road Technologies Co., Ltd. (南京北路科技有限責任公司), a coal analysis equipment manufacturer, from May 2003 to November 2005, where he was responsible for general management. Mr. Zhang received a bachelor's degree in radio science from Zhengzhou University in July 1983. Mr. Zhang received his engineer qualification from Wuhan Research Institute of Post of Telecommunications in July 1988. Currently, Mr. Zhang Guoqiang is a director of Zanyu Technology Co., Ltd, a listed company in the Shenzhen Stock Exchange (stock code: 002637).

Mr. Liu Zhenqiang (劉振強), aged 63, is a vice president of our Group and the head of our marketing center, responsible for our business operation in Beijing and Wuhan. Mr. Liu joined our Group in October 2004 and had since held various senior management positions including assistant general manager, head of property management center, deputy director of land committee and director of land development center. From October 2005 to January 2007, Mr. Liu was also an assistant general manager, head of department of property management service and department of customer service of Xingye Real Estate. Mr. Liu has approximately 16 years of experience in the real estate industry in China. Prior to joining our Group, Mr. Liu studied and served in the army from August 1983 to December 2005.

Mr. Liu received his bachelor's degree in radio science from Zhengzhou University in July 1983 and his MBA degree from the MBA Education Center of Zhengzhou University (鄭州大學工商管理碩士(MBA)教育中心) in November 2006. He was named one of the "Top Ten Elite of Property management" (十佳優秀物業管理精英) and was awarded the "Top Ten Management Elite Award" (十佳管理精英獎) by the Real Estate Association of Zhengzhou (鄭州物業與房地產協會) and the Office of East Morning Post (東方今報社) in September 2006. Mr. Liu was qualified as a senior engineer in March 2008, as accredited by Tianjin Human Resources Bureau (天津市人事局), now known as Tianjin Municipal Human Resources and Social Security Bureau (天津市人力資源和社會保障局).

Mr. Wang Jinhu (王金虎), aged 52, is a vice president of our Group, responsible for the strategic planning of our Group and supervising our Group's business operation in the western region of Zhengzhou. In addition, Mr. Wang has been serving as a non-executive director and general manager of Huizheng City Rural since August 2012 and non-executive director of Yulu Zensun since March 2013. Mr. Wang joined our Group in November 2000 and has held a number of senior management positions, including but not limited to, the head of ambience and decoration department, general manager of a project company, assistant to the chief executive officer, vice president, chief marketing officer as well as head of ambience and facility center and technology center. Mr. Wang has approximately 26 years of experience in the real estate industry in China. Prior to joining our Group, he worked as a manager in the sales, planning and property management service department of Xingye Real Estate from March 1997 and October 2000, where he was in charge of sales, planning and property management. Mr. Wang worked at Zhengzhou Huayu Real Estate Development Co., Ltd. (鄭州華裕房地產開發有限公司) as a construction administrator from September 1993 to June 1995 and as a statistical officer from July 1995 to February 1997, in charge of statistical analysis.

Mr. Wang graduated from Henan University (河南大學) with a bachelor's degree in land planning and management in June 1993. He was qualified as an engineer in March 2000, certified by Henan Human Resources Exchange Centre (河南省人才交流中心), and as a second class construction engineer (二級建造師) in October 2010 accredited by the Department of Housing and Urban-Rural Development of Henan Province (河南省住房和城鄉建設廳).

Ms. Guo Wei (郭偉), aged 51, is a vice president of our Group. Ms. Guo joined our Group in October 2005 and has been serving as the chief administrative officer since October 2005, responsible for human resources management. She is also responsible for the business development of our company in Xinyang and eastern region of Zhengzhou. Ms. Guo has approximately 26 years of experience in the real estate industry in China. Prior to joining our Group, Ms. Guo served as an officer at the production and technology department of Henan No. 7 Building Engineering Group Co., Ltd. (河南七建工程集團有限公司) from October 1993 to October 2005, in charge of project cost control and manufacturing technologies. Ms. Guo has been the deputy chair of the Xinyang General Chamber of Commerce (信陽市總商會) and a member of Xinyang People's Congress (信陽市政協) since June 2012 and July 2012, respectively.

Ms. Guo obtained her associate's degree in industrial and residential construction from the Zhengzhou Institute of Technology (鄭州工學院), now known as Zhengzhou University, in December 1993, and her bachelor's degree in business administration through the long distance program from Zhengzhou University in January 2009. Ms. Guo was qualified as a senior engineer in June 2011, accredited by the Senior Engineering Technology Accreditation Committee of China State Construction Engineering Corporation (中國建築工程總公司高級工程技術職務評審委員會).

Ms. Xing Zhumei (行竹梅), aged 53, is the Chief Financial Officer of the Issuer, Financial center director and chief accountant of our Group. Ms. Xing joined our Group in January 2005 and is responsible for the Group's financial reporting, corporate finance activities and investor relations matters. Ms. Xing has approximately 27 years of experience in accounting and audit. Ms. Xing served as an accountant at Zhengzhou Food Corporation (鄭州果品食雜總公司) from July 1995 to December 2004. She then served as the chief accountant in Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司) from January 2005 to April 2017 and as the chief financial officer in Henan Xingye Internet of Things Management Technology Co., Ltd.* (河南興業物聯網管理科技有限公司) from May 2017 to September 2019. Thereafter, she served as the chief accountant in Zensun Group Limited (正商集團有限公司) from October 2019 to September 2020.

Ms. Xing obtained her bachelor's degree in auditing from Zhengzhou University in June 1995. She received her qualified level accounting certification in May 2002 from the PRC Ministry of Finance and certified tax adviser certification in September 2003 from Department of Human Resources of Henan Province (河南省人事廳), now known as Department of Human Resources and Social Security of Henan Province (河南省人力資源和社會保障廳). Ms. Xing is a member of Henan Institute of Certified Public Accountants (河南註冊會計師協會).

Mr. Yuen Ping Man, Dickman (源秉民), aged 59, is the Company Secretary and the Chief Operating Officer (Hong Kong) of the Issuer, responsible for the Issuer's corporate secretarial functions and business operations. Mr. Yuen has over 25 years of managerial experience in corporate secretarial, business development, human resources and general administration. Mr. Yuen was previously the chief operating officer of Xpress Finance Limited ("Xpress Finance") a non-wholly owned subsidiary of the Issuer responsible for compliance, human resource, operations, sales and marketing, customer service and general administration of Xpress Finance. Prior to joining Xpress Finance in June 1997, Mr. Yuen worked in two listed groups and a financial institution in managerial position.

Mr. Yuen is a fellow member of the Chartered Governance Institute (UK), the Hong Kong Chartered Governance Institute and Society of Registered Financial Planners, senior member of The Hong Kong Institute of Marketing, professional member of the Hong Kong Institute of Human Resource Management, a member of the Hong Kong Securities and Investment Institute, and the Chartered Institute of Marketing (UK). Mr. Yuen holds a master's degree in business administration.

COMPANY SECRETARY OF THE ISSUER

Yuen Ping Man (Dickman) is the Company Secretary of the Issuer. See "— Senior Management" for their biography information.

PRINCIPAL SHAREHOLDERS OF THE COMPANY

The following table sets forth certain information regarding ownership of our outstanding shares as of the date of this offering memorandum.

<u>Name of shareholder</u>	<u>Nature of interests</u>	<u>Number of Shares held</u>	<u>Approximate percentage of the issued share capital of the Company (%)</u>
Mr. Zhang Jingguo ⁽¹⁾	Interest of spouse	1	100%
Ms. Huang Yanping ⁽²⁾	Interest in a controlled corporation	1	100%

Notes:

- (1) *Mr. Zhang Jingguo is the spouse of Ms. Huang Yanping and is deemed to be interested in the interest held by Ms. Huang Yanping.*
- (2) *Our Company is ultimately owned by a discretionary trust established by Ms. Huang Yanping as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. Our Group is a wholly owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited is assets of the trust.*

Except as disclosed above, no other interest or short position in the shares and underlying shares of our Company were recorded in the register.

PRINCIPAL SHAREHOLDERS OF THE ISSUER

The following table sets forth certain information regarding ownership of the outstanding shares of the Issuer as of the date of this offering memorandum by those persons who beneficially own more than 5% of the Issuer's outstanding shares.

Name of shareholder	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Issuer (%)
Vistra Trust (Singapore) Pte Limited	Trustee ⁽¹⁾	1,377,439,892	71.99
Superior Glory Enterprises Limited.	Interest of controlled corporation ⁽¹⁾	1,377,439,892	71.99
Notable Reward Limited	Interest of controlled corporation ⁽¹⁾	1,377,439,892	71.99
Zensun Group Limited	Interest of controlled corporation ⁽¹⁾	1,377,439,892	71.99
Joy Town Inc.	Beneficial owner ⁽¹⁾	1,377,439,892	71.99

Note:

(1) *These Shares are directly owned by Joy Town Inc., which are ultimately owned by a discretionary trust established by Ms. Huang Yanping as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. Joy Town Inc. is wholly-owned by the Company. The Company is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited is the assets of the trust. Ms. Huang Yanping is the sole director of Joy Town Inc. and Notable Reward Limited and Mr. Zhang Jingguo is the sole director of the Company.*

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to, Bank of China, Industrial and Commercial Bank of China, China Merchants Bank, Ping An Bank, CZ Bank, Zhongyuan Bank and China Minsheng Bank. These loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from one to five years. Our PRC loans are typically secured by properties under development, completed properties held for sale, investment properties, property, plant and equipment and pledged deposits as well as guaranteed by holding companies in PRC.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreements. As of December 31, 2022, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 6.9% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect their ability to repay the loans;
- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party.

Events of Default

The PRC loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The financial institutions are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, PRC loans was secured by properties under development, completed properties held for sale, investment properties, property, plant and equipment and pledged deposits.

Dividend Restrictions

Pursuant to the loan agreements with certain PRC financial institutions, some of our PRC subsidiaries, including but not limited to Henan Xinghan Zensun Real Estate Co., Ltd., Henan Zensun Longshang Real Estate Co., Ltd., Xinzheng Zensun Xingcheng Real Estate Co., Ltd., Henan Zensun Zhongyue Real Estate Co., Ltd., Xinxiang City Xinghan Zensun Real Estate Co., Ltd. and Henan Zensun Longshui Real Estate Co., Ltd., also agreed not to distribute any dividend, including, but not limited to:

- before the principal amount of and accrued interest on the relevant project loan have been fully paid;
- before any principal amount of and accrued interest on the relevant project loan due within the period have been fully paid; or
- if the after-tax net profit of relevant fiscal year is zero or negative, or the after-tax profit is insufficient to make up the accumulated loss of previous fiscal years, or the pre-tax profit is not used to pay all principal, interest and expenses due in such fiscal year, or the after-tax profit is insufficient to pay off the next installment of principal, interest and expenses.

CORPORATE BONDS

2023 Notes

On September 13, 2021, the Issuer entered into an indenture (the “2023 Indenture”) pursuant to which the Issuer issued US\$200 million principal amount of 12.5% senior notes due 2023. The 2023 Notes are listed on the SEHK. As of the date of this offering memorandum, US\$113,230,000 in principal amount of the 2023 Notes remains outstanding.⁽¹⁾

Guarantee

The 2023 Notes are unconditionally and irrevocably guaranteed (the “2023 Guarantees”) by us, the 2023 Parent Guarantor, and jointly guaranteed by certain of the subsidiaries of the 2023 Parent Guarantor (the “2023 Subsidiary Guarantors”, together with the 2023 Parent Guarantor, the “2023 Notes Guarantors”), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries. Each of the 2023 Notes Guarantors and the JV subsidiary guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the 2023 Notes.

Interest

The 2023 Notes bear an interest of 12.5% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2023 Notes, the 2023 Indenture governing the 2023 Notes and the 2023 Guarantees will limit the 2023 Parent Guarantor’s ability and the ability of its restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- make investments or other specific restricted payments;
- issue or sell capital stock of restricted subsidiaries;

⁽¹⁾ The outstanding principal amount does not include the principal amount of the 2023 Notes currently held by the Issuer and/or the Company, which are expected to be cancelled prior to maturity of the 2023 Notes.

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

Events of default

The 2023 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2023 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the 2023 Indenture. If an event of default occurs and is continuing, the trustee under the 2023 Indenture or the holders of at least 25% of the outstanding 2023 Notes may declare the principal of the 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, the Issuer or the 2023 Parent Guarantor will make an offer to repurchase all outstanding 2023 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

Maturity and Redemption

The maturity of the 2023 Notes is September 13, 2023.

At any time and from time to time prior to September 13, 2023, the Issuer may at its option redeem the 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2023 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to September 13, 2023, the Issuer may redeem up to 35% of the aggregate principal amount of the 2023 Notes with the net cash proceeds of one or more sales of common stock of the 2023 Parent Guarantor in an equity offering at a redemption price of 112.5% of the principal amount of the 2023 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2023 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

2024 Notes

On September 23, 2021, the Issuer entered into an indenture (the "2024 Indenture") pursuant to which the Issuer issued US\$160 million principal amount of 12.5% senior notes due 2024. The 2024 Notes are listed on the SEHK. As of the date of this offering memorandum, the entire principal amount of the 2024 Notes remains outstanding.

Guarantee

The 2024 Notes are unconditionally and irrevocably guaranteed (the “2024 Guarantees”) by us, the 2024 Parent Guarantor, and jointly guaranteed by certain of the subsidiaries of the 2024 Parent Guarantor (the “2024 Subsidiary Guarantors”, together with the 2024 Parent Guarantor, the “2024 Notes Guarantors”), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries. Each of the 2024 Notes Guarantors and the JV subsidiary guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the 2024 Notes.

Interest

The 2024 Notes bear an interest of 12.5% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2024 Notes, the 2024 Indenture governing the 2024 Notes and the 2024 Guarantees will limit the 2024 Parent Guarantor’s ability and the ability of its restricted subsidiaries to, among other things:

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

Events of default

The 2024 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2024 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the 2024 Indenture. If an event of default occurs and is continuing, the trustee under the 2024 Indenture or the holders of at least 25% of the outstanding 2024 Notes may declare the principal of the 2024 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, the Issuer or the 2024 Parent Guarantor will make an offer to repurchase all outstanding 2024 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

Maturity and Redemption

The maturity of the 2024 Notes is April 23, 2024.

At any time and from time to time prior to April 23, 2024, the Issuer may at its option redeem the 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2024 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to April 23, 2024, the Issuer may redeem up to 35% of the aggregate principal amount of the 2024 Notes with the net cash proceeds of one or more sales of common stock of the 2024 Parent Guarantor in an equity offering at a redemption price of 112.5% of the principal amount of the 2024 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2024 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Issuer” refers only to Zensun Enterprises Limited (formerly known as ZH International Holdings Limited) and any successor obligor on the Notes, and not to any of its Subsidiaries, the term “Parent Guarantor” refers only to Zensun Group Limited and not to any of its Subsidiaries. The Parent Guarantor’s guarantee of the Notes is referred to as the “Parent Guarantee.” Each Subsidiary of the Parent Guarantor which guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Parent Guarantor that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor” (together with the Parent Guarantor and the Subsidiary Guarantors, the “Notes Guarantors”) and each such Guarantee is referred to as a “JV Subsidiary Guarantee” together with the Parent Guarantee and the Subsidiary Guarantee, the “Notes Guarantee”).

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of September 13, 2021, among the Issuer, the Parent Guarantor, the Subsidiary Guarantors, and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes and the Notes Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Notes Guarantees. It does not restate those documents in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon prior written request and proof of holding and identity to the satisfaction of the Trustee, during usual business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) on or after the Original Issue Date at the corporate trust office of the Trustee at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Issuer;
- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Notes Guarantors on a senior basis, subject to the limitations described below under the caption “— The Parent Guarantee” and “— The Subsidiary Guarantees and the JV Subsidiary Guarantees”;
- effectively subordinated to the secured obligations (if any) of the Issuer and the Notes Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on September 12, 2025, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 7.0% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on March 12 and September 12 of each year (each an “Interest Payment Date”), commencing March 12, 2024. Interest on the Notes will be paid to Holders of record at the

close of business on February 25 and August 28 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). So long as the Notes are held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Notes will be made to the person shown as the holder in the register of the Notes at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where “Clearing System Business Date” means a weekday (Monday to Friday, inclusive) except for December 25 and January 1.

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

Except as described under “Optional Redemption” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer or the Parent Guarantor).

In any case in which the date of the payment of principal of, premium (if any) on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of such principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer, the Transfer Agent or the Registrar may require indemnity or payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars in immediately available and cleared funds by the Issuer at the office or agency of the Issuer maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, if the Notes are in definitive form and the Issuer acts at its own paying agent, at the option of the Issuer, payment of interest may be made by check mailed (at the expense of the Issuer) to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Parent Guarantee

The Parent Guarantee:

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

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Parent Guarantor is a holding company that does not have significant operations of its own. Under the Indenture and any supplemental indenture to the Indenture, as applicable, the Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture (other than in respect of the Parent Guarantee) and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payment as though such payment had not been made. All payments under the Parent Guarantee are required to be made by wire transfer in U.S. dollars in immediately available and cleared funds.

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and
- upon a defeasance or satisfaction and discharge as described under “— Defeasance” and “Satisfaction and Discharge.”

No release of the Parent Guarantor from the Parent Guarantee will be effective against the Trustee or Holders until the Issuer shall have delivered to the Trustee an Officer’s Certificate stating that all requirements relating to such release and discharge have been complied with and that such release and discharge is authorized and permitted under the Indenture. The Trustee shall be entitled to rely on such Officer’s Certificate as conclusive evidence for the release of the Parent Guarantee.

The Subsidiary Guarantees and the JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Zensun International Holdings Company Limited, HQ Neptune Investments Limited, Honor Challenge Investment Limited, Vigor Capital Holdings Limited, Ever Diamond Global Company Limited, Champ Win Enterprise Limited and Total Star Development Limited. Other than the initial Subsidiary Guarantors, none of the Initial Other Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date. The initial Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC, any state of the United States, Japan or Singapore, any Exempted Subsidiary or Listed Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future.

In the case of a Restricted Subsidiary (other than Exempted Subsidiaries and Listed Subsidiaries) (i) that is, or is proposed by the Parent Guarantor or any of its Restricted Subsidiaries to be, established or acquired after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC or any state of the United States, Japan or Singapore, (iii) in respect of which the Parent Guarantor or any of its Restricted Subsidiaries, (x) in the case of a Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity is proposing to establish or purchase the Capital Stock of such entity from an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Parent Guarantor and designate such entity as a Restricted Subsidiary, the Parent Guarantor may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the

Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Parent Guarantor or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Parent Guarantor or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Parent Guarantor or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with or as soon as practicable after providing the JV Subsidiary Guarantee, the Parent Guarantor shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary (as defined below), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) an Opinion of Counsel by a law firm of recognized standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

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

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;

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

The Parent Guarantor will cause each of its future Restricted Subsidiaries (other than any Subsidiaries organized under the laws of the PRC, any state of the United States, Japan or Singapore or any Exempted Subsidiaries or Listed Subsidiaries), promptly (and in any event within 30 days) upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Parent Guarantor may elect to have any existing and future Restricted Subsidiary (other than the Exempted Subsidiaries and the Listed Subsidiaries) organized outside the PRC, any state of the United States, Japan and Singapore not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”), provided that, after giving effect to the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC, any state of the United States, Japan and Singapore that are not Guarantors (other than the Exempted Subsidiaries, the Listed Subsidiaries and the Issuer) do not account for more than 20% of the Total Assets of the Parent Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” The Other Non-Guarantor Subsidiaries, together with those Restricted Subsidiaries organized under the laws of the PRC, any state of the United States, Japan or Singapore, the Exempted Subsidiaries and the Listed Subsidiaries, are referred to herein as the “Non-Guarantor Subsidiaries.”

Although the Indenture contains limitations on the amount of additional Indebtedness that the Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to a Parent Guarantor.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; provided that any JV Subsidiary Guarantee, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer and the Parent Guarantor prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note, the Parent Guarantee or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the

JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made by wire transfer in U.S. dollars in immediately available and cleared funds.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. The guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantor may be voided or subject to review under applicable insolvency or fraudulent transfer laws, or subject to a lawsuit by or on behalf of creditors of such Subsidiary Guarantor or JV Subsidiary Guarantor. See "Risk Factors — Risks Relating to the Notes and the Notes Guarantees — The Notes Guarantees may be challenged under applicable financial assistance, insolvency or fraudulent transfer laws, which could impair the enforceability of such Notes Guarantees" of this Offering Memorandum.

Release of the Subsidiary Guarantees and JV Subsidiary Guarantee

A Subsidiary Guarantee given by a Subsidiary Guarantor or a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance or satisfaction and discharge as described under "— Defeasance" and "Satisfaction and Discharge";
- upon the designation by the Parent Guarantor of a Subsidiary Guarantor or a JV Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect

of any Parent Guarantor's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;

- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee;
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, that becomes a Listed Subsidiary;
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture; or
- as described under “— Amendments and Waiver.”

In the case of a Subsidiary Guarantor with respect to which the Parent Guarantor or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Parent Guarantor may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, any state of the United States, Japan and Singapore, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC, any state of the United States, Japan and Singapore will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer guarantee the Notes), without any requirement to seek the consent or approval of the Holders of the Notes, provided that, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC, any state of the United States, Japan or Singapore that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors (including such New Non-Guarantor Subsidiaries and excluding Exempted Subsidiaries, the Listed Subsidiaries and the Issuer) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Parent Guarantor or any of the Restricted Subsidiary that would have the effect of (a) prohibiting the Parent Guarantor or such relevant Restricted Subsidiary from permitting the release of such Subsidiary Guarantee or (b) requiring the Parent Guarantor or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Parent Guarantor by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Parent Guarantor has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to conclusively rely without liability upon such Officers' Certificate as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Parent Guarantor or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Parent Guarantor or such Restricted Subsidiary that would have the effect of (a) prohibiting the Parent Guarantor or such Restricted Subsidiary from releasing such Subsidiary

Guarantee, (b) prohibiting the Parent Guarantor or such Restricted Subsidiary from providing a JV Subsidiary Guarantee as described below, or (c) requiring the Parent Guarantor or such relevant Restricted Subsidiary to cause to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;

- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with or as soon as practicable after the release of such Subsidiary Guarantee, the Parent Guarantor shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) an Opinion of Counsel by a law firm of recognized standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Certain Covenants — Limitation on Restricted Payments.”

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Parent Guarantor (or any Restricted Subsidiary) in accordance with the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales.”

As of the date of the Indenture, all of the Parent Guarantor's Subsidiaries will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Parent Guarantor will be permitted to designate Subsidiaries as “Unrestricted Subsidiaries.” The Parent Guarantor's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Parent Guarantor's Unrestricted Subsidiaries will not Guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue additional notes (the “Additional Notes”) having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee, Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below.

Optional Redemption

At any time and from time to time prior to September 12, 2025, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying and Transfer Agent is responsible for calculating or verifying the redemption price.

Selection and Notice

The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any recognized securities exchange and/or being held through any clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed and/or the requirements of the clearing systems through which the Notes are held, as applicable; or
- (2) if the Notes are not listed on any recognized securities exchange or held through a clearing system, on a *pro rata* basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control

Not later than 30 days following a Change of Control, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (see the definition of "Offer to Purchase").

Each of the Issuer and the Parent Guarantor has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor, as the case may be, is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Issuer's or the Parent Guarantor's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes may also constitute an event of default under certain other debt instruments of the Parent Guarantor and its Subsidiaries. Future debt of the Parent Guarantor and its Subsidiaries may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The Issuer's or the Parent Guarantor's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's and the Notes Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes and Notes Guarantees — We may not be able to repurchase the Notes upon a Change of Control" of this Offering Memorandum.

The definition of Change of Control includes a phrase relating to the sale of “all or substantially all,” the assets of the Parent Guarantor. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Parent Guarantor to repurchase such Holder’s Notes as a result of a sale of less than all the assets of the Parent Guarantor to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Parent Guarantor has occurred.

Notwithstanding the above, the Issuer or the Parent Guarantor will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner within the same frame and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent Guarantor and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer or the Parent Guarantor purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred and shall not be liable to any person for any failure to do so. The Trustee and the Agents shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee and the Agents shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes and under the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees, if any, will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, an applicable Guarantor or a Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer, the Parent Guarantor, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Parent Guarantee, Subsidiary Guarantee or JV

Subsidiary Guarantee, as the case may be, and the Taxing Jurisdiction, other than merely acquiring or holding such Note or the receipt of payments or enforcement of rights thereunder or under the Parent Guarantee, Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

- (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Parent Guarantor, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement with the U.S. Internal Revenue Service under FATCA; or
 - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required,

the Paying Agent or Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee in accordance with the Indenture.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), provided that the Issuer, the Parent Guarantor, any Subsidiary Guarantor and any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than the Issuer or a Subsidiary Guarantor or a JV Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Parent Guarantor will not permit any Non-Guarantor Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Issuer or a Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Parent Guarantor and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes), the Parent Guarantee and each Subsidiary Guarantee and each JV Subsidiary Guarantee;
 - (b) Any Pari Passu Guarantee;
 - (c) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); provided that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (d), (f), (g), (m) and (o) below);
 - (d) Indebtedness of the Parent Guarantor or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Parent Guarantor or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary to whom such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Parent Guarantor or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Issuer is the obligor on such Indebtedness and none of the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, if the Parent Guarantor is the obligor on such Indebtedness and none of the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Parent Guarantee, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, is the obligor on such Indebtedness and none of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
 - (e) Indebtedness (“Permitted Refinancing Indebtedness”) of the Parent Guarantor or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are

used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (n), (p), (q), (r), (s), (t), (u) or (w) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Guarantee shall only be permitted under this clause if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes, such Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Issuer or any Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is neither the Issuer, nor a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Issuer or any Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor; (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (f) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Parent Guarantor or any Restricted Subsidiary to fluctuations in interest rates, currencies or the price of commodities;
- (g) Pre-Registration Mortgage Guarantees by the Parent Guarantor or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Parent Guarantor or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Parent Guarantor or such Restricted Subsidiary in the Permitted Business; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180

days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (p), (q), (s), (t), (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

- (i) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit or trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Parent Guarantor or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Parent Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of the Parent Guarantor or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;
- (n) Indebtedness of the Parent Guarantor or any Restricted Subsidiary maturing in one year or less used by the Parent Guarantor or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding (together with refinancings thereof) does not exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price;
- (p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Financial Company

Investor in a Restricted Subsidiary, and Indebtedness of the Parent Guarantor or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Parent Guarantor or a Restricted Subsidiary in favor of a Financial Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Financial Company Investor on Capital Stock of a Restricted Subsidiary held by such Financial Company Investor, provided that on the date of such Incurrence of all such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (q), (s), (t), (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25% of Total Assets;

- (q) Bank Deposit Secured Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h) and (p) above and clauses (s), (t), (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;
- (r) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (s) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than Restricted Subsidiaries) by the Parent Guarantor or such Restricted Subsidiary, provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q) above and clauses (t), (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;
- (t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (s) above and clauses (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or

Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

- (u) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (s) and (t) above and clause (w) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25% of Total Assets;
 - (v) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price;
 - (w) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (w) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25% of Total Assets; and
 - (x) Indebtedness constituting a Subordinated Shareholder Loan.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph, the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, provided that such Indebtedness was permitted to be incurred at the time of such Incurrence. For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being

refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currency in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

- (5) Notwithstanding any other provision of this covenant, the Parent Guarantor, the Subsidiary Guarantors and the Issuer will not issue outside the PRC any debt securities (which for the avoidance of doubt, do not include any loans) which (a) are, or are capable of being, listed, quoted or traded on any stock exchange or in any securities market, and (b) will mature prior to the Stated Maturity of the Notes.

Limitation on Restricted Payments

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Parent Guarantor’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire such shares of such Capital Stock) held by Persons other than the Parent Guarantor or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Parent Guarantor held by any Persons other than the Parent Guarantor or any Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Parent Guarantor and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Parent Guarantor could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date (excluding, for the avoidance of doubt, such Restricted Payments that would fall under clauses (2) to (12) and (14) of the following paragraph), shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on July 1, 2019 (being the first day of the fiscal quarter during which the Measurement Date occurred) and ending on the last day of the Parent Guarantor’s most recently ended fiscal quarter for

which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Parent Guarantor; plus
- (iii) the amount by which Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Parent Guarantor) subsequent to the Measurement Date of any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor upon such conversion or exchange); plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Parent Guarantor or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Parent Guarantor or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); plus
- (v) US\$30.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within three months after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer, the Parent Guarantor or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Restricted Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Restricted Subsidiary of the Parent Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the “Limitation on Indebtedness and Preferred Stock” covenant;
- (7) cash payment in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Parent Guarantor, provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this “— Limitation on Restricted Payments” covenant (as determined in good faith by the Board of Directors of the Parent Guarantor);
- (8) the purchase by the Parent Guarantor or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Parent Guarantor from an Independent Third Party pursuant to an agreement entered into between/among the Parent Guarantor or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (A) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (B) the Parent Guarantor delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Parent Guarantor or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Parent Guarantor or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary held by an employee benefit plan of the Parent Guarantor or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Parent Guarantor or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing), or (C) payments of dividend or other distributions on Capital Stock of any Restricted Subsidiary held by any current or former officer, director, consultant or employee of the Parent Guarantor or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an employee benefit plan or employee incentive scheme; *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$3.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (10) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (11) the payment of any dividend or distribution payable or paid in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;
- (12) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement;
- (13) the purchase of Capital Stock of a Person, and payments made, pursuant to a Minority Interest Staged Acquisition Agreement, provided that on the date that such Minority Staged Acquisition Agreement was entered into, such payments would have complied with clauses (a) and (c) of the preceding paragraph;
- (14) the distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture; and
- (15) the declaration and payment of dividends by and/or the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor with respect to any financial year, provided the aggregate amount of such declaration and payment of dividends by and the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor pursuant to this clause shall not exceed 5.0% of profit for the year on the Parent Guarantor's consolidated financial statements in such financial year,

provided that, in the case of clause (2), (3), (4) and (15) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clause (1), (13) and (15) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “— Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment (other than cash) or any such assets or securities (other than any Restricted

Payments set forth in clauses (5) through (15) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (15) above), the Parent Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "— Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this "— Limitation on Restricted Payments" covenant and paragraph (17) of the definition of "Permitted Investment" at any time, the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Parent Guarantor or any other Restricted Subsidiary;
 - (c) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Parent Guarantor or any other Restricted Subsidiary,

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Parent Guarantor or any Restricted Subsidiary to other Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Parent Guarantor and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture or Pari Passu Guarantee or any Indebtedness of the Issuer, the Parent Guarantor or any Subsidiary Guarantor guaranteed by any Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor or any Restricted Subsidiary, at the time of such

acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Parent Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Parent Guarantor or any Restricted Subsidiary in any manner material to the Parent Guarantor or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock or Disqualified Stock permitted under “— Limitation on Indebtedness and Preferred Stock” covenant if the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer, the Parent Guarantor, the Subsidiary Guarantors or JV Subsidiary Guarantor to make required payment on the Notes, the Parent Guarantee, the Subsidiary Guarantees or JV Subsidiary Guarantee, as the case may be, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; provided further that, the Board of Directors is empowered to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;
- (g) any encumbrance or restriction existing by reason of any Lien permitted under the “— Limitation on Liens” covenant;
- (h) existing with respect to Hedging Obligation permitted to be Incurred under clause (2)(f) of the covenant described under the “— Limitation on Indebtedness and Preferred Stock” covenant solely to the extent that such restriction or encumbrance is only encumbering customary initial deposits or margin deposits or is otherwise within the general parameters customary in the industry with respect to such Hedging Obligations; or
- (i) existing in customary provisions in leases, licenses, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary (as determined in good faith by the Board of Directors) and if (i) the encumbrances or restrictions are customary

for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Issuer to make the required payments on the Notes, (y) the Parent Guarantor to make the required payments on the Parent Guarantee, or (z) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; provided further that, the Board of Directors is empowered to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such former Unrestricted Subsidiary or its subsidiaries or the property or assets of such former Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Parent Guarantor will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Parent Guarantor or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Parent Guarantor and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Parent Guarantor or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such sale or issuance and provided that the Parent Guarantor complies with the "— Limitation on Asset Sales" covenant; or
- (4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); provided that the Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Parent Guarantor will not permit any Restricted Subsidiary which is neither the Issuer nor a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor (the "Guaranteed Indebtedness"), unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any

other rights against the Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor), until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (2)(d) or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Parent Guarantor or any Restricted Subsidiary through the creation of Liens on cash deposits, bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Notes Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Notes Guarantee or (2) is subordinated in right of payment to the Notes or any Notes Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Notes Guarantee, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Notes Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Parent Guarantor or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Parent Guarantor; and
- (2) the Parent Guarantor delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by (i) a majority of the disinterested members of the Board of Directors, or (ii) with respect to any such Affiliate Transaction with a Permitted Holder where all members of the Board of Directors are nominated or appointed by the Permitted Holders, a majority of the members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Parent Guarantor or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Parent Guarantor issued by an accounting, appraisal or investment banking firm of recognized standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation to directors of the Parent Guarantor or any Restricted Subsidiary who are not employees of the Parent Guarantor or any Restricted Subsidiary;

- (2) transactions between or among the Parent Guarantor and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor;
- (5) any purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, and any purchase of Capital Stock of a Restricted Subsidiary held by a Financial Company Investor, to the extent permitted under the “— Limitation on Restricted Payments” covenant;
- (6) the payment of compensation to officers and directors of the Parent Guarantor or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange Limited;
- (7) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Parent Guarantor or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto;
- (8) any purchase or subscription of Public Indebtedness issued by the Parent Guarantor or any Restricted Subsidiary (including any Additional Notes) by a Person described in clause (x) or (y) of the first paragraph of this covenant; and
- (9) any Guarantee provided by a Person described in clause (x) or (y) of the first paragraph of this covenant for the Indebtedness of the Parent Guarantor or any Restricted Subsidiary.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (17) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “— Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in the Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Parent Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among any of the Parent Guarantor, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Parent Guarantor or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand, (iv) any purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement, and any Affiliate Transaction that is conducted in compliance with the relevant rules and regulations of The Stock Exchange of Hong Kong Limited, for as long as the Capital Stock of the Issuer remains listed on The Stock Exchange of Hong Kong Limited, (v) any transactions between or among the Parent Guarantor and any of its Restricted Subsidiaries on the one hand and Henan Zensun Corporate Development Company Limited and its Subsidiaries (the “Zensun Development Group”) on the other hand with respect to construction services provided by Zensun Development Group; provided that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the other shareholders or other partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary or being the Parent Guarantor, or a Subsidiary or Minority Joint Venture of the Parent Guarantor), and (c) in the case of a transaction with a Minority Joint Venture or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Parent

Guarantor or a Restricted Subsidiary) of such a Minority Joint Venture or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Minority Joint Venture or Unrestricted Subsidiary or by reason of such shareholder or partner being, the Parent Guarantor or a Subsidiary or a Minority Joint Venture of the Parent Guarantor).

Limitation on Liens

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured by such Lien equally and rateably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Parent Guarantor or the Issuer in compliance with the terms of the Indenture, the Parent Guarantor may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness on a *pari passu* basis or on a basis more favorable to Holders of the Notes *and* (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Parent Guarantor or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Parent Guarantor or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Parent Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, set-off, novation or similar agreement that releases the Parent Guarantor or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Parent Guarantor (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) or any Indebtedness of a Restricted Subsidiary that is not an Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed properties held for sale) that will be used in a Permitted Business (including any Capital Stock in a Person holding such property or assets that is primarily engaged in a Permitted Business) ("Replacement Assets").

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Parent Guarantor or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer or the Parent Guarantor must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the related Asset Sale, rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to but excluding the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Parent Guarantor or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Parent Guarantor's Business Activities

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Parent Guarantor or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

To the extent an offering document is used for the sale of the Notes and the use of proceeds from the sale of the relevant Notes is stated in such offering document or the use of proceeds is otherwise required by applicable laws or regulations, the Parent Guarantor shall and shall procure its Restricted Subsidiaries to, use the net proceeds from the sale of the Notes in the approximate amounts and for the purposes specified, as contemplated under the caption “Use of Proceeds” in such offering memorandum or such laws or regulations (or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes). Pending the application of all of such net proceeds in such manner, the Parent Guarantor and the Restricted Subsidiaries may invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary (other than the Issuer) to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Parent Guarantor nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be

Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Government Approvals and Licenses; Compliance with Law

The Parent Guarantor will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the Parent Guarantee, the relevant Subsidiary Guarantees or the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Issuer will not Incur, and the Parent Guarantor will not and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer, the Parent Guarantor, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the Parent Guarantee, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from the Rating Agency, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Parent Guarantor’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;

- (8) “— Certain Covenants — Limitation on Asset Sales”; and
- (9) clauses (3), (4) and (5)(x) of the first, second and third paragraphs of “ — Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent Guarantor or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request:
 - (a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Parent Guarantor, copies of the financial statements on a consolidated basis of the Parent Guarantor in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by either the auditing firm of the Parent Guarantor as of the Original Issue Date or a member firm of a recognized firm of independent accountants, in each case together with an English translation thereof; and
 - (b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of the financial statements on a consolidated basis of the Parent Guarantor in respect of such half-year period (including a statement of income, balance sheet and a condensed cash flow statement) prepared in accordance with GAAP and reviewed by either the auditing firm of the Parent Guarantor as of the Original Issue Date or a member firm of a recognized firm of independent accountants, in each case together with an English translation thereof.
- (2) In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee (a) within 120 calendar days after the close of each fiscal year ending after the Original Issue Date, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the most recent fiscal year and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Parent Guarantor’s external auditors verifying the accuracy of the calculation and arithmetic computation; provided that, the Parent Guarantor shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers’ Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto.

- (3) So long as any of the Notes remain outstanding, the Issuer will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Issuer's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that, if at any time the Common Stock of the Issuer ceases to be listed for trading on a recognized stock exchange, the Issuer will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Issuer, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants; and
 - (b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Issuer, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and a condensed cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Issuer or the Parent Guarantor to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control" or "— Limitation on Asset Sales";
- (4) the Parent Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount of US\$10.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due; provided, however, that such Indebtedness shall not include (x) the Excluded Indebtedness and/or (y) any other Indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Excluded Indebtedness;
- (6) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders

outstanding and not paid or discharged against all such Persons to exceed US\$10.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Parent Guarantor's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect; provided, however, that such final judgments or orders shall not include those (x) in connection with the Excluded Indebtedness and/or (y) in connection with any default or event of default under other Indebtedness occurred as a result of any default or event of default under the Excluded Indebtedness;

- (7) an involuntary case or other proceeding is commenced against the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) with respect to it or its debts (except for any proceeding commenced based on any Excluded Indebtedness) under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for any substantial part of the property and assets of the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for all or substantially all of the property and assets of the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) in the ordinary course of business that shall result in the net assets of such Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) being transferred to or otherwise vested in the Parent Guarantor, the Issuer or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Parent Guarantor or the Issuer); or
- (9) the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Guarantee or, except as permitted by the Indenture, any Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security and/or pre-funding to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Parent Guarantor or any Significant Subsidiary (or any

group of Restricted Subsidiaries that together would constitute a Significant Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee may on behalf of all Holders of Notes waive any existing Default or Event of Default and its consequences hereunder, (except a Default or Event of Default (i) in respect of the payment of principal, premium or interest, if any; or (ii) in respect of a covenant or provision hereof which under “— Amendments and Waiver” cannot be modified, amended or waived without the consent of 75% in principal amount of the outstanding Notes; in each case of (i) and (ii), which may only be waived with the consent of the Holders of at least 75% of the principal amount of the Notes then outstanding) and rescind and annul a declaration of acceleration and its consequences if the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, but will not be obliged to, and shall upon written request of the Holders of at least 25.0% in aggregate principal amount of the Notes then outstanding (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to being indemnified and/or secured and/or pre-funded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear or equivocal, or conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that is unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action that is not inconsistent with any such direction received from Holders. The Trustee shall not be required to expend its funds in following such direction if it does not believe that reimbursement or satisfactory indemnity and/or security and/or pre-funding is assured to it. The Trustee shall not be liable to any person for having acted on instructions or directions provided to it by Holders with respect to the Indenture and the Notes.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security and/or pre-funding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security and/or pre-funding satisfactory to it; and

- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the written request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under the Parent Guarantee and the Subsidiary Guarantees, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holders of not less than 75% in principal amount of the Notes then outstanding in accordance with the “— Amendments and Waiver” provision.

If the Trustee collects any money pursuant to the Indenture, it shall pay out the money in the following order:

First, to the Trustee and the Agents to the extent necessary to reimburse the Trustee and the Agents for any fees, costs and expenses incurred in connection with the collection or distribution of such amounts held or realized and fees and expenses incurred in connection with carrying out its functions under the Indenture (including legal fees and expenses and indemnity payments) or in connection with expenses incurred, in enforcing remedies under the Indenture and all amounts for which the foregoing persons are entitled to indemnification under the Indenture;

Second, to the Trustee for the benefit of Holders; and

Third, any surplus remaining after such payments will be paid to the Issuer or to whomever may be lawfully entitled thereto.

Officers of the Parent Guarantor must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Parent Guarantor and the Restricted Subsidiaries and the Parent Guarantor’s and the Restricted Subsidiaries’ performance under the Indenture and that the Parent Guarantor, the Issuer and each Subsidiary Guarantor have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Parent Guarantor will also be obligated to notify the Trustee in writing of any Default or Defaults in the performance of any covenants or agreements under the Indenture. See “— Provision of Financial Statements and Reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such Default or Event of Default has occurred and that the Issuer is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Issuer is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to conclusively rely on Officers’ Certificate regarding whether an Event of Default or Default has occurred.

Consolidation, Merger and Sale of Assets

- (1) The Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:
 - (a) the Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Issuer consolidated or merged, or that acquired or leased such property and assets (the “Issuer Surviving Person”) shall be a corporation organized and validly existing under the laws of the British Virgin Islands, the Cayman Islands, Bermuda, the PRC or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and

delivered to the Trustee, all the obligations of the Issuer under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any Taxing Jurisdiction, and the Indenture and the Notes shall remain in full force and effect;

- (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (c) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person (as defined below), as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;
 - (d) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under “— Certain Covenants — Limitation on Indebtedness”;
 - (e) the Issuer shall deliver to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision, that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
 - (f) the Parent Guarantor, unless the Parent Guarantor is the Person with which the Issuer has entered into a transaction described under “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that the Parent Guarantee shall apply to the obligations of the Issuer or the Issuer Surviving Person, as the case may be, in accordance with the Notes and the Indenture;
 - (g) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Issuer has entered into a transaction described under “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Issuer or the Issuer Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and
 - (h) no Rating Decline shall have occurred.
- (2) The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Parent Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:
- (a) the Parent Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Parent Guarantor consolidated or merged, or that acquired or leased such property and assets (the “Parent Guarantor Surviving Person”) shall be a corporation organized and validly existing under the laws of the British Virgin Islands, the Cayman Islands, Bermuda, the PRC or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indenture and the Parent Guarantee, including the obligation to pay Additional Amounts with respect to any Taxing Jurisdiction, and the Indenture and the Parent Guarantee shall remain in full force and effect;
 - (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

- (c) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;
 - (d) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, could incur at least US\$1.00 of Indebtedness under the provision of paragraph (1) of the covenant described under “— Certain Covenants — Limitation on Indebtedness”;
 - (e) the Parent Guarantor shall deliver to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision, that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
 - (f) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Parent Guarantor has entered into a transaction described under “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Issuer, as the case may be, in accordance with the Notes and the Indenture; and
 - (g) no Rating Decline shall have occurred.
- (3) No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Issuer, the Parent Guarantor or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Parent Guarantor or a Subsidiary Guarantor), unless:
- (a) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which such Subsidiary Guarantor or JV Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Issuer, the Parent Guarantor, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Issuer, the Parent Guarantor or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, including the obligation to pay Additional Amounts with respect to any Taxing Jurisdiction and the Indenture, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, shall remain in full force and effect;
 - (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (c) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;
 - (d) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, could

Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;

- (e) the Parent Guarantor delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision; and

- (f) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to (1) any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees” and (2) a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Issuer, the Parent Guarantor or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Issuer or such Guarantor survives such consolidation or merger.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into any Parent Guarantor or another Subsidiary Guarantor or another JV Subsidiary Guarantor, so long as such Parent Guarantor or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Issuer or any Guarantor that may adversely affect Holders.

No Payments for Consents

The Parent Guarantor will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, any Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Parent Guarantor and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, the Parent Guarantee, Subsidiary Guarantees (if any) and JV Subsidiary Guarantees (if any), to exclude Holders in any jurisdiction where (a) (i) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Parent Guarantor, (ii) the payment of the consideration therefor or (iii) the conduct or completion of a related offer to purchase or exchange the Notes for cash or other securities in the manner deemed appropriate by the Parent Guarantor would be prohibited or would require the Parent Guarantor or any of its Subsidiaries to (A) file a registration statement, prospectus or similar document or subject the Parent Guarantor or any of its Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws, the laws of the United Kingdom and the laws of the European Union or its member states), or conduct a bondholder identification exercise to establish the availability of an exemption from registration under Rule 802 under the Securities Act, in each case which the Parent Guarantor in its sole discretion determines would be

burdensome, (B) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (C) generally consent to service of process in any such jurisdiction or (D) subject the Parent Guarantor or any of its Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject; or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (a) either:
 - (1) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Issuer and thereafter repaid to the Issuer) have been delivered to the Trustee for cancellation; or
 - (2) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Issuer, the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of such redemption or maturity, as the case may be, together with irrevocable instructions from the Issuer directing the Trustee to apply such funds to the payment thereof at such redemption or maturity, as the case may be;
- (b) the Issuer, the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor as paid all other sums payable under the Indenture by the Issuer; and
- (c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Issuer, the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor is a party or by which the Issuer, the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor is bound.

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Issuer has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with. The Trustee shall be entitled to conclusively rely on such certificate without any liability or responsibility to any person.

Defeasance

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay any Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Issuer (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the

terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of a recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

- (2) the Issuer has delivered to the Trustee an Opinion of Counsel of recognized standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor or any of its Restricted Subsidiaries is a party or by which the Parent Guarantor or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Parent Guarantee, the Subsidiary Guarantees, if any, and the JV Subsidiary Guarantees, if any, will terminate.

The Trustee shall be entitled to accept and rely conclusively on such certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above (and will not be responsible for any loss occasioned by acting in reliance on such certificate or opinion) in which event it will be conclusive and binding on the Holders. The Trustee has no duty to investigate or verify such certificate or Opinion of Counsel.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (c), (d), (e)(x) and (h) under the first paragraph, clauses (c), (d), (e)(x) and (g) under the second paragraph and clauses (c), (d), (e)(x) and (f) under the third paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants-Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants-Anti-Layering,” and (ii) clause (3) under “Events of Default” with respect to clauses (c), (d), (e)(x) and (h) under the first paragraph, clauses (c), (d), (e)(x) and (g) under the second paragraph and clauses (c), (d), (e)(x) and (f) under the third paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in clause (i) above, clause (4) under “Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes and the Notes Guarantees may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Notes Guarantees;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Guarantor, or any Guarantee, or release any Guarantor from any Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) provide or add any collateral to secure the Notes or any Guarantee and create or register Liens on such collateral or enter into any intercreditor agreement to share the collateral on a *pari passu* basis or on a basis more favorable to Holders of the Notes in accordance with the Indenture;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository or clearing system;
- (9) make any other change that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the Notes, the Notes Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes or the Notes Guarantees.

Amendments With Consent of Holders

The Indenture, the Notes or the Notes Guarantees may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes may amend or waive future compliance by the Issuer, any Guarantor or any Restricted Subsidiary with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of Holders holding no less than 75% of the aggregate principal amount of the outstanding Notes at the time of such consent:

- (1) change the Stated Maturity of the principal of, premium (if any) on, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, the Parent Guarantee, Subsidiary Guarantees and the JV Subsidiary Guarantee, if any;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor from its Parent Guarantee, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders except as provided in the Indenture;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provision in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control or the event giving rise to the repurchase of the Notes under “— Certain Covenants — Limitations on Asset Sales”;
- (11) change the redemption date or the redemption price of the Notes from that stated under the caption “— Optional Redemption”;
- (12) amend, change or modify the obligation of the Issuer, any Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Guarantee in a manner which materially and adversely affects the Holders.

Unclaimed Money

Claims against the Issuer or any Guarantor for the payment of principal of, premium, if any, or interest, on the Notes, the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer or any of the Notes Guarantors in the Indenture, or in any of the Notes or the Notes Guarantee, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer, any of the Notes Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

China Construction Bank (Asia) Corporation Limited has been appointed as Trustee under the Indenture. China Construction Bank (Asia) Corporation Limited has been appointed as note registrar (the “Note Registrar”) and paying and transfer agent (the “Paying Agent” and together with the Note Registrar, the “Agents”) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are

specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. If an Event of Default occurs and is continuing, all Agents at the Trustee's notice will be required to act on the Trustee's direction.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer or any of the Notes Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee and the Agents are permitted to engage in other transactions, including normal banking and trustee relationships, with the Parent Guarantor and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign. The Trustee and the Agents are entitled to enter into business transactions with the Issuer, the Parent Guarantor and any entity relating to the Issuer and/or the Parent Guarantor without accounting for any profit.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders, unless the requisite number of Holders have instructed the Trustee in writing and offered to the Trustee indemnity and/or security and/or pre-funding satisfactory to the Trustee against any loss, liability or expense.

Each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Agents, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Under the Indenture, the Trustee is entitled by the terms of the Notes and/or the Indenture to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions or clarification of the directions from the instructing Holders and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages expenses (including but not limited to legal fees and expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

The Trustee shall be entitled to be indemnified and/or secured and relieved from liability or responsibility in certain circumstances and will be paid its fees, costs, expenses and indemnity payments in priority to the claims of the Holders. The Trustee will look to the interests of the Holders as a class rather than to individual Holders as regards their connection to any territory/taxing jurisdiction.

Notwithstanding anything else contained in the Indenture, the Trustee and the Agents are not obliged to do or omit to do anything, and may refrain without liability from doing anything in any state or jurisdiction, that would or might in their opinion be illegal or contrary to any law, rule, regulation, or any decree, order or judgment of any court, or practice, request, direction, notice, announcement or similar action (whether or not having the force of law) of any relevant government, government agency, regulatory authority, stock exchange or self-regulatory organization to which the Trustee and the Agents are subject or of that would or might in their opinion be contrary to any law of any state or jurisdiction (including, but not limited to, any laws of the PRC, England and Wales, Hong Kong, and the United States of America or any jurisdiction forming a part of it) or, any directive or regulation of any agency of any such state or jurisdiction, or that would constitute a breach of any fiduciary duty or duty of confidentiality or would otherwise (in their opinion) render them liable to any person in any such state or jurisdiction as aforesaid or if, in their opinion, they would not have power to do the relevant thing in that state or jurisdiction by virtue of applicable law in that state or jurisdiction or if it is determined by any

court or other competent authority in any such state or jurisdiction as aforesaid that it does not have such power. The Trustee and the Agents may without liability do anything which is, in their opinion, necessary to comply with any such law, directive or regulation. The Trustee and the Agents are entitled to conclusively rely on an Opinion of Counsel when forming any such opinion.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global note in registered form without interest coupons attached (the “Initial Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “Additional Global Notes” and, together with the Initial Global Note, the “Global Notes”).

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Issuer, the Notes Guarantors, the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments in accordance with the procedures of Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Issuer, the Parent Guarantor, the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law in which case Additional Amounts shall be paid to the extent as described under “— Additional Amounts.”

Under the terms of the Indenture, the Issuer, any Guarantor, the Agents and the Trustee will treat the registered holder of the Global Notes (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Notes Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any

such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- any action or failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depository will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions); provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Notwithstanding anything to the contrary herein and in the Indenture, in considering the interests of Holders while the Global Note is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any certificate, report or any other information provided to it by the clearing systems or its operator as to the identity (either

individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the Holders represented by the Global Note. The Trustee may call for any certificate or other document to be issued by the clearing systems as to the principal amount of Notes evidenced by the Global Note standing to the account of any accountholders. Any such certificate or other document issued by the clearing systems shall be conclusive and binding for all purposes. The Trustee shall not be liable to any Holder, the Company, the Parent Guarantor, the Subsidiary Guarantors or any other person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by the relevant clearing system and subsequently found to be forged or not authentic or not to be correct.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Notes Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary, Euroclear, Clearstream or the Trustee, as the case may be, the Issuer will use its reasonable best efforts to make arrangements

with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by the Trustee of the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Issuer or any Guarantor) addressed to the Parent Guarantor, (if intended for the Trustee) at the corporate trust office of the Trustee or by electronic mail addressed to the Issuer, the Notes Guarantors or the Trustee as the case may be; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Issuer and each of the Notes Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Notes Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2023 Notes" means the 12.5% Senior Notes due 2023 issued by the Issuer on September 13, 2021, unconditionally and irrevocably guaranteed by the Parent Guarantor and certain subsidiary guarantors thereunder.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or

step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Asset Acquisition” means (1) an investment by the Parent Guarantor or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries; or (2) an acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of the property and assets of any Person other than the Parent Guarantor or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries (other than to the Parent Guarantor or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor or any of its Restricted Subsidiaries to any Person; provided that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Parent Guarantor or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption “— Consolidation, Merger and Sale of Assets”;
- (7) any sale, transfer or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries, including the sale or issuance by the Parent Guarantor or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Parent Guarantor or any Restricted Subsidiary or any Person that will become a Restricted Subsidiary upon the consummation of such sale, transfer or disposition; and
- (8) any grant, sale, transfer or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries in options, warrants or other rights, or the exercise of such options, warrants or other rights, to acquire shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary in connection with an employee benefit plan or employee incentive scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange Limited.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Parent Guarantor or any Restricted Subsidiary that is secured by cash deposits, bank accounts or other assets of the Parent Guarantor or a Restricted Subsidiary and/or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Parent Guarantor or a Restricted Subsidiary and is used by the Parent Guarantor and its Restricted Subsidiaries to effect exchange of foreign currencies or remit money onshore or offshore.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Parent Guarantor to manage the business of the Parent Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York, London or Hong Kong (or in the place of business of the Paying Agent or any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, provided that Capitalized Lease shall not include any lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible or exchangeable into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Parent Guarantor, or the sale of all or substantially all the assets of the Parent Guarantor to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are collectively the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Parent Guarantor;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;

- (4) individuals who on the Original Issue Date constituted the board of directors of the Parent Guarantor, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Parent Guarantor then in office;
- (5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor; or
- (6) the Issuer ceasing to be (i) a Subsidiary or (ii) a Restricted Subsidiary of the Parent Guarantor.

“Clearing System Business Day” means a day on which each of Euroclear and Clearstream are open for business.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Parent Guarantor and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor and its Restricted Subsidiaries (which the Parent Guarantor shall use its reasonable efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that such consolidated assets shall exclude the consolidated assets of the Issuer and any Subsidiary Guarantor which is a Subsidiary of that Restricted Subsidiary.

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense, including for the avoidance of doubt, capitalized interest included in cost of sales,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets) and land appreciation taxes, and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Parent Guarantor and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Parent

Guarantor or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Parent Guarantor or any Restricted Subsidiary held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Parent Guarantor’s Capital Stock (other than Disqualified Stock) or paid to the Parent Guarantor or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Parent Guarantor and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is guaranteed by, or secured by a Lien on any asset of, the Parent Guarantor or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees and Liens on any Capital Stock of a Person that is not a Restricted Subsidiary) provided that, in the case of Indebtedness secured by a Lien on assets, the amount of accrued interest of such Indebtedness will be the lesser of (a) the book value of such assets at such date of determination, and (b) the actual amount of such accrued interest, only to the extent that such interest is actually paid by the Parent Guarantor or any Restricted Subsidiary, (7) and any capitalized interest; provided that Consolidated Interest Expense shall not include (x) interest expense arising from lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16 and (y) interest expense arising from pre-sale receipts in advance from customers; and provided further that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss), of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Parent Guarantor’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Parent Guarantor’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor or Restricted Subsidiaries;

- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary (other than the Issuer) to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Parent Guarantor or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor realized on sales of Capital Stock of the Parent Guarantor or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Parent Guarantor or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Parent Guarantor or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“Currency Hedging Agreement” means any foreign exchange forward contract, currency swap agreement, currency hedge agreement, currency option agreement or other similar agreement or arrangement designed to reduce or manage the exposure to foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s or the Parent Guarantor’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Restricted Subsidiary from a bank that are secured by a pledge of deposits made by the Parent Guarantor or another Restricted Subsidiary to the lending bank as security for such borrowings, provided that, such borrowings are not reflected on the consolidated balance sheet of the Parent Guarantor.

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Excluded Indebtedness” means any Indebtedness in respect of the 2023 Notes.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee; provided that (x) the Parent Guarantor shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Parent Guarantor having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized standing appointed by the Parent Guarantor.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Fitch” means Fitch Ratings Ltd and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-annual Period”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Parent Guarantor or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period.

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Agreement.

“HKFRS” means the Hong Kong Financial Reporting Standards.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;

- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (for avoidance of doubt, such Indebtedness secured by a Lien on any asset of such Person will not be deemed as Indebtedness of such Person and only such Lien will be deemed as such Person's Indebtedness); provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person (for avoidance of doubt, such Indebtedness Guaranteed by such Person will not be deemed as Indebtedness of such Person and only such Guarantee will be deemed as such Person's Indebtedness);
- (8) to the extent not otherwise included in this definition, Hedging Obligations;
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and
- (10) any Preferred Stock issued by such Person if such Person is a Restricted Subsidiary, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (i) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, or (ii) any Entrusted Loan; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Parent Guarantor (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to pre-fund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, and (ii) equal to the net amount payable by such Person if

such Hedging Obligation terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Parent Guarantor. “Initial Other Non-Guarantor Subsidiaries” means the Company’s other Restricted Subsidiaries organized outside of the PRC, any state of the United States, Japan and Singapore other than the initial Subsidiary Guarantors, unless any of such Restricted Subsidiaries has after the Original Issue Date executed a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the terms of the Indenture.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Parent Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Parent Guarantor’s proportional interest in the Fair Market Value of the assets (net of the Parent Guarantor’s proportionate interest in the liabilities owed to any Person other than the Parent Guarantor or a Restricted Subsidiary and that are not Guaranteed by the Parent Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation; (2) if the Parent Guarantor or any Restricted Subsidiary of the Parent Guarantor sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Parent Guarantor such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Parent Guarantor, the Parent Guarantor will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person not sold or disposed of; and (3) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency which shall have been designated by the Company as having been substituted for Moody’s.

“Investment Property” means any property that is held by the Parent Guarantor or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned or held by the Parent Guarantor or any Restricted Subsidiary from which the Parent Guarantor or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor which is not a Subsidiary of another JV Subsidiary Guarantor, together with its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year

end of the Parent Guarantor; and (ii) a percentage equal to the direct equity ownership percentage of the Parent Guarantor and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange or quoted on the National Equities Exchange and Quotation System in the PRC and any Subsidiary of a Listed Subsidiary other than the Subsidiaries of the Issuer.

“Measurement Date” means October 3, 2019.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Parent Guarantor and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Parent Guarantor and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Parent Guarantor and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity which is accounted for by the equity method of accounting in accordance with GAAP by the Parent Guarantor or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, including such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Parent Guarantor or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guarantor Subsidiaries” has the meaning assigned to such term under the caption “—The Subsidiary Guarantees and JV Subsidiary Guarantees.”

“Note Register” means the register of Noteholders which the Parent Guarantor will procure to be kept by the Note Registrar.

“Offer to Purchase” means an offer to purchase Notes by the Issuer or the Parent Guarantor from the Holders commenced by the Issuer or the Parent Guarantor mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Issuer or the Parent Guarantor defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the tender agent (the “Tender Agent”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted for payment. On the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the Parent Guarantor. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that

each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Issuer or the Parent Guarantor will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer or the Parent Guarantor will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer or the Parent Guarantor is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Issuer or the Parent Guarantor will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Issuer or the Parent Guarantor will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer or the Parent Guarantor and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Issuer or the Parent Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or the Parent Guarantor to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Offering Memorandum” means the offering memorandum for the offer of Notes dated September 11, 2023.

“Officer” means one of the executive officers of the Issuer or Parent Guarantor, as the case may be, or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by the Parent Guarantor or any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer or such Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Parent Guarantee” has the meaning set forth under “— The Parent Guarantee.”

“Pari Passu Guarantee” means a guarantee by the Issuer or any Guarantor of Indebtedness of the Issuer (including Additional Notes) or another Guarantor; provided that (1) the Issuer or such Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes or any outstanding Guarantee of such Guarantor, as the case may be.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to, or which has the aim or effect of enhancing the value or flexibility of or adding value or services to the customers in, any of the businesses of the Parent Guarantor and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Ms. Huang Yanping and Mr. Zhang Jingguo;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1);

- (3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

“Permitted Investment” means:

- (1) any Investment in the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Parent Guarantor or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Parent Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Parent Guarantor or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Parent Guarantor or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Parent Guarantor’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, welfare and social benefits, property

maintenance, unemployment insurance or other types of social security and other purposes specified by statute or regulation from time to time in the ordinary course of business;

- (15) deposits made in order to secure the performance of the Parent Guarantor or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) or services by the Parent Guarantor or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) Guarantees permitted under “— Limitation on Indebtedness and Preferred Stock”;
- (17) any Investment by the Parent Guarantor or any Restricted Subsidiary (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) in any Person; *provided that*:
 - (i) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed in aggregate an amount equal to 25.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (17) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (17), in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Original Issue Date under this clause (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,
 - (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in each case, the amount of Investments made pursuant to this clause (17) by the Parent Guarantor or any Restricted Subsidiary after the Original Issue Date in any such Person, or
 - (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Parent Guarantor or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”), not to exceed, in each case, the amount of Investments made by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (17);
 - (ii) if any of the other shareholders or partners (other than the Parent Guarantor or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (17) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Parent Guarantor, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Minority Joint Venture, a Restricted Subsidiary or an Unrestricted Subsidiary), such Investment shall comply with the requirements set forth under the “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” covenant; and

- (iii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause shall be valued at the time such Investment is made;

- (18) Repurchase of the Notes;
- (19) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement;
- (20) acquisition of assets, Capital Stock or other securities by the Parent Guarantor or a Restricted Subsidiary for consideration to the extent such consideration consists solely of Capital Stock of the Parent Guarantor;
- (21) advances, prepayments or extension of credit to government authorities or government-affiliated entities, collective economic organizations, existing land or building owners, holders, occupants or lessees, or related agents in the PRC in connection with the financing of primary land development or urban redevelopment plans in the ordinary course of business that are recorded as assets in the Parent Guarantor's balance sheet;
- (22) any Investment in a subordinated tranche of interests in a Receivable Financing with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, are necessary or advisable to effect such Receivable Financing;

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Parent Guarantor or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

- (7) Liens in favor of the Parent Guarantor or any Restricted Subsidiary;
- (8) Liens arising from the attachment or rendering of a final judgment or order against the Parent Guarantor or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease and any Liens arising from any Capitalized Lease Obligations;
- (14) Liens securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Parent Guarantor or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property of the Parent Guarantor or any Restricted Subsidiary; provided that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Parent Guarantor (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;
- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims, welfare and social benefits, property maintenance, unemployment insurance or other types of social security and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Parent Guarantor or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) or services by the Parent Guarantor or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;
- (20) Liens granted by the Parent Guarantor or a Restricted Subsidiary in favor of a Financial Company Investor in respect of, and to secure, the Indebtedness permitted under clause 2(p) of the covenant described under the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (21) Liens securing Indebtedness permitted under clause (2)(n) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(o) or (2)(v) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (23) Liens incurred on cash deposits, bank accounts or other assets made to secure Bank Deposit Secured Indebtedness permitted under clause (2)(q) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (24) Liens securing Indebtedness permitted under clause (2)(s), (2)(u) or (2)(w) (provided that for Liens on the Capital Stock of the Issuer, such Credit Facilities permitted to incur under (2)(w) shall not include any bonds, debentures, notes or other similar debt instruments) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (25) Liens Incurred to secure Entrusted Loans;
- (26) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (27) Liens securing Indebtedness Guaranteed by the Parent Guarantor or any Restricted Subsidiary which is permitted to be Incurred under clause 2(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding, without duplication, any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(d), (f), (g), (m) and (o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 20.0% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020 and the Detailed Rules for the Regulation of Implementing the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020, as such laws and rules may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Parent Guarantor or any Restricted Subsidiary.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Rating Agency” means Moody’s, provided that if Moody’s shall not make a rating of the Notes publicly available, an internationally recognized securities rating agency, selected by the Parent Guarantor which shall be substituted for Moody’s.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (2) the equivalent of any such category of Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“1,” “2” or “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody’s, a decline in a rating from “Ba1” to “Ba2,” as well as from “Ba3” to “B1,” will constitute a decrease of one gradation).

“Rating Date” means, in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Asset,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means, so long as the Notes are rated by at least one Rating Agency, in connection with actions contemplated under “Consolidation, Merger and Sale of Assets,” the notification by the Rating Agency that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by the Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (b) in the event the Notes are rated by the Rating Agency below Investment Grade on the Rating Date, the rating of the Notes by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Parent Guarantor or any Restricted Subsidiary

pursuant to which the Parent Guarantor or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions).

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Restricted Subsidiary” means any Subsidiary of the Parent Guarantor other than an Unrestricted Subsidiary. For the avoidance of doubt, the Issuer is a Restricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Parent Guarantor or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor or any Restricted Subsidiary leases it from such Person.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Assets or participation in interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Senior Indebtedness” of the Parent Guarantor or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Parent Guarantor or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Issuer, the Notes or (b) in respect of any Guarantor, its Guarantee of the Notes; provided that Senior Indebtedness does not include (1) any obligation to the Parent Guarantor or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

“Staged Acquisition Agreement” means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time, provided that such Person is either a Restricted Subsidiary or will become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Issuer, any Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any unsecured Indebtedness for borrowed money Incurred by the Parent Guarantor or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Surviving Person” means the Issuer Surviving Person or the Parent Guarantor Surviving Person (both as defined under “— Consolidation, Merger and Sale of Assets”), as the case may be.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations guaranteed by the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or anywhere the Parent Guarantor or any Restricted Subsidiary conducts business operations; and
- (8) investment products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Parent Guarantor or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Parent Guarantor and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that*:

- (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Parent Guarantor or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (2)(t) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Parent Guarantor as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming an Other Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such Other Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Parent Guarantor, in each case as a result of such Person becoming an Other Non-Guarantor Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services, including, without limitation, any payable, indebtedness or

monetary obligation arising from any factoring or receivable financing arrangements entered into by such trade creditors with respect to such account payable, indebtedness of monetary obligation.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Parent Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

TAXATION

The following summary of certain British Virgin Islands, Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

The Parent Guarantor or the Subsidiary Guarantors (if any) or JV Subsidiary Guarantors (if any) pursuant to the Parent Guarantee or the Subsidiary Guarantees (if any) or JV Subsidiary Guarantees (if any) is/are exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Notes to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Notes by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of 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.

All instruments relating to transactions in respect of the Notes are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Parent Guarantor or the Subsidiary Guarantors (if any) or JV Subsidiary Guarantors (if any) pursuant to the Parent Guarantee or the Subsidiary Guarantees (if any) or JV Subsidiary Guarantees (if any) do not hold an interest in real estate in the British Virgin Islands.

CAYMAN ISLANDS

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Parent Guarantor or the Subsidiary Guarantors (if any) or JV Subsidiary Guarantors (if any) pursuant to the Parent Guarantee or the Subsidiary Guarantees (if any) or JV Subsidiary Guarantees (if any) or any holder of Notes.

Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the Notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of the Notes and gains derived from the sale of the Notes will not be subject to Cayman Islands capital gains tax.

No stamp duty is payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes. However, an instrument of transfer in respect of the Notes is stampable if executed in or brought into the Cayman Islands.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) and interest in respect of the Notes or a payment on a Guarantee.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale, redemption or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue, redemption or transfer of the Notes as the Notes are not denominated in H.K. dollars and not redeemable in H.K. dollars.

PRC 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 memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

Under the PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest or redemption premium payable to investors that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income or redemption premium is not effectively connected with the establishment or place of business, or 20% for “non-resident individuals” investors (or lower treaty rate, if any), if we are deemed to be a PRC “resident enterprise” and the interest is deemed as PRC-source income. Any gain realized on the transfer of the Notes by such “non-resident enterprises” investors would be subject to a 10%, or 20% for “non-resident individuals” investors (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC “resident enterprise”. As advised by Commerce & Finance Law Offices, PRC legal counsel to the Company, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. See “Risk Factors — Risks Relating to the Notes — Under the EIT Law we may be classified as a “resident enterprise” of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes.” If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allows a lower rate of tax, such lower rate may apply to qualified investors in the Notes. However, it is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Notes might be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

Value Added Tax

On March 23, 2016, the MOF and the SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) (the “Circular 36”) which confirms that business tax was replaced by value-added tax from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, value added tax.

According to Circular 36 Notice, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to value-added tax include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to us, which thus shall be regarded as financial services subject to the value-added tax.

It is not clear from the interpretation of Circular 36 if the provision of loans to us could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that we will not be treated as “resident enterprises” under the EIT Law. PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because we are treated as a PRC tax resident. In such case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If we are treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, the holders of the Notes shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Any PRC VAT on interest payment may be withheld by us.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and we do not have the obligation to withhold the value-added tax or the local levies. However, there is uncertainty as to the applicability of value-added tax if either the seller or buyer of Notes is located inside the PRC.

The above statements may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. Accordingly, there is uncertainty as to the application of Circular 36.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes, including the Guarantees (collectively, the “Securities”).

The Notes are subject to restrictions on transfer as summarized below. By acquiring the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Dealer Manager:

1. You understand and acknowledge that:
 - the Securities have not been registered under the Securities Act or any other applicable securities laws;
 - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Dealer Manager nor any person representing us or the Dealer Manager has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are acquiring the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that you will be deemed to have represented that you (and any person on whose behalf you are acting) are “professional investor” as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
7. You acknowledge that we, the Dealer Manager, the Trustee, the Agents and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us and the Dealer Manager. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law and Commerce and Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Deal Manager by Davis Polk & Wardwell as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT AUDITOR

The Parent Guarantor's consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 and the Issuer's consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 included in this offering memorandum have been audited by Ernst & Young, certified independent accountants, as stated in their reports appearing herein. The consolidated financial information as of and for the years ended December 31, 2020, 2021 and 2022 of the Parent Guarantor and its subsidiaries (including the Issuer) included in this offering memorandum have been audited by Ernst & Young, certified independent accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the BVI, Hong Kong and Cayman Islands in connection with the issue and performance of the Notes and the Notes Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors and the board of directors of the Issuer dated August 26, 2023.

LITIGATION

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Notes Guarantees.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2022 that is material in the context of the issue of the Notes or the Notes Guarantees.

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 as described in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, upon prior written request and satisfactory proof of holding, copies of the Indenture may be inspected during normal business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the specified offices of the Paying Agent.

For so long as any of the Notes is outstanding, upon prior written request and satisfactory proof of holding, copies of the independent auditor's reports and/or review report and/or our published financial statements, if any, including the independent auditor's reports and/or review report set out in the section entitled "Index to Financial Information" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the Issuer.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	XS2674525477
Common Code	267452547

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Notes:

- (1) *The audited consolidated financial statements of the Issuer set forth herein have been reproduced from the Issuer’s annual report for the year ended December 31, 2022 and page references are references to pages set forth in such annual report.*
- (2) *The audited consolidated financial statements of the Issuer set forth herein have been reproduced from the Issuer’s annual report for the year ended December 31, 2021 and page references are references to pages set forth in such annual report.*

Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Audited Financial Statements

31 December 2022

ZENSUN GROUP LIMITED

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Independent auditor's report
To the Shareholder of Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zensun Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 3 to 83, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2022, the Group's current portion of bank and other borrowings amounted to RMB4,686,562,000, while its cash and cash equivalents amounted to RMB543,896,000. This condition, along with other matters as set forth in Note 2.1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the director for the consolidated financial statements

The director is 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 for such internal control as the director determines 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 director is 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 director either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent auditor's report (continued)
To the Shareholder of Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

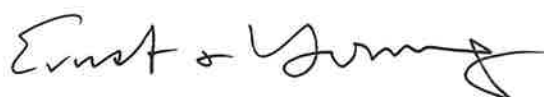
Auditor's responsibilities for the audit of the consolidated financial statements (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's 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 statement 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 director 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.



Ernst & Young
Certified Public Accountants
Hong Kong
28 April 2023

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	12,009,191	23,839,960
Cost of sales		<u>(10,533,574)</u>	<u>(20,498,991)</u>
Gross profit		1,475,617	3,340,969
Other income	5	29,202	99,530
Other gains and losses, net	6	(3,288,726)	(188,678)
Administrative expenses		(316,212)	(487,541)
Sales and marketing expenses		(126,239)	(331,533)
Finance costs	7	<u>(189,651)</u>	<u>(172,536)</u>
(LOSS)/PROFIT BEFORE TAX	8	(2,416,009)	2,260,211
Income tax expense	9	<u>(670,969)</u>	<u>(1,187,041)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(3,086,978)</u>	<u>1,073,170</u>
Attributable to:			
Owners of the Company		(2,265,233)	976,444
Non-controlling interests		<u>(821,745)</u>	<u>96,726</u>
		<u>(3,086,978)</u>	<u>1,073,170</u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
(LOSS)/PROFIT FOR THE YEAR	<u>(3,086,978)</u>	<u>1,073,170</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	<u>75,291</u>	<u>152,736</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(66,087)</u>	<u>(52,523)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>9,204</u>	<u>100,213</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(3,077,774)</u>	<u>1,173,383</u>
Attributable to:		
Owners of the Company	<u>(2,280,638)</u>	1,054,505
Non-controlling interests	<u>(797,136)</u>	<u>118,878</u>
	<u>(3,077,774)</u>	<u>1,173,383</u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT ASSETS			
Investment in a joint venture	11	39,760	101,030
Investment in an associate	12	-	-
Equity investments designated at fair value through other comprehensive income (“FVOCI”)	13	34,407	93,354
Property, plant and equipment	14	1,022,437	724,423
Investment properties	15	620,355	604,382
Intangible assets	16	989	1,557
Pledged deposits	18	-	4,587
Deferred tax assets	29	698,025	845,679
Total non-current assets		<u>2,415,973</u>	<u>2,375,012</u>
CURRENT ASSETS			
Completed properties held for sale	19	15,618,011	14,109,562
Properties under development	20	43,349,910	50,570,002
Deposits and prepayments paid for land acquisitions	21	-	1,229,545
Amounts due from related companies	26	2,478,377	1,806,203
Accounts receivable, other receivables and other assets	22	8,993,476	8,674,545
Financial assets at fair value through profit or loss (“FVPL”)	23	258,630	558,520
Prepaid income tax and tax recoverable		2,249,775	2,302,721
Pledged deposits	18	424,529	807,414
Restricted bank balances	18	1,458,077	1,512,844
Cash and cash equivalents	18	543,896	1,920,214
Total current assets		<u>75,374,681</u>	<u>83,491,570</u>
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	24	14,053,600	13,117,566
Contract liabilities	25	35,204,765	36,061,117
Amounts due to related companies	27	3,015,866	3,735,520
Bank and other borrowings	28	4,686,562	6,621,474
Tax liabilities		1,691,032	1,729,307
Total current liabilities		<u>58,651,825</u>	<u>61,264,984</u>
NET CURRENT ASSETS		<u>16,722,856</u>	<u>22,226,586</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,138,829</u>	<u>24,601,598</u>

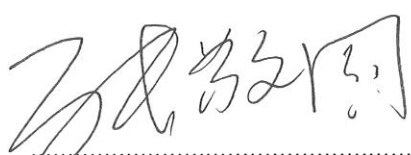
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ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT LIABILITIES			
Rental deposits received	24	9,440	6,492
Bank and other borrowings	28	3,525,232	5,900,814
Deferred tax liabilities	29	<u>67,350</u>	<u>77,711</u>
Total non-current liabilities		<u>3,602,022</u>	<u>5,985,017</u>
Net assets		<u>15,536,807</u>	<u>18,616,581</u>
EQUITY			
Equity attributable to owners of the Company			
Reserves	30	<u>14,245,987</u>	<u>16,526,625</u>
		14,245,987	16,526,625
Non-controlling interests		<u>1,290,820</u>	<u>2,089,956</u>
Total equity		<u>15,536,807</u>	<u>18,616,581</u>



.....
Zhang Jingguo
Director

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the Company								
	Capital and other reserve* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	PRC** statutory reserve* RMB'000 (note 30)	Exchange reserve* RMB'000 (note 30)	Fair value reserve of equity investments designated at FVOCI* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	11,259	98,119	392,509	227,519	3,150	14,739,564	15,472,120	2,010,035	17,482,155
Profit for the year	-	-	-	-	-	976,444	976,444	96,726	1,073,170
Other comprehensive income/(loss) for the year:									
Change in fair value of equity investments designated at FVOCI, net of tax	-	-	-	-	(52,523)	-	(52,523)	-	(52,523)
Exchange differences on translation	-	-	-	130,584	-	-	130,584	22,152	152,736
Total comprehensive income/(loss) for the year	-	-	-	130,584	(52,523)	976,444	1,054,505	118,878	1,173,383
Transfer to PRC statutory reserve	-	-	42,613	-	-	(42,613)	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at FVOCI	-	-	-	-	(9,871)	9,871	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(38,957)	(38,957)
At 31 December 2021	11,259	98,119	435,122	358,103	(59,244)	15,683,266	16,526,625	2,089,956	18,616,581

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2022

	Attributable to owners of the Company							Total equity RMB'000	
	Capital and other reserve* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	PRC** statutory reserve* RMB'000 (note 30)	Exchange reserve* RMB'000 (note 30)	Fair value reserve of equity investments designated at FVOCI* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000		Non-controlling interests RMB'000
At 1 January 2022	11,259	98,119	435,122	358,103	(59,244)	15,683,266	16,526,625	2,089,956	18,616,581
Loss for the year	-	-	-	-	-	(2,265,233)	(2,265,233)	(821,745)	(3,086,978)
Other comprehensive (loss)/income for the year:									
Change in fair value of equity investments designated at FVOCI, net of tax	-	-	-	-	(66,087)	-	(66,087)	-	(66,087)
Exchange differences on translation	-	-	-	50,682	-	-	50,682	24,609	75,291
Total comprehensive income/(loss) for the year	-	-	-	50,682	(66,087)	(2,265,233)	(2,280,638)	(797,136)	(3,077,774)
Transfer to PRC statutory reserve	-	-	27,521	-	-	(27,521)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(2,000)	(2,000)
At 31 December 2022	11,259	98,119	462,643	408,785	(125,331)	13,390,512	14,245,987	1,290,820	15,536,807

* These reserve accounts comprise the consolidated reserves of RMB14,245,987,000 (31 December 2021: RMB16,526,625,000) in the consolidated statement of financial position as at 31 December 2022.

** PRC refers to People's Republic of China. For the purposes of these financial statements only, except where the context specifies otherwise, references to Mainland China or the PRC exclude Hong Kong, Macau and Taiwan.

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(2,416,009)	2,260,211
Adjustments for:			
Fair value loss/(gain) on financial assets at FVPL	6	231,574	(59,931)
Fair value loss on investment properties	6	18,073	104
Share of losses of a joint venture and an associate	6	-	6,679
Impairment of investment in an associate	6	-	8,128
Impairment losses on accounts receivable and other receivables	6	124,109	23,431
Write-down of properties under development and completed properties held for sale to net realisable value	6	2,752,103	166,764
Depreciation of property, plant and equipment	8	28,166	15,544
Amortisation of intangible assets	8	697	1,340
Interest income	5	(14,916)	(80,113)
Finance costs	7	189,651	172,536
		<u>913,448</u>	<u>2,514,693</u>
Increase in accounts receivable, other receivables and other assets		(194,822)	(609,168)
Decrease/(increase) in restricted bank deposits		54,767	(689,514)
Decrease in properties under development		6,931,305	8,123,752
Increase in completed properties held for sale		(2,618,092)	(2,888,595)
Decrease in deposits paid for land acquisitions		1,229,545	1,929,403
Increase/(decrease) in accounts payable, deposits received and accruals		572,361	(4,313,663)
Decrease in contract liabilities		<u>(1,604,726)</u>	<u>(550,532)</u>
Cash from operating activities		<u>5,283,786</u>	<u>3,516,376</u>
Tax paid		<u>(688,269)</u>	<u>(964,831)</u>
Net cash flows from operating activities		<u>4,595,517</u>	<u>2,551,545</u>

continued/...

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		14,916	70,585
Purchases of items of property, plant and equipment		(24,509)	(3,360)
Proceeds from disposal of financial assets at FVPL		-	37,702
Proceeds from disposal of financial assets at FVOCI		-	30,000
		<u>-</u>	<u>30,000</u>
Net cash flows (used in)/from in investing activities		<u>(9,593)</u>	<u>134,927</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		1,749,251	5,240,896
Repayments of bank and other borrowings		(6,603,377)	(9,952,488)
Release of pledged deposits		652,169	1,637,207
Placement of pledged deposits		(264,697)	(651,496)
Interest paid		(775,618)	(1,394,877)
Dividends paid to non-controlling shareholders		-	(38,957)
Repayments to related companies		(1,330,557)	(1,228,709)
Advances from related companies		610,903	2,135,820
Acquisition of non-controlling interests		(2,000)	-
		<u>(2,000)</u>	<u>-</u>
Net cash flows used in financing activities		<u>(5,963,926)</u>	<u>(4,252,604)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		<u>(1,378,002)</u>	<u>(1,566,132)</u>
Cash and cash equivalents at beginning of year		1,920,214	3,488,063
Effect of foreign exchange rate changes, net		1,684	(1,717)
		<u>1,684</u>	<u>(1,717)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u>543,896</u>	<u>1,920,214</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	18	<u>543,896</u>	<u>1,920,214</u>

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE INFORMATION

Zensun Group Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands (“BVI”) on 16 July 2018. The registered office of the Company is located at the office of Vistra Corporate Services Centre, with the registered address of Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin islands. The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, acting as a trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”). Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the director of the Company, is the spouse of Ms. Huang.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 40. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

During the year, the Group was involved in the following principal activities:

- Property development
- Project management services
- Hotel operations
- Property investment
- Securities trading and investment

In the opinion of the director, the Company’s controlling shareholder is Ms. Huang.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As at 31 December 2022, the Group’s current portion of bank and other borrowings amounted to RMB4,686,562,000, while its cash and cash equivalents amounted to RMB543,896,000.

The director of the Company has evaluated the sustainable operation ability for 12 months from the end of the reporting period, which is affected by the macroeconomic environment, industry environment and credit environment superimposing the impact of multiple rounds of epidemic and came to an opinion that the liquidity risk of the company is facing periodic challenges.

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2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include the following:

- (a) The Group continues to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from sales of properties, project management and sales, hotel operations, rentals from investment properties and dividend income from financial assets at fair value through profit or loss to generate additional operating cash inflows and putting extra efforts on the collection of outstanding sales proceeds and other receivables;
- (b) The Group is actively reviewing its debt structure and looking for funding opportunities; the Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost;
- (c) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations; and
- (d) The Group continues to take actions to tighten cost controls over various operating expenses.

The director of the Company has reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. He is of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the director believes it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in the PRC and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

31 December 2022

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1, 5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities or at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss and financial assets at equity investments designated at fair value through other comprehensive income at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period .

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the lease terms and 2%
Hotels	2.78% to 10%
Leasehold improvements	Over the shorter of the lease terms and 6.67% to 20%
Furniture, office equipment and motor vehicles	20% to 50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	5 to 10 years
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Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, equity investments designated at fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, amounts due to related companies, lease liabilities, bank and other borrowings and financial liabilities included in other payables, deposits received and accruals .

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

(b) Project management services

Revenue from project management services derived from the provision of management and sale services in connection with development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Hotel operations

Revenue from room sales and other ancillary guest services is recognised over time on a daily basis, and revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to customers.

Revenue from other sources

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Retirement benefit scheme and pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a pension scheme (the “Pension Scheme”) operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company's functional currency is Hong Kong dollars. These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than the RMB, including the Hong Kong dollar (HK\$), United States dollar (“USD”) and Singapore dollar (“SGD”). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The director considers that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2.1 to the financial statements.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the director of the Company has reviewed the Group's investment property portfolios and concluded that the Group's investment properties - senior housing communities located in the United States of America (the "USA") - are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in Hong Kong, Singapore, the PRC and residential homes located in the USA are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties of senior housing communities but is not rebutted for properties located in Hong Kong, Singapore, the PRC and residential homes located in the USA. The Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong and Singapore as the Group is not subject to any income taxes on disposal of these investment properties.

Deferred tax on withholding taxes

Deferred tax liabilities are recognised for withholding corporate income taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries established in the PRC for the year ended 31 December 2022 was RMB60,247,000 (31 December 2021: RMB60,247,000). Further details are contained in note 29 to the financial statements.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and other receivables is disclosed in note 22 to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2022 was RMB620,355,000 (2021: RMB604,382,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. An intangible asset not yet available for use is tested for impairment annually and at other times when such an indicator exists. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 was RMB183,507,000 (2021: RMB203,959,000). The amount of unrecognised tax losses at 31 December 2022 was RMB 3,392,576,000 (2021: RMB1,821,146,000). Further details are contained in note 29 to the financial statements.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)*Net realisable value assessment of properties under development and completed properties held for sale*

The Group carried out assessment on net realisable value of properties under development and completed properties held for sale at the end of each reporting period and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Group's pre-sale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Groups' completed projects, adjusted by certain current market data, the legal and regulating framework and general market conditions. The Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the consolidated statement of financial position and notes 20 and 19 to the financial statements. At 31 December 2022, the carrying amounts of properties under development and completed properties held for sale were approximately RMB43,349,910,000 (2021: RMB50,570,002,000) and RMB15,618,011,000 (2021: RMB14,109,562,000), respectively, which are expected to be recovered through future sales and stated at the lower of cost and net realisable value. The Group carried out assessment on net realisable value at the end of the reporting period and recognised RMB1,287,385,000 (2021: RMB225,073,000) and RMB1,520,981,000 (2021: RMB91,691,000) of the write-down for properties under development and completed properties held for sale as at 31 December 2022, respectively. When there is any decrease in the net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the consolidated statement of profit or loss.

Contingent liabilities

As at 31 December 2022, the Group had contingent liabilities relating to guarantees amounting to approximately RMB43,626,313,000 (2021: RMB52,234,892,000) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the director of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2022 as in case of default in payments, the net realisable of the related properties can cover the outstanding principal together with the accrued interest and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Project management services in the PRC
- (c) Hotel operations in the PRC
- (d) Property investment and management in the United States of America (“USA” or “US”) in American Housing REIT, Inc. (“AHR”)
- (e) Property investment other than AHR
- (f) Securities trading and investment

The Group has property investment and/or management businesses in Hong Kong, the USA, the PRC and Singapore. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management previously and up to 31 December 2022.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Except for the new reportable operating segment of hotel operations in the PRC since January 2022, there are no differences from the Group’s annual financial statements for the year ended 31 December 2022 on the basis of segmentation or on the basis of measurement of segment profit or loss, segment assets and liabilities.

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and segment results

	Segment revenue		Segment results	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Property development in the PRC	11,914,684	23,775,743	(2,040,130)	2,273,961
Project management services in the PRC	11,366	253	4,348	240
Hotel operations in the PRC	16,374	-	969	-
Property investment and management on AHR	14,738	14,441	9,683	9,912
Property investment other than AHR	25,903	10,397	21,065	2,038
Securities trading and investment	26,126	39,126	(212,780)	20,654
	<u>12,009,191</u>	<u>23,839,960</u>	<u>(2,216,845)</u>	<u>2,306,805</u>
Unallocated corporate income			822	327
Other gains and losses			(190,086)	(22,890)
Unallocated corporate expenses			<u>(9,900)</u>	<u>(24,031)</u>
(Loss)/profit before tax			<u>(2,416,009)</u>	<u>2,260,211</u>

ZENSUN GROUP LIMITED

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4. OPERATING SEGMENT INFORMATION (continued)

	2022 RMB'000	2021 RMB'000
<i>Segment assets</i>		
Property development in the PRC	73,538,141	82,090,988
Project management services in the PRC	5,030	28
Hotel operations in the PRC	380,181	-
Property investment and management on AHR	223,768	202,296
Property investment other than AHR	432,743	357,273
Securities trading and investment	<u>267,301</u>	<u>427,489</u>
Segment assets	74,847,164	83,078,074
Unallocated assets	<u>2,943,490</u>	<u>2,788,508</u>
Total assets	<u><u>77,790,654</u></u>	<u><u>85,866,582</u></u>
<i>Segment liabilities</i>		
Property development in the PRC	59,487,091	63,007,609
Project management services in the PRC	682	1,676
Hotel operations in the PRC	1,034	-
Property investment and management on AHR	62,409	63,024
Property investment other than AHR	<u>120,927</u>	<u>115,475</u>
Segment liabilities	59,672,143	63,187,784
Unallocated liabilities	<u>2,581,704</u>	<u>4,062,217</u>
Total liabilities	<u><u>62,253,847</u></u>	<u><u>67,250,001</u></u>

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2022

	Property development in the PRC RMB'000	Project management services in the PRC RMB'000	Hotel operations in the PRC RMB'000	Property investment and management on AHR in the USA RMB'000	Property investment other than AHR RMB'000	Securities trading and investment RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Additions to investment properties and property, plant and equipment	868	-	38,280	-	-	-	39,148	25	39,173
Depreciation of property, plant and equipment	18,486	-	10,905	-	26	-	29,417	1,254	30,671
Amortisation of intangible assets	671	-	26	-	-	-	697	-	697
Fair value loss on investment properties	-	-	-	(135)	(17,938)	-	(18,073)	-	(18,073)
Fair value loss on financial assets at fair value through profit or loss	-	-	-	-	-	(231,574)	(231,574)	-	(231,574)
Write-down of properties on properties under development and completed properties held for sale to net realisable value	2,752,103	-	-	-	-	-	2,752,103	-	2,752,103
Impairment losses on accounts receivable and other receivables	124,109	-	-	-	-	-	124,109	-	124,109

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2021

	Property development in the PRC RMB'000	Project management services in the PRC RMB'000	Property investment management on AHR in the USA RMB'000	Property investment other than Property AHR RMB'000	Securities trading and investment RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Additions to investment properties and property, plant and equipment	3,349	-	-	-	-	3,349	12	3,361
Depreciation of property, plant and equipment	15,687	-	6	-	-	15,693	1,133	16,826
Amortisation of intangible assets	1,340	-	-	-	-	1,340	-	1,340
Fair value gain/(loss) on investment properties	-	-	129	(233)	-	(104)	-	(104)
Fair value gain on financial assets at FVPL	-	-	-	-	59,931	59,931	-	59,931
Write-down of properties on properties under development and completed properties held for sale to net realisable value	166,764	-	-	-	-	166,764	-	166,764
Loss on disposal of properties under development	(25,923)	-	-	-	-	(25,923)	-	(25,923)
Impairment losses on accounts receivable and other receivables	(23,431)	-	-	-	-	(23,431)	-	(23,431)
Impairment of investment in an associate	(8,128)	-	-	-	-	(8,128)	-	(8,128)

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

	Revenue from external customers		Non-current assets	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	11,958,246	23,802,033	1,045,680	862,040
The USA	15,482	29,633	217,740	200,562
Singapore	7,438	6,740	317,236	267,549
Hong Kong	28,025	1,554	102,885	101,241
	<u>12,009,191</u>	<u>23,839,960</u>	<u>1,683,541</u>	<u>1,431,392</u>

The geographical locations of revenue from external customers are based on the geographical markets of the customers, locations of properties and investments. The geographical locations of the non-current assets, excluding deferred tax assets and financial instruments, are based on the geographical locations of the assets.

Information about major customers

During the years ended 31 December 2022 and 2021, no single customer has contributed 10% or more of the Group's total revenue.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2022	2021
	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>		
Sales of properties in the PRC	11,914,684	23,775,743
Project management services in the PRC	11,366	253
Hotel operations in the PRC	16,374	-
	<u>11,942,424</u>	<u>23,775,996</u>
<i>Revenue from other sources</i>		
Rental income	40,641	24,838
Dividend income from financial assets at FVPL	26,126	39,126
	<u>12,009,191</u>	<u>23,839,960</u>

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5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

<u>Segments</u>	Sales of properties in the PRC RMB'000	Project management services in the PRC RMB'000	Hotel operations in the PRC RMB'000	Total RMB'000
Type of goods or services and geographical markets				
Sale of properties in the PRC	11,914,684	-	-	11,914,684
Project management services in the PRC	-	11,366	-	11,366
Hotel operations in the PRC	-	-	16,374	16,374
	<u>11,914,684</u>	<u>11,366</u>	<u>16,374</u>	<u>11,942,424</u>
Total revenue from contracts with external customers	<u>11,914,684</u>	<u>11,366</u>	<u>16,374</u>	<u>11,942,424</u>
Timing of revenue recognition				
Goods transferred at a point in time	11,914,684	-	6,509	11,921,193
Services transferred over time	-	11,366	9,865	21,231
	<u>11,914,684</u>	<u>11,366</u>	<u>16,374</u>	<u>11,942,424</u>
Total revenue from contracts with external customers	<u>11,914,684</u>	<u>11,366</u>	<u>16,374</u>	<u>11,942,424</u>

For the year ended 31 December 2021

<u>Segments</u>	Sales of properties in the PRC RMB'000	Project management services in the PRC RMB'000	Total RMB'000
Type of goods or services and geographical markets			
Sale of properties in the PRC	23,775,743	-	23,775,743
Project management services in the PRC	-	253	253
	<u>23,775,743</u>	<u>253</u>	<u>23,775,996</u>
Total revenue from contracts with customers	<u>23,775,743</u>	<u>253</u>	<u>23,775,996</u>
Timing of revenue recognition			
Goods transferred at a point in time	23,775,743	-	23,775,743
Services transferred over time	-	253	253
	<u>23,775,743</u>	<u>253</u>	<u>23,775,996</u>
Total revenue from contracts with customers	<u>23,775,743</u>	<u>253</u>	<u>23,775,996</u>

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5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2022 RMB'000	2021 RMB'000
Sale of properties in the PRC	<u>9,694,769</u>	<u>17,169,067</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advance payments are required pursuant to the terms of sale and purchase agreements.

Rendering of project management services

The performance obligation is satisfied over time as services are rendered and bills are issued when services are rendered.

Hotel operations

The performance obligation is satisfied as services are rendered or goods are delivered and payment is generally received in advance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	19,551,927	16,110,172
After one year	<u>19,047,557</u>	<u>24,737,847</u>
	<u>38,599,484</u>	<u>40,848,019</u>

An analysis of other income is as follows:

	2022 RMB'000	2021 RMB'000
Interest income	14,916	80,113
Government grants	87	3,558
Others	<u>14,199</u>	<u>15,859</u>
	<u>29,202</u>	<u>99,530</u>

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31 December 2022

6. OTHER GAINS AND LOSSES, NET

	2022 RMB'000	2021 RMB'000
Fair value loss on investment properties (note 15)	(18,073)	(104)
Fair value (loss)/gain on financial assets at FVPL	(231,574)	59,931
Share of losses of a joint venture and an associate	-	(6,679)
Write-down of properties under development and completed properties held for sale to net realisable value	(2,752,103)	(166,764)
Impairment losses on accounts receivable and other receivables (note 22)	(124,109)	(23,431)
Exchange losses	(162,867)	(17,580)
Loss on disposal of properties under development	-	(25,923)
Impairment of investment in an associate	-	(8,128)
	<u>(3,288,726)</u>	<u>(188,678)</u>

7. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interests on:		
Bank and other borrowings	443,949	839,093
Senior notes and corporate bonds	300,767	545,138
Interest arising from revenue contracts	1,892,272	1,889,280
Less: Capitalised in properties under development	<u>(2,447,337)</u>	<u>(3,100,975)</u>
	<u>189,651</u>	<u>172,536</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.75% to 12.50% (2021: 4.95% to 12.80%) per annum.

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NOTES TO FINANCIAL STATEMENTS

31 December 2022

8. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	2022 RMB'000	2021 RMB'000
Cost of properties sold	10,506,910	20,492,690
Cost of services	26,664	3,091
Total employee benefit expenses:		
Director's emoluments	631	605
Other staff:		
Salaries and other benefits	149,137	167,702
Retirement benefit scheme contributions	26,710	23,738
	176,478	192,045
Less: Capitalised in properties under development	(15,300)	(27,144)
	161,178	164,901
Auditor's remuneration	6,480	6,530
Depreciation of property, plant and equipment	28,166	15,544
Amortisation of intangible assets	697	1,340
Lease payments not included in the measurement of lease liabilities	480	1,671

The Group's (loss)/profit before tax is arrived at after crediting:

Interest income	14,916	80,113
Gross rental income from investment properties	40,640	24,838
Less: Direct operating expenses incurred for:		
- investment properties generating rental income	(3,371)	(3,068)
- investment properties not generating rental income	(153)	(142)
	(3,524)	(3,210)
	37,116	21,628

9. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax - charge for the year		
- Hong Kong Profits Tax		-
- PRC CIT	249,609	634,992
- PRC LAT	284,141	564,198
- Overseas corporate income tax	106	118
Over provision in prior years	(31)	(11)
	533,825	1,199,297
Deferred tax (note 29)	137,144	(12,256)
Total tax charge for the year	670,969	1,187,041

NOTES TO FINANCIAL STATEMENTS

31 December 2022

9. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for each of the years.

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years. In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiaries in the USA are generally subject to Federal Income Tax at a rate of 21% (2021: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdictions for the year ended 31 December 2022. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

Income tax expense for the year is reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss as follows:

	2022 RMB'000	2021 RMB'000
(Loss)/profit before tax	<u>(2,416,009)</u>	<u>2,260,211</u>
Tax at the domestic income tax rate of 25%	(604,002)	565,053
Effect of different tax rates on operations in other jurisdictions	(53)	(168)
Tax effect of expenses not deductible for tax purpose	110,615	40,596
Tax effect of income not taxable for tax purpose	(12,579)	(24,764)
PRC LAT	284,141	564,198
Tax effect of PRC LAT	(71,035)	(141,050)
Tax effect of temporary differences not recognised	572,163	24,164
Tax effect of tax losses not recognised	395,593	159,997
Utilisation of tax losses previously not recognised	(3,842)	(974)
Over provision in prior years	<u>(32)</u>	<u>(11)</u>
Income tax expense for the year	<u>670,969</u>	<u>1,187,041</u>

10. DIVIDENDS

The director did not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil).

NOTES TO FINANCIAL STATEMENTS

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11. INVESTMENT IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Share of net assets	<u>39,760</u>	<u>101,030</u>

Particulars of the Group's material joint venture are as follows:

Name	Place of registration and business	Percentage of			Principal activity
		Ownership interest	Voting power	Profit sharing	
青島郁士房地產開發有限公司 (Qingdao Yushi Real Estate Development Co., Ltd.)	PRC/ Mainland China	51	51	51	Property development

The above investment is indirectly held by the Company.

Although the Group holds 51% of the equity of Qingdao Yushi Real Estate Development Co., Ltd. (hereinafter referred to as "Qingdao Yushi"), the Group is only entitled to interest in certain properties that are developed by Qingdao Yushi and the corresponding liabilities according to the cooperation agreement signed between the Group and other shareholders of Qingdao Yushi. Neither the Group nor other shareholders of Qingdao Yushi have control over Qingdao Yushi. Therefore, the Group considers Qingdao Yushi as a joint venture and Qingdao Yushi is accounted for using the equity method.

12. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of assets	8,128	8,128
Impairment loss	<u>(8,128)</u>	<u>(8,128)</u>
	<u>-</u>	<u>-</u>

Particulars of the material associate are as follows:

Name	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
鄭州航空港區航程正商置業有限公司 (Zhengzhou Airport Port Voyage Zensun Real Estate Co., Ltd.)	PRC/ Mainland China	49	Property development

The Group's shareholding in the associate comprises equity shares indirectly held by the Company.

The Group carried out assessment on the recoverable amount of the investment at the end of the reporting period and the recognised RMB8,128,000 (2021: RMB8,128,000) of impairment loss as at 31 December 2022.

31 December 2022

13. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	2022 RMB'000	2021 RMB'000
Listed equity investment, at fair value	<u>34,407</u>	<u>93,354</u>

The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Hotels	Leasehold improve- ments	Furniture, office equipment and motor vehicles	Construc- tion in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2022						
Cost:						
At 1 January 2022	462,321	267,747	2,281	62,762	-	795,111
Additions	-	-	-	5,105	34,067	39,172
Transfer from investment Property	13,467	-	-	-	-	13,467
Transfer from property under development	-	-	-	-	273,740	273,740
Exchange realignment	<u>2,750</u>	<u>-</u>	<u>128</u>	<u>61</u>	<u>-</u>	<u>2,939</u>
At 31 December 2022	<u>478,538</u>	<u>267,747</u>	<u>2,409</u>	<u>67,928</u>	<u>307,807</u>	<u>1,124,429</u>
Accumulated depreciation:						
At 1 January 2022	8,104	14,271	1,751	46,562	-	70,688
Depreciation provided	15,238	10,905	142	4,386	-	30,671
Exchange realignment	<u>495</u>	<u>-</u>	<u>71</u>	<u>67</u>	<u>-</u>	<u>633</u>
At 31 December 2022	<u>23,837</u>	<u>25,176</u>	<u>1,964</u>	<u>51,015</u>	<u>-</u>	<u>101,992</u>
Net carrying amount:						
At 1 January 2022	<u>454,217</u>	<u>253,476</u>	<u>530</u>	<u>16,200</u>	<u>-</u>	<u>724,423</u>
At 31 December 2022	<u>454,701</u>	<u>242,571</u>	<u>445</u>	<u>16,913</u>	<u>307,807</u>	<u>1,022,437</u>

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RMB'000	Hotels RMB'000	Leasehold improve- ments RMB'000	Furniture, office equipment and motor vehicles RMB'000	Total RMB'000
31 December 2021					
Cost:					
At 1 January 2021	72,698	62,318	2,382	60,839	198,237
Additions	-	-	-	3,361	3,361
Transfer from property under development	391,030	205,429	-	-	596,459
Disposals	-	-	-	(1,374)	(1,374)
Exchange realignment	(1,407)	-	(101)	(64)	(1,572)
At 31 December 2021	<u>462,321</u>	<u>267,747</u>	<u>2,281</u>	<u>62,762</u>	<u>795,111</u>
Accumulated depreciation:					
At 1 January 2021	6,510	4,564	1,732	42,730	55,536
Depreciation provided	1,771	9,707	89	5,259	16,826
Disposals	-	-	-	(1,365)	(1,365)
Exchange realignment	(177)	-	(70)	(62)	(309)
At 31 December 2021	<u>8,104</u>	<u>14,271</u>	<u>1,751</u>	<u>46,562</u>	<u>70,688</u>
Net carrying amount:					
At 1 January 2021	<u>66,188</u>	<u>57,754</u>	<u>650</u>	<u>18,109</u>	<u>142,701</u>
At 31 December 2021	<u>454,217</u>	<u>253,476</u>	<u>530</u>	<u>16,200</u>	<u>724,423</u>

At 31 December 2022, the Group had no leasehold land, buildings and hotels pledged to secure the Group's borrowings (2021: Nil).

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15. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	604,382	624,941
Transfer to owner-occupied property	(13,467)	-
Net loss from a fair value adjustment	(18,073)	(104)
Exchange realignment	47,513	(20,455)
Carrying amount at 31 December	<u>620,355</u>	<u>604,382</u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties with an aggregate fair value of RMB495,852,000 (2021: RMB444,765,000) have been pledged to secure the Group's borrowings (note 36).

The fair values of the investment properties situated in Hong Kong, Singapore and the USA as at 31 December 2022 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited ("APAC"). APAC is a member of the Hong Kong Institute of Surveyors and Valuers and an independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the director of the Company.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	31 December 2022 RMB'000	31 December 2021 RMB'000
<i>Fair value measurement using significant unobservable inputs (Level 3)</i>		
Recurring fair value measurement for investment properties located in		
- Hong Kong	63,443	63,485
- Singapore	303,777	267,548
- USA	217,740	200,562
- PRC	35,395	72,787
	<u>620,355</u>	<u>604,382</u>

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15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

Below is a summary of the valuation technique used and the key inputs to the valuation of the Group's significant investment properties categorised into Level 3:

Properties	Valuation technique	Significant unobservable inputs	Range or weight average	
			2022	2021
Offices located in Hong Kong with a carrying value of RMB63,443,000 (2021: RMB63,485,000)	Income capitalisation approach	Monthly market rent (HK\$ per sq. ft.)	44.9	48.6
		Term yield (per annum)	2.0%	2.0%
		Reversion yield (per annum)	2.2%	2.2%
Commercial and residential units located in Singapore with a carrying value of RMB303,777,000 (2021: RMB267,548,000)	Income capitalisation approach	Monthly market rent (SGD per sq. ft.)	4.1-7.1	3.7-7.5
		Term yield (per annum)	2.6%-3.0%	2.6%-2.8%
		Reversion yield (per annum)	2.8%-3.2%	2.8%-3.0%
Senior housing communities located in the USA with a carrying value of RMB192,074,000 (2021: RMB177,217,000)	Income capitalisation approach	Annual market rent (USD per sq. ft.)	22.0-24.7	22.0-24.4
		Term yield (per annum)	7.5%-8.5%	7.5%-8.5%
		Reversion yield (per annum)	8.0%-9.0%	8.0%-9.0%
Red river valley clubhouse located in Mainland China with a carrying value of RMB35,395,000 (2021: RMB72,787,000)	Income capitalisation approach	Daily market rent (RMB per sq. ft.)	0.73	0.82
		Term yield (per annum)	6%	6%
		Reversion yield (per annum)	3%	3%

A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and reversion yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

There has been no change from the valuation technique used in the prior years.

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16. INTANGIBLE ASSETS

	2022 RMB'000	2021 RMB'000
Software		
Cost:		
At 1 January	11,684	11,684
Additions	129	-
At 31 December	<u>11,813</u>	<u>11,684</u>
Accumulated amortisation:		
At 1 January	(10,127)	(8,787)
Amortisation provided during the year	(697)	(1,340)
At 31 December	<u>(10,824)</u>	<u>(10,127)</u>
Net carrying amount:		
At 1 January	<u>1,557</u>	<u>2,897</u>
At 31 December	<u>989</u>	<u>1,557</u>

17. LEASES

The Group as a lessor

The Group leases its investment properties (note 15) consisting of offices, commercial and residential units, senior housing communities and residential single homes located in Hong Kong, Singapore, the PRC and the USA under operating lease arrangements. The terms of the leases generally require the tenants to pay the security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB40,641,000 (2021: RMB24,838,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	25,942	23,925
After one year but within two years	20,172	19,094
After two years but within three years	17,113	16,548
After three years but within four years	17,498	16,440
After four years but within five years	17,891	16,810
After five years	24,987	40,667
	<u>123,603</u>	<u>133,484</u>

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18. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Pledged deposits		
- Current	424,529	807,414
- Non-current	-	4,587
	<u>424,529</u>	<u>812,001</u>
Restricted bank balances	<u>1,458,077</u>	<u>1,512,844</u>
Cash and cash equivalents	<u>543,896</u>	<u>1,920,214</u>

Pledged deposits represent bank deposits of RMB417,935,000 (2021: RMB794,546,000) and deposits held with financial institutions of RMB6,594,000 (2021: RMB17,455,000) pledged to banks and financial institutions to secure the facilities granted to the Group and the mortgage loan facilities granted by certain banks to certain property buyers of the Group's properties. The pledged deposits will be released upon the settlement of relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers. There is no bank deposits and deposits held with financial institutions (2021: RMB4,587,000) have been pledged to secure the Group's non-current borrowings which are classified as non-current assets.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties be placed as guarantee deposits in designated bank accounts for the construction of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

At the end of the reporting period, pledged deposits, restricted bank balances and cash and cash equivalents of the Group denominated in RMB amounted to RMB2,404,066,000 (2021: RMB4,237,005,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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19. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB1,520,981,000 (2021: RMB91,691,000) of write-down for completed properties held for sale as at 31 December 2022.

20. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB1,287,385,000 (2021: RMB225,073,000) of write-down for properties under development as at 31 December 2022.

21. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be recognised as properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Accounts receivable	75,911	70,883
Less: Impairment	(1,063)	-
	<u>74,848</u>	<u>70,883</u>
Prepaid value-added taxes and other taxes	1,975,060	2,312,519
Deposits and prepayments	774,009	1,631,996
Costs of obtaining contracts	271,986	312,853
Other receivables	6,021,269	4,370,375
	<u>9,042,324</u>	<u>8,627,743</u>
Less: Impairment	(123,696)	(24,081)
	<u>8,918,628</u>	<u>8,603,662</u>
	<u><u>8,993,476</u></u>	<u><u>8,674,545</u></u>

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22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Accounts receivable represent receivables from sales of properties, project management services, hotel operations, dividend receivables and rental receivables. Receivables arising from sales of properties and project management fee receivables are due for settlement in accordance with the terms of the related agreements. For the business of hotel operations, receivables are normally settled in advance. However, the Group may offer credit terms to certain corporate clients. The settlement terms of rental receivables are upon presentation of demand notes.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and the net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	18,028	13,024
1 to 2 years	24	341
2 to 3 years	341	217
Over 3 years	<u>56,455</u>	<u>57,301</u>
At end of year	<u><u>74,848</u></u>	<u><u>70,883</u></u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's financial assets included in accounts receivable using a provision matrix:

As at 31 December 2022	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individual evaluation of expected credit losses	2,127	1,063
Assessment of expected credit losses by credit risk portfolio	<u>73,784</u>	<u>-</u>
At end of year	<u><u>75,911</u></u>	<u><u>1,063</u></u>

As at 31 December 2021	Gross carrying amount RMB'000	Expected credit losses RMB'000
Assessment of expected credit losses by credit risk portfolio	<u>70,883</u>	<u>-</u>

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22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Deposits and other receivables mainly represent deposits with suppliers and other receivables due from third parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The expected credit losses was RMB123,696,000 as at 31 December 2022 (31 December 2021: RMB24,081,000).

The movements in the loss allowance for impairment of accounts receivable and other receivables in total are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	24,081	650
Impairment losses	124,109	23,431
Amount written off as uncollectible	<u>(23,431)</u>	<u>-</u>
At end of year	<u><u>124,759</u></u>	<u><u>24,081</u></u>

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Equity securities listed in Hong Kong	10,905	14,383
Equity securities listed in Singapore	4,716	4,444
REIT securities listed in the USA	<u>243,009</u>	<u>419,524</u>
	258,630	438,351
Unlisted financial assets	<u>-</u>	<u>120,169</u>
	<u><u>258,630</u></u>	<u><u>558,520</u></u>

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24. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Accounts and bills payable	310,459	1,164,643
Accrued construction costs (Note)	11,177,810	9,998,540
Rental deposits received	10,393	8,330
Retention deposits and payable	345,060	297,176
Other taxes payable	416,809	195,234
Other payables and accruals	<u>1,802,509</u>	<u>1,460,135</u>
	14,063,040	13,124,058
Less: Rental deposits received – non-current	<u>(9,440)</u>	<u>(6,492)</u>
	<u>14,053,600</u>	<u>13,117,566</u>

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang"), of approximately RMB683,933,706 (2021: RMB524,869,668) for the construction services.

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	7,369,755	7,814,532
1 to 2 years	3,044,569	1,467,764
2 to 3 years	254,219	805,235
Over 3 years	<u>819,726</u>	<u>1,075,652</u>
At end of year	<u>11,488,269</u>	<u>11,163,183</u>

25. CONTRACT LIABILITIES

The Group receives advance payments from customers based on schedules as established in the property sales contracts. The increase in contract liabilities as at 31 December 2022 was due to more property projects having started pre-sale during the current year.

26. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms Zhang, have the controlling interests over these related companies.

27. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms Zhang, have controlling interests over these related companies.

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28. BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate per annum (%)	Maturity	RMB'000	Effective interest rate per annum (%)	Maturity	RMB'000
Current						
Bank loans - secured	1.76-9.98	2023	2,734,671	2.20 - 8.30	2022	2,908,958
Other loans - secured	2.80-10.50	2023	563,012	5.21 - 11.00	2022	1,720,530
Other loans - unsecured	2.80-5.50	2023	37,380	-	-	-
Bonds - unsecured (a)	-	-	-	7.20	2022	749,265
Senior notes - unsecured (b)	12.50	2023	<u>1,351,499</u>	12.50	2022	<u>1,242,721</u>
			<u>4,686,562</u>			<u>6,621,474</u>
Non-current						
Bank loans - secured	1.76-9.98	2024-2030	2,143,760	1.61 - 9.98	2023 - 2030	3,015,551
Other loans - secured	2.80-5.50	2025	164,301	10.10-10.50	2023	611,150
Other loans - unsecured	2.80-5.50	2025	125,145	-	-	-
Senior notes – unsecured (b) (c)	12.50	2024	<u>1,092,026</u>	12.50	2023-2024	<u>2,274,113</u>
			<u>3,525,232</u>			<u>5,900,814</u>
			<u>8,211,794</u>			<u>12,522,288</u>

	2022	2021
	RMB'000	RMB'000

Analysed into:

Bank and other borrowings repayable:

Within one year	4,686,562	6,621,474
In the second year	2,814,531	3,529,949
In the third to fifth years, inclusive	710,701	2,364,150
Beyond five years	-	6,715
	<u>8,211,794</u>	<u>12,522,288</u>

The carrying amounts of bank and other borrowings at the end of the reporting period were denominated in the following currencies.

	2022	2021
	RMB'000	RMB'000
SGD	63,468	62,646
USD	2,551,791	3,624,533
RMB	<u>5,596,535</u>	<u>8,835,109</u>
	<u>8,211,794</u>	<u>12,522,288</u>

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28. BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) Henan Zensun Real Estate Co., Ltd., a subsidiary of the Company, issued a three-year corporate bond at a principal amount of RMB750,000,000 carrying interest of 7.20% per annum on 27 November 2019, of which the remaining outstanding amount of RMB749,265,000 was redeemed on 26 July 2022. The interest was all paid once a year and the last payment of interest was paid together with the principal.
- (b) On 3 October 2019, Zensun Enterprises completed the issued senior notes at a principal amount of US\$220 million carrying interest of 12.8% per annum due on 3 October 2021 in accordance with the terms and conditions of the subscription agreement (the "2019 Original Notes"). Subsequently on 20 December 2019, Zensun Enterprises issued additional senior notes at a principal amount of US\$120 million under the same terms and conditions of the subscription agreement of the 2019 Original Notes. The additional senior notes are consolidated with the 2019 Original Notes and form a single series at an aggregated principal amount of US\$340 million carrying interest of 12.8% per annum due on 3 October 2021.

In September 2021, US\$142,420,000 of the 2019 Notes, representing approximately 42.01% of the total aggregate principal amount of the outstanding 2019 Notes, have been validly tendered for exchange and accepted pursuant to the terms and conditions of the exchange offer in exchange for the new notes to be issued, and the remaining outstanding amount of US\$196,580,000 were repaid upon maturity. Such amount of US\$142,420,000 were in exchanged for the new notes issued on 13 September 2021. Details of the Exchange Offer are set out in the Company's announcement dated 8 September 2021.

On 13 September 2021, Zensun Enterprises completed the issued senior notes at a principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 September 2023. The US\$200 million senior notes are listed and traded on the Stock Exchange of Hong Kong. Such amount of US\$142,420,000 were in exchanged for the 2019 Notes due on 3 October 2021(as detailed above), and the remaining amount of US\$57,580,000 were intended for project developments and general corporate purposes. Details of the issuance of the senior notes are set out in the Company's announcements dated 14 September 2021.

- (c) On 24 September 2021, Zensun Enterprises completed the issued senior notes at a principal amount of US\$160 million carrying interest of 12.5% per annum due on 23 April 2024. The US\$160 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes. Details of the issuance of the senior notes are set out in the Company's announcements dated 24 September 2021.

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28. BANK AND OTHER BORROWINGS (continued)

Notes (continued):

Certain of the Group's bank and other borrowings are secured by the Group's pledged deposits, investment properties, completed properties held for sale and properties under development with the total carrying amount of RMB15,656,290,000 (2021: RMB16,395,974,000). In addition, shares of certain subsidiaries were pledged as securities to obtain certain bank and other borrowings granted to the Group as at 31 December 2022 and 2021, details of which are disclosed in note 36 to the financial statements.

In additions, as at 31 December 2022, the Group's senior notes and bank and other borrowings were guaranteed by related companies. Details of the guarantees are disclosed in note 39 to the financial statements.

29. DEFERRED TAX

The movements in deferred tax assets and liabilities arising from temporary differences are as follows:

Deferred tax assets

	Tax loss RMB'000	Provision for LAT RMB'000	Accrued expenses for tax purpose RMB'000	Write-down of properties under development RMB'000	Total RMB'000
At 1 January 2021	133,508	232,277	447,662	37,500	850,947
Credited/(charged) to profit or loss during the year (note 9)	<u>70,451</u>	<u>56,706</u>	<u>(155,810)</u>	<u>23,385</u>	<u>(5,268)</u>
Deferred tax assets at 31 December 2021 and 1 January 2022	203,959	288,983	291,852	60,885	845,679
(Charged)/credited to profit or loss during the year (note 9)	<u>(20,452)</u>	<u>(126,899)</u>	<u>(73,136)</u>	<u>72,833</u>	<u>(147,654)</u>
Deferred tax assets at 31 December 2022	<u>183,507</u>	<u>162,084</u>	<u>218,716</u>	<u>133,718</u>	<u>698,025</u>

During the year ended 31 December 2022, deferred tax assets were recognised for unused tax losses to the extent that it is probable that relevant future taxable profits will be available against for utilisation. These unused tax losses were in respect of certain PRC subsidiaries carried forward at the end of 2022 and the director of the Company is of the opinion that these certain PRC subsidiaries will generate sufficient future taxable profits.

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29. DEFERRED TAX (continued)

Deferred tax assets (continued)

At 31 December 2022, the Group had total unrecognised unused tax losses of RMB3,392,576,000 (2021: RMB1,821,146,000) and unrecognised temporary differences of RMB2,288,652,000 (2021: RMB96,655,000) which were subject to agreement with the respective tax authorities, available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses incurred in the PRC amounting to RMB2,855,641,000 (2021: RMB1,284,845,000) will expire within five years since the date of carryforward, these unrecognised unused tax losses can be carried forward indefinitely, subject to fulfilment of certain conditions or rules.

Deferred tax liabilities

	Accelerated tax depreciation RMB'000	Revaluation of investment properties RMB'000	Revaluation of properties acquired under business combination RMB'000	Withholding tax on distributable profits of the Group's PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2021	(55)	(10,064)	(9,412)	(75,745)	(95,276)
Credited to profit or loss during the year (note 9)	-	771	1,255	15,498	17,524
Exchange realignment	(7)	48	-	-	41
Deferred tax liabilities at 31 December 2021 and 1 January 2022	(62)	(9,245)	(8,157)	(60,247)	(77,711)
Credited to profit or loss during the year (note 9)	-	8,979	1,531	-	10,510
Exchange realignment	(9)	(140)	-	-	(149)
Deferred tax liabilities at 31 December 2022	(71)	(406)	(6,626)	(60,247)	(67,350)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Zensun Enterprises, a subsidiary of the Group, is therefore liable for withholding taxes at an applicable rate of 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB14,441,500,000 (2021: RMB14,438,449,000). In the opinion of the director, it is not probable to distribute these earnings in the foreseeable future.

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30. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2022 are presented in the consolidated statement of changes in equity.

(a) Capital and other reserve

Capital and other reserve represents the deemed contribution from controlling shareholder in the reorganisation, and the differences between the consideration and the proportionate shares of the net assets acquired.

(b) Merger reserve

The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the Company's share issued in exchange therefor.

(c) PRC statutory reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, each of these subsidiaries is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(e) Fair value of equity investments designated at FVOCI

Fair value of equity investments designated at FVOCI comprise the fair value gains and losses on equity investments designated at FVOCI.

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31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from banks, financial institutions, bonds, senior notes and its related companies in which Ms. Huang has beneficial interests and continued to look for other external financing sources. The Group's overall strategy remains unchanged from prior periods.

The director of the Company reviews the capital structure on an annual basis. As part of this review, the director of the Company considers the cost of capital and the risks associated with the capital. Based on recommendations of the director of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

The capital structure of the Group consists of net debt, which includes bank and other borrowings and amounts due to related companies, net of cash and cash equivalents, restricted bank balances and pledged deposits. The gearing ratio as at the end of the reporting period was as follows:

	2022 RMB'000	2021 RMB'000
Amounts due to related companies	3,015,866	3,735,520
Bank and other borrowings (current and non-current)	8,211,794	12,522,288
Less: Cash and cash equivalents	(543,896)	(1,920,214)
Restricted bank balances	(1,458,077)	(1,512,844)
Pledged deposits (current and non-current)	<u>(424,529)</u>	<u>(812,001)</u>
Net debt	<u>8,801,158</u>	<u>12,012,749</u>
Total assets	<u>77,790,654</u>	<u>85,866,582</u>
Gearing ratio	<u>11.3%</u>	<u>14.0%</u>

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32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	<u>Equity investments designated at FVOCI</u> RMB'000	<u>Financial assets at FVPL</u> RMB'000	<u>Financial assets at amortised cost</u> RMB'000
Financial assets at FVPL	-	258,630	-
Equity investments designated at FVOCI	34,407	-	-
Accounts receivable	-	-	74,848
Financial assets included in other receivables and other assets	-	-	5,897,573
Amounts due from related companies	-	-	2,478,377
Pledged deposits (current and non-current)	-	-	424,529
Restricted bank balances	-	-	1,458,077
Cash and cash equivalents	-	-	543,896
	<u>34,407</u>	<u>258,630</u>	<u>10,877,300</u>

Financial liabilities

	<u>Financial liabilities at amortised cost</u> RMB'000
Accounts and bills payable	310,459
Financial liabilities included in other payables, deposits received and accruals	13,335,772
Amounts due to related companies	3,015,866
Bank and other borrowings (current and non-current)	<u>8,211,794</u>
	<u>24,873,891</u>

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32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2021

Financial assets

	Equity investments <u>designated at FVOCI</u> RMB'000	Financial assets <u>at FVPL</u> RMB'000	Financial assets at <u>amortised cost</u> RMB'000
Financial assets at FVPL	-	558,520	-
Equity investments designated at FVOCI	93,354	-	-
Accounts receivable	-	-	70,883
Financial assets included in other receivables and other assets	-	-	4,346,294
Amounts due from related companies	-	-	1,806,203
Pledged deposits (current and non-current)	-	-	812,001
Restricted bank balances	-	-	1,512,844
Cash and cash equivalents	-	-	1,920,214
	<u>93,354</u>	<u>558,520</u>	<u>10,468,439</u>

Financial liabilities

	Financial liabilities <u>at amortised cost</u> RMB'000
Accounts and bills payable	1,164,643
Financial liabilities included in other payables, deposits received and accruals	11,764,181
Amounts due to related companies	3,753,520
Bank and other borrowings (current and non-current)	<u>12,522,288</u>
	<u>29,204,632</u>

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments, other than those with carrying amounts that reasonably approximate to fair values, as at the end of the reporting period are as follows:

	Carrying amounts		Fair values	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at FVPL	258,630	558,520	258,630	558,520
Equity investments designated at FVOCI	34,407	93,354	34,407	93,354
	<u>293,037</u>	<u>651,874</u>	<u>293,037</u>	<u>651,874</u>
Financial liabilities				
Bank and other borrowings (non-current)	<u>3,525,232</u>	<u>5,900,814</u>	<u>3,462,123</u>	<u>5,697,785</u>

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivable, accounts payable, financial assets included in other receivables and other assets, amounts due from related companies, financial liabilities included in other payables, deposits received and accruals, amounts due to related companies and the current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2022 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL	258,630	-	-	258,630
Equity investments designated at FVOCI	34,407	-	-	34,407
	<u>293,037</u>	<u>-</u>	<u>-</u>	<u>293,037</u>

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL	438,351	120,169	-	558,520
Equity investments designated at FVOCI	93,354	-	-	93,354
	<u>531,705</u>	<u>120,169</u>	<u>-</u>	<u>651,874</u>

The Group had no financial liabilities measured at fair value as at 31 December 2022.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021:Nil).

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)Liabilities for which fair values are disclosed:

As at 31 December 2022

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bank and other borrowings(non-current)	-	3,462,123	-	3,462,123

As at 31 December 2021

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bank and other borrowings(non-current)	-	5,697,785	-	5,697,785

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, accounts receivable, other receivables, amounts due from related companies, accounts payable, other payables and accruals, and amounts due to related companies, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits, financial assets at FVPL and FVOCI and bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The director reviews and agrees policies for managing each of these risks and they are summarised below.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates set out in note 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

2022	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Loans and borrowings denominated in		
USD	100	(1,083)
USD	(100)	1,083
SGD	100	(635)
SGD	(100)	635
2021	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Loans and borrowings denominated in		
RMB	100	(2,422)
RMB	(100)	2,422
USD	100	(1,077)
USD	(100)	1,077
SGD	100	(626)
SGD	(100)	626

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed investments classified as financial assets at FVPL. Management manages this exposure by regular review of price fluctuation.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of financial assets at FVPL as at the end of the reporting period.

	Increase/(decrease) in market price %	Increase/(decrease) in profit before tax RMB'000
31 December 2022	10 (10)	25,863 (25,863)
31 December 2021	10 (10)	43,835 (43,835)

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK\$, USD and SGD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/(decrease) in exchange rate of foreign currency %	Increase/(decrease) in profit before tax RMB'000
2022		
If the HK\$ strengthens against the USD	1	(23,560)
If the HK\$ weakens against the USD	(1)	23,560
If the SGD strengthens against the USD	1	(551)
If the SGD weakens against the USD	(1)	551
If the HK\$ strengthens against the SGD	1	48
If the HK\$ weakens against the SGD	(1)	(48)
If the HK\$ strengthens against the RMB	1	19
If the HK\$ weakens against the RMB	(1)	(19)
2021		
If the HK\$ strengthens against the USD	1	(32,984)
If the HK\$ weakens against the USD	(1)	32,984
If the SGD strengthens against the USD	1	(508)
If the SGD weakens against the USD	(1)	508
If the HK\$ strengthens against the SGD	1	39
If the HK\$ weakens against the SGD	(1)	(39)
If the HK\$ strengthens against the RMB	1	1
If the HK\$ weakens against the RMB	(1)	(1)

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which are mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

31 December 2022	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Accounts receivable*	-	-	-	65,325	65,325
Accounts receivable					
- Normal**	10,586	-	-	-	10,586
Financial assets included in other receivables and other assets					
- Normal**	6,020,619	-	-	-	6,020,619
- Doubtful**	-	-	650	-	650
Amounts due from related companies	2,478,377	-	-	-	2,478,377
Pledged deposits (current and non-current portion)					
- Not yet past due	424,529	-	-	-	424,529
Restricted bank balances					
- Not yet past due	1,458,077	-	-	-	1,458,077
Cash and cash equivalents					
- Not yet past due	543,896	-	-	-	543,896
	<u>10,936,084</u>	<u>-</u>	<u>650</u>	<u>65,325</u>	<u>11,002,059</u>

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)**Maximum exposure and year-end staging (continued)*

31 December 2021	12-month	Lifetime ECLs			Total RMB'000
	ECLs				
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Accounts receivable*	-	-	-	60,800	60,800
Accounts receivable					
- Normal**	10,083	-	-	-	10,083
Financial assets included in other receivables and other assets					
- Normal**	4,346,294	-	-	-	4,346,294
- Doubtful**	-	-	24,081	-	24,081
Amounts due from related companies	1,806,203	-	-	-	1,806,203
Pledged deposits (current and non-current portion)					
- Not yet past due	812,001	-	-	-	812,001
Restricted bank balances					
- Not yet past due	1,512,844	-	-	-	1,512,844
Cash and cash equivalents					
- Not yet past due	1,920,214	-	-	-	1,920,214
	<u>10,407,639</u>	<u>-</u>	<u>24,081</u>	<u>60,800</u>	<u>10,492,520</u>

* For accounts receivable to which the Group applies the simplified approach for impairment as detailed in note 22 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in accounts receivable, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. Cash flows are being closely monitored on an ongoing basis.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2022

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Accounts payable	310,459	-	-	-	310,459
Financial liabilities included in other payables, deposits received and accruals	13,335,772	-	-	-	13,335,772
Amounts due to related companies	3,015,866	-	-	-	3,015,866
Bank and other borrowings	5,198,445	3,072,745	950,289	-	9,221,479
	<u>21,860,542</u>	<u>3,072,745</u>	<u>950,289</u>	<u>-</u>	<u>25,883,576</u>
Financial guarantee contracts (Note)	<u>43,626,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,626,313</u>

As at 31 December 2021

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Accounts payable	1,164,643	-	-	-	1,164,643
Financial liabilities included in other payables, deposits received and accruals	11,764,181	-	-	-	11,764,181
Amounts due to related companies	3,735,520	-	-	-	3,735,520
Bank and other borrowings	7,516,937	3,938,893	2,457,713	6,998	13,920,541
	<u>24,181,281</u>	<u>3,938,893</u>	<u>2,457,713</u>	<u>6,998</u>	<u>30,584,885</u>
Financial guarantee contracts (Note)	<u>52,234,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,234,892</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts 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. Based on the 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. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Amounts due to related companies RMB'000	Accrued interest* RMB'000	Bank and other borrowings RMB'000	Total RMB'000
At 1 January 2022	3,735,520	144,380	12,522,288	16,402,188
Changes from financing cash flows (Note i)	(719,654)	(775,618)	(4,854,126)	(6,349,398)
Interest expenses	-	744,716	-	744,716
Foreign exchange translation	-	-	198,126	198,126
Non-cash transitions (Note iii)	-	-	345,506	345,506
At 31 December 2022	<u>3,015,866</u>	<u>113,478</u>	<u>8,211,794</u>	<u>11,341,138</u>
	Amounts due to related companies RMB'000	Accrued interest* RMB'000	Bank and other borrowings RMB'000	Total RMB'000
At 1 January 2021	3,023,047	155,026	17,335,801	20,513,874
Changes from financing cash flows (Note i)	907,111	(1,394,877)	(4,711,592)	(5,199,358)
Interest expenses	-	1,384,231	-	1,384,231
Foreign exchange translation	-	-	(101,921)	(101,921)
Non-cash transitions (Note ii)	(194,638)	-	-	(194,638)
At 31 December 2021	<u>3,735,520</u>	<u>144,380</u>	<u>12,522,288</u>	<u>16,402,188</u>

Notes:

- (i) The financing cash flows are made up of the net amounts of new bank and other borrowings raised, repayment of bank and other borrowings, interest paid, advance from/repayment to related companies in the consolidated statement of cash flows.
- (ii) During 2021, the Group settled certain payables due to a related company using the receivables due from another related company, leading to the non-cash transitions of RMB194,638,000.
- (iii) During 2022, certain newly raised bank and other borrowings were directly paid to the suppliers by the lender of the borrowings, so that to settle the construction payables due to the suppliers, leading to the non-cash transitions of RMB345,506,000 (2021: Nil).

* Included in accounts payable, deposits received and accruals

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	<u>480</u>	<u>1,671</u>

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36. PLEDGE OF ASSETS

The following assets are pledged to certain banks and financial institutions for banking facilities granted to the Group and mortgage loan facilities granted to certain property buyers of the Group's properties at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Property under development	14,600,959	14,325,413
Completed properties held for sale	134,950	813,795
Investment properties	495,852	444,765
Pledged deposits	424,529	812,001
	<u>15,656,290</u>	<u>16,395,974</u>

In addition, shares of certain subsidiaries were pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2022 and 2021.

37. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted for, but not provided, in respect of		
Acquisitions of land use rights	-	210,540
Property development expenditures	11,382,238	11,951,441
	<u>11,382,238</u>	<u>12,161,981</u>

(b) The Group had no lease contracts that have not yet commenced as at 31 December 2022.

38. CONTINGENT LIABILITIES

As at 31 December 2022, the Group had contingent liabilities relating to guarantees amounting to approximately RMB43,626,313,000 (2021: RMB52,234,892,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property, and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the director of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2022 (2021: Nil) as in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

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39. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

Related companies (Note (i))	Transactions (Note (ii))	2022 RMB'000	2021 RMB'000
Relevant members of Henan Zensun Corporate Development Company Limited ("Zensun Development") together with its subsidiaries (collectively, the "Zensun Development Group")	Construction costs (capitalised in properties under development)	<u>1,958,947</u>	<u>3,155,960</u>
Relevant members of Xingye Wulian Service Company Limited ("Xingye Wulian") together with its subsidiaries (collectively, the "Xingye Wulian Group")	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	<u>66,616</u>	<u>72,528</u>

Notes:

- (i) Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by the Ms. Huang's daughter, Ms. Zhang.
- (ii) These transactions were based on terms mutually agreed by both parties.

As at 31 December 2022, the Group's certain bank and financial institutions facilities to the Group approximately RMB518,470,000 (31 December 2021: approximately RMB590,000,000) were guaranteed by related companies which are controlled by Ms. Huang together with her spouse, Mr. Zhang and her daughter. No assets of the Group were pledged to these related companies in respect of these guarantees.

- (b) Outstanding balances with related parties

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 24, 26 and 27 to the financial statements.

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39. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	2022 RMB'000	2021 RMB'000
Short term employee benefits	618	600
Post-employment benefits	13	5
	<u>631</u>	<u>605</u>
Total compensation paid to key management personnel	<u>631</u>	<u>605</u>

Save as disclosed above, no transaction has been entered into with the director of the Company (being the key management personnel) during the reporting period other than the emoluments paid to him (being key management personnel compensation) (2021: Nil).

40. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows:

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zensun Enterprises Limited	HK	Share capital HK\$6,174,394,125	-	71.99	Property investment
Zensun International Holdings Co., Ltd.	Cayman Islands	Registered capital HK\$216,000	100	-	Investment holding
HQ Neptune Investments Ltd.	BVI	Registered capital USD100	-	100	Investment holding
Ever Diamond Global Co., Ltd.	Hong Kong	Registered capital HK\$1,000	-	100	Investment holding
Honor Challenge Investment Ltd.	BVI	Registered capital USD1	-	100	Investment holding
Joy Town Inc.	BVI	Registered capital USD1	100	-	Investment holding
Champ Win Enterprise Limited	Hong Kong	Registered capital HK\$1	-	100	Investment holding
75 Wall Street, LLC	USA	Note (i)	-	71.99	Property investment
American Housing REIT, Inc.	USA	Common stock USD6,256	-	71.86	Property investment
AHR First Borrower, LLC	USA	Note (i)	-	71.86	Loan financing and property investment
AHR Second Borrower, LLC	USA	Note (i)	-	71.86	Loan financing
American Senior Housing REIT, LLC	USA	Note (i)	-	71.86	Property investment and investment holding
ASHR McKinney, LLC	USA	Note (i)	-	71.86	Property investment
ASHR First, LLC	USA	Note (i)	-	71.86	Property investment
China Credit Singapore Pte. Ltd.	Singapore	Ordinary shares SGD13,417,282	-	71.99	Investment holding
Expats Residences Pte. Ltd.	Singapore	Ordinary shares SGD25,002	-	71.99	Property investment
Heng Fung Capital Company Limited	Hong Kong	Ordinary shares HK\$2	-	71.99	Property investment and securities trading
Keng Fong Foreign Investment Co., Ltd.	USA	Common stock USD250,000	-	71.99	Property investment

continued/...

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40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Singapore Service Residence Pte. Ltd.	Singapore	Ordinary shares SGD1,250,000	-	71.99	Property investment
Xpress Credit Limited	Hong Kong	Ordinary shares HK\$1,260,000	-	71.99	Securities trading
ZH USA, LLC	USA	Note (i)	-	71.99	Securities trading and investment holding
Xingcheng Holdings Limited	Hong Kong	Ordinary shares HK\$1	-	71.99	Investment holding
河南昌輝企業管理諮詢有限公司 Note (ii)	PRC	Registered capital RMB1,000,000	-	71.99	Investment holding
新鄭正商興城置業有限公司 Note (ii)	PRC	Registered capital RMB400,000,000	-	71.99	Property development
洛陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商尚濱置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商經開置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	71.99	Property development and sales service
河南興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南象湖置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南新築置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商華府置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新銘置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新航置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商鄭東置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
北京上築置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	71.99	Property development
北京上陽置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	71.99	Property development
河南正商銘築置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商鄭新房地產有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南啟盛置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商中岳置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
原陽縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商河洛置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商雅苑置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商金域置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development

continued/...

31 December 2022

40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南正商瓏水置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新雅置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新居置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新府置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南沐歌置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南正商新宏置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商致遠置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
新乡市興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商岳村建設開發有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商佳居置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南漢輝置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	43.19	Property development
河南正商王村置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南鑫築建設工程有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商鴻雅置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南东象正商实业有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	43.19	Property development
河南嘉瑞昌置業股份有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南林盟置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
武汉豫正置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
滎陽博雅置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商金銘置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新古置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	64.79	Property development
河南正商佳航置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商尚築置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南鑫融置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南悅府置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development

continued/...

31 December 2022

40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南悅璽置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南佳悅美置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	50.39	Property development
北京上瑞置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	71.99	Property development
武漢豫商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
鄭州君聯房地產開發有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
鄧州啟正置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	36.71	Property development
衛輝市正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	33.04	Property development
淮濱縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	64.79	Property development
杭州正商實業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property investment
信陽正商博雅置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.92	Property development
河南正商金悅置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
汝陽縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南正商宛都置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.99	Property development
商丘木華置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
鄧州市漢都置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
滑縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
魯山縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
光山縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.99	Property development
輝縣市正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
伊川縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
周口市興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	40.31	Property development
深圳正商實業投資有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property investment
河南瀾雅置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南興商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development

continued/...

31 December 2022

40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南正商瓏尚置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南宏光正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商置業有限公司 Note (ii)	PRC	Registered capital RMB1,000,000,000	-	100	Property development
青島正商置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	100	Property development
河南上林置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
海南正商房地產開發有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
信陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄉市正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南晨光正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄭正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南展宇置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
洛陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南豫路正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	70	Property development
中牟正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商中原置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商龍湖置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正商惠濟置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	100	Property development
河南正商泓華置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正商商都置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南正商領域置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南展陽商業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正之悅置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南鄭地置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南大亞置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	51	Property development
鄭州市地幔科技有限公司 Note (ii)	PRC	Registered capital RMB15,000,000	-	100	Property development
河南萃居置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development

continued/...

31 December 2022

40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
武漢佳之美置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development and decoration
河南建正房地產有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南惠正城鄉建設有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南惠興城鄉建設有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	100	Property development
河南正商東華置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商中洲置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
商丘興漢置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
漯河正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	41	Property development
虞城縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
原陽縣興漢置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
羅山縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南正商溱悅置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
商城縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	100	Property development
河南正商舜江置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	100	Property development

Notes:

(i) No capital contribution is required from the member unless otherwise required by law.

(ii) Entities established in the PRC are limited liability companies with no English names registered or available upon establishment.

41. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2022.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the director on 28 April 2023.

Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Audited Financial Statements

31 December 2021

ZENSUN GROUP LIMITED

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Independent auditor's report
To the Shareholder of Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zensun Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 3 to 81, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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”).

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the director for the consolidated financial statements

The director is 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 for such internal control as the director determines 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 director is 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 director either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent auditor's report (continued)
To the Shareholder of Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

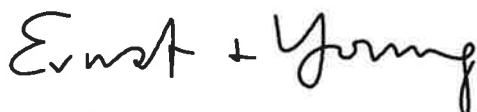
Auditor's responsibilities for the audit of the consolidated financial statements (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's 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 statement 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 director 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.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive, script font.

Ernst & Young
Certified Public Accountants
Hong Kong
29 April 2022

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	23,839,960	15,063,150
Cost of sales		<u>(20,498,991)</u>	<u>(11,290,580)</u>
Gross profit		3,340,969	3,772,570
Other income	5	99,530	99,234
Other gains and losses, net	6	(188,678)	(81,323)
Administrative expenses		(487,541)	(426,681)
Sales and marketing expenses		(331,533)	(273,222)
Finance costs	7	<u>(172,536)</u>	<u>(316,275)</u>
PROFIT BEFORE TAX	8	2,260,211	2,774,303
Income tax expense	9	<u>(1,187,041)</u>	<u>(1,000,755)</u>
PROFIT FOR THE YEAR		<u>1,073,170</u>	<u>1,773,548</u>
Attributable to:			
Owners of the Company		976,444	1,559,039
Non-controlling interests		<u>96,726</u>	<u>214,509</u>
		<u>1,073,170</u>	<u>1,773,548</u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	<u>1,073,170</u>	<u>1,773,548</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	152,736	393,489
Reclassification adjustments of exchange reserve for subsidiary disposed of	<u>-</u>	<u>4,634</u>
	<u>152,736</u>	<u>398,123</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(52,523)</u>	<u>3,150</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>100,213</u>	<u>401,273</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>1,173,383</u></u>	<u><u>2,174,821</u></u>
Attributable to:		
Owners of the Company	1,054,505	1,895,916
Non-controlling interests	<u>118,878</u>	<u>278,905</u>
	<u><u>1,173,383</u></u>	<u><u>2,174,821</u></u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Investment in a joint venture	11	101,030	295,703
Investment in an associate	12	-	14,772
Equity investments designated at fair value through other comprehensive income ("FVOCI")	13	93,354	185,747
Property, plant and equipment	14	724,423	142,701
Investment properties	15	604,382	624,941
Intangible assets	16	1,557	2,897
Pledged deposits	18	4,587	27,935
Deferred tax assets	29	845,679	850,947
		<u>2,375,012</u>	<u>2,145,643</u>
TOTAL non-current assets			
CURRENT ASSETS			
Completed properties held for sale	19	14,109,562	11,905,797
Properties under development	20	50,570,002	56,993,523
Deposits and prepayments paid for land acquisitions	21	1,229,545	3,158,948
Amounts due from related companies	26	1,806,203	715,744
Accounts receivable, other receivables and other assets	22	8,674,545	8,079,280
Financial assets at fair value through profit or loss ("FVPL")	23	558,520	550,434
Prepaid income tax and tax recoverable		2,302,721	2,093,684
Pledged deposits	18	807,414	1,769,777
Restricted bank balances	18	1,512,844	823,330
Cash and cash equivalents	18	1,920,214	3,488,063
		<u>83,491,570</u>	<u>89,578,580</u>
TOTAL current assets			
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	24	13,117,566	16,118,724
Contract liabilities	25	36,061,117	36,378,551
Amounts due to related companies	27	3,735,520	3,023,047
Bank and other borrowings	28	6,621,474	7,802,238
Tax liabilities		1,729,307	1,285,803
		<u>61,264,984</u>	<u>64,608,363</u>
TOTAL current liabilities			
NET CURRENT ASSETS		<u>22,226,586</u>	<u>24,970,217</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,601,598</u>	<u>27,115,860</u>

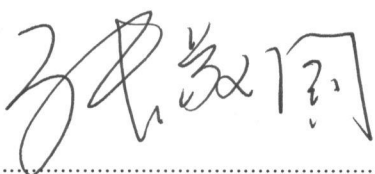
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ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT LIABILITIES			
Rental deposits received	24	6,492	4,866
Bank and other borrowings	28	5,900,814	9,533,563
Deferred tax liabilities	29	77,711	95,276
		<u>5,985,017</u>	<u>9,633,705</u>
Total non-current liabilities			
		<u>5,985,017</u>	<u>9,633,705</u>
Net assets		<u>18,616,581</u>	<u>17,482,155</u>
EQUITY			
Equity attributable to owners of the Company			
Reserves	30	16,526,625	15,472,120
		<u>16,526,625</u>	<u>15,472,120</u>
Non-controlling interests		2,089,956	2,010,035
		<u>2,089,956</u>	<u>2,010,035</u>
Total equity		<u>18,616,581</u>	<u>17,482,155</u>



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Zhang Jingguo
Director

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company							Total equity RMB'000		
	Capital and other reserve* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	PRC** statutory reserve* RMB'000 (note 30)	Property revaluation reserve* RMB'000 (note 30)	Exchange reserve* RMB'000 (note 30)	Fair value reserve of equity investments designated at FVOCI* RMB'000 (note 30)	Retained profits* RMB'000		Total RMB'000	Non- controlling interests RMB'000
At 1 January 2020	11,265	98,119	294,754	8,032	(106,208)	-	13,270,248	13,576,210	807,628	14,383,838
Profit for the year	-	-	-	-	-	-	1,559,039	1,559,039	214,509	1,773,548
Other comprehensive income for the year:										
Change in fair value of equity investments designated at FVOCI, net of tax	-	-	-	-	-	3,150	-	3,150	-	3,150
Exchange differences on translation	-	-	-	-	330,391	-	-	330,391	63,098	393,489
Reclassification adjustments of exchange reserve for subsidiaries disposed of	-	-	-	-	3,336	-	-	3,336	1,298	4,634
Total comprehensive income for the year	-	-	-	-	333,727	3,150	1,559,039	1,895,916	278,905	2,174,821
Transfer to PRC statutory reserve	-	-	97,755	-	-	-	(97,755)	-	-	-
Transfer of property revaluation reserve	-	-	-	(8,032)	-	-	8,032	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(64,972)	(64,972)
Acquisition of non-controlling interests	(6)	-	-	-	-	-	-	(6)	(5,994)	(6,000)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	994,219	994,219
Disposal of a subsidiary	-	-	-	-	-	-	-	-	249	249
At 31 December 2020	11,259	98,119	392,509	-	227,519	3,150	14,739,564	15,472,120	2,010,035	17,482,155

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2021

	Attributable to owners of the Company							Total equity RMB'000	
	Capital and other reserve* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	PRC** statutory reserve* RMB'000 (note 30)	Exchange reserve* RMB'000 (note 30)	Fair value reserve of equity investments designated at FVOCI* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000		Non- controlling interests RMB'000
At 1 January 2021	11,259	98,119	392,509	227,519	3,150	14,739,564	15,472,120	2,010,035	17,482,155
Profit for the year	-	-	-	-	-	976,444	976,444	96,726	1,073,170
Other comprehensive income/(loss) for the year:									
Change in fair value of equity investments designated at FVOCI, net of tax	-	-	-	-	(52,523)	-	(52,523)	-	(52,523)
Exchange differences on translation	-	-	-	130,584	-	-	130,584	22,152	152,736
Total comprehensive income/(loss) for the year	-	-	-	130,584	(52,523)	976,444	1,054,505	118,878	1,173,383
Transfer to PRC statutory reserve	-	-	42,613	-	-	(42,613)	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at FVOCI	-	-	-	-	(9,871)	9,871	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(38,957)	(38,957)
At 31 December 2021	11,259	98,119	435,122	358,103	(59,244)	15,683,266	16,526,625	2,089,956	18,616,581

* These reserve accounts comprise the consolidated reserves of RMB16,526,625,000 (2020: RMB15,472,120,000) in the consolidated statement of financial position as at 31 December 2021.

** PRC refers to People's Republic of China. For the purposes of these financial statements only, except where the context specifies otherwise, references to Mainland China or the PRC exclude Hong Kong, Macau and Taiwan.

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,260,211	2,774,303
Adjustments for:			
Fair value gain on financial assets at FVPL	6	(59,931)	(7,965)
Fair value loss on investment properties	6	104	33,511
Gain on disposal of a subsidiary	6	-	(99,554)
Share of losses of a joint venture and an associate	6	6,679	4,074
Impairment of investment in an associate	6	8,128	-
Impairment of accounts receivable and other receivables	6	23,431	-
Write-down of properties under development and completed properties held for sale to net realisable value	6	166,764	150,000
Depreciation of property, plant and equipment	8	15,544	9,307
Amortisation of intangible assets	8	1,340	1,575
Depreciation of right-of-use assets	8	-	819
Interest income	5	(80,113)	(83,914)
Finance costs	7	172,536	316,275
		<u>2,514,693</u>	<u>3,098,431</u>
(Increase)/decrease in accounts receivable, deposits and prepayments		(609,168)	1,831,326
(Increase)/decrease in restricted bank deposits		(689,514)	398,092
Decrease/(increase) in properties under development		8,123,752	(4,811,022)
Increase in completed properties held for sale		(2,888,595)	(1,229,142)
Decrease/(increase) in deposits paid for land acquisitions		1,929,403	(191,902)
(Decrease)/increase in accounts payable, deposits received and accruals		(4,313,663)	2,693,465
(Decrease)/increase in contract liabilities		(550,532)	3,184,462
		<u>3,516,376</u>	<u>4,973,710</u>
Cash from operating activities		<u>3,516,376</u>	<u>4,973,710</u>
Tax paid		<u>(964,831)</u>	<u>(1,820,883)</u>
		<u>2,551,545</u>	<u>3,152,827</u>
Net cash flows from operating activities		<u>2,551,545</u>	<u>3,152,827</u>

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ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		70,585	74,386
Purchases of items of property, plant and equipment		(3,360)	(5,152)
Proceeds from disposal of investment properties		-	3,220
Net cash inflows of disposal of a subsidiary		-	99,758
Purchases of financial assets at FVPL		-	(119,459)
Purchases of financial assets at fair value through OCI		-	(122,597)
Proceeds from disposal of financial assets at FVPL		37,702	43,544
Proceeds from disposal of financial assets at fair value through OCI		30,000	-
Net cash flows from/(used) in investing activities		<u>134,927</u>	<u>(26,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		5,240,896	4,839,055
Repayments of bank and other borrowings		(9,952,488)	(9,737,033)
Release of pledged deposits		1,637,207	2,351,901
Placement of pledged deposits		(651,496)	(974,997)
Interest paid		(1,394,877)	(1,728,519)
Dividends paid to non-controlling shareholders		(38,957)	(64,972)
Repayments to related companies		(1,228,709)	(1,737,787)
Advances from related companies		2,135,820	330,186
Principal portion of lease payments	35(a)	-	(729)
Acquisition of non-controlling interests		-	(6,000)
Capital contributions from non-controlling shareholders		-	994,219
Net cash flows used in financing activities		<u>(4,252,604)</u>	<u>(5,734,676)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		<u>(1,566,132)</u>	<u>(2,608,149)</u>
Cash and cash equivalents at beginning of year		3,488,063	6,112,303
Effect of foreign exchange rate changes, net		(1,717)	(16,091)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u>1,920,214</u>	<u>3,488,063</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	18	<u>1,920,214</u>	<u>3,488,063</u>

31 December 2021

1. CORPORATE INFORMATION

Zensun Group Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands (“BVI”) on 16 July 2018. The registered office of the Company is located at the office of Vistra Corporate Services Centre, with the registered address of Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin islands. The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, acting as a trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”). Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the director of the Company, is the spouse of Ms. Huang.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 40. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

During the year, the Group was involved in the following principal activities:

- Property development
- Project management services
- Property investment
- Securities trading and investment

In the opinion of the director, the Company’s controlling shareholder is Ms. Huang.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Amendment to HKFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i> <i>COVID-19-Related Rent Concessions</i>
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The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments are not expected to have any significant impact on the Group’s financial statements.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{2, 5}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2, 4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i> ¹
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss and financial assets at equity investments designated at fair value through other comprehensive income at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period .

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the lease terms and 2%
Hotels	Over the shorter of the lease terms and 2%
Leasehold improvements	Over the shorter of the lease terms and 6.67% to 20%
Furniture, office equipment and motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	5 to 10 years
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Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, equity investments designated at fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, amounts due to related companies, lease liabilities, bank and other borrowings and financial liabilities included in other payables, deposits received and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

(b) Project management services

Revenue from the provision of project management and is recognised over time based on the scheduled period of the contracts.

(c) Property management services

Revenue from the provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Hotel operations

Revenue from hotel operations is recognised when the relevant services are provided.

Revenue from other sources

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Retirement benefit scheme and pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a pension scheme (the “Pension Scheme”) operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company's functional currency is Hong Kong dollars. These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than the RMB, including the Hong Kong dollar (HK\$), United States dollar (“USD”) and Singapore dollar (“SGD”) . As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the director of the Company has reviewed the Group's investment property portfolios and concluded that the Group's investment properties - senior housing communities located in the United States of America (the "USA") - are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in Hong Kong, Singapore, the PRC and residential homes located in the USA are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties of senior housing communities but is not rebutted for properties located in Hong Kong, Singapore, the PRC and residential homes located in the USA. The Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong and Singapore as the Group is not subject to any income taxes on disposal of these investment properties.

Deferred tax on withholding taxes

Deferred tax liabilities are recognised for withholding corporate income taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries established in the PRC for the year ended 31 December 2021 was RMB60,247,000 (31 December 2020: RMB75,745,000). Further details are contained in note 29 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and other receivables is disclosed in note 22 to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2021 was RMB604,382,000 (2020: RMB624,941,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. An intangible asset not yet available for use is tested for impairment annually and at other times when such an indicator exists. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was RMB203,959,000 (2020: RMB133,508,000). The amount of unrecognised tax losses at 31 December 2021 was RMB1,821,146,000 (2020: RMB1,204,544,000). Further details are contained in note 29 to the financial statements.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)*Net realisable value assessment of properties under development and completed properties held for sale*

The Group carried out assessment on net realisable value of properties under development and completed properties held for sale at the end of each reporting period and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Group's pre-sale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Groups' completed projects, adjusted by certain current market data, the legal and regulating framework and general market conditions. The Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the consolidated statement of financial position and notes 20 and 19 to the financial statements. At 31 December 2021, the carrying amounts of properties under development and completed properties held for sale were approximately RMB50,570,002,000 (2020: RMB56,993,523,000) and RMB14,109,562,000 (2020: RMB11,905,797,000), respectively, which are expected to be recovered through future sales and stated at the lower of cost and net realisable value. The Group carried out assessment on net realisable value at the end of the reporting period and recognised RMB75,073,000 (2020: RMB150,000,000) and RMB91,691,000 (2020: nil) of the write-down for properties under development and completed properties held for sale, respectively, for the year end 31 December 2021. When there is any decrease in the net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the consolidated statement of profit or loss.

Contingent liabilities

As at 31 December 2021, the Group had contingent liabilities relating to guarantees amounting to approximately RMB52,234,892,000 (2020: RMB39,903,708,000) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the director of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2020 as the default risk is low and in case of default in payments, the net realisable of the related properties can cover the outstanding principal together with the accrued interest and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Property investment and management in the United States of America (“USA” or “US”) in American Housing REIT, Inc. (“AHR”) and property management in the USA provided to Global Medical REIT, Inc. (“GMR”)
- (c) Property investment other than AHR
- (d) Securities trading and investment

Following the disposal of a subsidiary engaging in the property management business in the USA in July 2020, the Group no longer provided property management services to and received management fee income from GMR.

The Group has property investment and/or management businesses in Hong Kong, the USA, the PRC and Singapore. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management previously and up to 31 December 2021. Following to the termination of the property management services as a result of the sale of the Group’s subsidiary, the Group continued to operate and manage AHR’s property investment through internal resources and will evaluate and assess the Group’s property investment businesses in Hong Kong, the USA and Singapore as a whole to integrate as one single operating segment in the future.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and segment results

	Segment revenue		Segment results	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Property development in the PRC	23,775,996	14,991,914	2,274,100	2,715,623
Property investment and management on AHR and property management provided to GMR in the USA	14,441	44,411	9,912	111,556
Property investment other than AHR	10,397	10,531	2,038	(27,291)
Securities trading and investment	39,126	16,294	20,654	7,934
	<u>23,839,960</u>	<u>15,063,150</u>	2,306,805	2,807,822
Unallocated corporate income			327	882
Other gains and losses			(22,890)	(1,355)
Unallocated corporate expenses			(24,031)	(24,401)
Unallocated finance costs			-	(8,645)
Profit before tax			<u>2,260,211</u>	<u>2,774,303</u>

ZENSUN GROUP LIMITED

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4. OPERATING SEGMENT INFORMATION (continued)

	2021 RMB'000	2020 RMB'000
<i>Segment assets</i>		
Property development in the PRC	82,091,016	89,628,019
Property investment and management on AHR and property management provided to GMR in the USA	202,296	210,755
Property investment other than AHR	357,273	375,026
Securities trading and investment	<u>427,489</u>	<u>325,098</u>
Segment assets	83,078,074	90,538,898
Unallocated assets	<u>2,788,508</u>	<u>1,185,325</u>
Total assets	<u><u>85,866,582</u></u>	<u><u>91,724,223</u></u>
<i>Segment liabilities</i>		
Property development in the PRC	63,009,285	71,220,135
Property investment and management on AHR and property management provided to GMR in the USA	63,024	82,514
Property investment other than AHR	<u>115,475</u>	<u>126,071</u>
Segment liabilities	63,187,784	71,428,720
Unallocated liabilities	<u>4,062,217</u>	<u>2,813,348</u>
Total liabilities	<u><u>67,250,001</u></u>	<u><u>74,242,068</u></u>

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4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2021

	Property development in the PRC RMB'000	Property investment and management on AHR and property management provided to GMR in the USA RMB'000	Property investment other than AHR RMB'000	Securities trading and investment RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Additions to investment properties and property, plant and equipment	599,808	-	-	-	599,808	12	599,820
Depreciation of property, plant and equipment	15,687	6	-	-	15,511	1,133	16,826
Fair value gain/(loss) on investment properties	-	129	(233)	-	(104)	-	(104)
Fair value gain on financial assets at FVPL	-	-	-	59,931	59,931	-	59,931
Write-down of properties on properties under development and completed properties held for sale to net realisable value	166,764	-	-	-	166,764	-	166,764
Loss on disposal of properties under development	(25,923)	-	-	-	(25,923)	-	(25,923)
Impairment of accounts receivable and other receivables	(23,431)	-	-	-	(23,431)	-	(23,431)
Impairment of investment in an associate	(8,128)	-	-	-	(8,128)	-	(8,128)

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4. OPERATING SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2020

	Property development in the PRC RMB'000	Property investment and management on AHR and property management provided to GMR in the USA RMB'000	Property investment other than AHR RMB'000	Securities trading and investment RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Additions to investment properties and property, plant and equipment	4,112	434	-	-	4,546	606	5,152
Depreciation of property, plant and equipment	9,089	258	10	-	9,357	1,240	10,597
Depreciation of right-of-use assets	-	819	-	-	819	-	819
Gain on disposal of a subsidiary	-	99,554	-	-	99,554	-	99,554
Fair value loss on investment properties	-	4,578	28,933	-	33,511	-	33,511
Fair value gain on financial assets at FVPL	-	-	-	7,965	7,965	-	7,965
Write-down of properties under development and completed properties held for sale to net realisable value	150,000	-	-	-	150,000	-	150,000

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

	Revenue from external customers		Non-current assets	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
The PRC	23,802,033	14,994,124	862,040	488,713
The USA	29,633	52,053	200,562	207,856
Singapore	6,740	13,633	267,549	281,537
Hong Kong	1,554	3,340	101,241	102,908
	<u>23,839,960</u>	<u>15,063,150</u>	<u>1,431,392</u>	<u>1,081,014</u>

The geographical locations of revenue from external customers are based on the geographical markets of the customers, locations of properties and investments. The geographical locations of the non-current assets, excluding deferred tax assets and financial instruments, are based on the geographical locations of the assets.

Information about major customers

During the years ended 31 December 2021 and 2020, no single customer has contributed 10% or more of the Group's total revenue.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
<i>Revenue from contracts with customers</i>		
Sales of properties in the PRC	23,775,743	14,991,914
Project management services in the PRC	253	-
Property management services	-	27,742
	<u>23,775,996</u>	<u>15,019,656</u>
<i>Revenue from other sources</i>		
Rental income	24,838	27,200
Dividend income from financial assets at FVPL	39,126	16,294
	<u>23,839,960</u>	<u>15,063,150</u>

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5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

<u>Segments</u>	Sales of properties in the PRC RMB'000	Project management services in the PRC RMB'000	Total RMB'000
Type of goods or services and geographical markets			
Sale of properties in the PRC	23,775,743	-	23,775,743
Project management services in the PRC	-	253	253
Total revenue from contracts with customers	<u>23,775,743</u>	<u>253</u>	<u>23,775,996</u>
Timing of revenue recognition			
Goods transferred at a point in time	23,775,743	-	23,775,743
Services transferred over time	-	253	253
Total revenue from contracts with customers	<u>23,775,743</u>	<u>253</u>	<u>23,775,996</u>

For the year ended 31 December 2020

<u>Segments</u>	Sales of properties in the PRC RMB'000	Property management services RMB'000	Total RMB'000
Type of goods or services and geographical markets			
Sale of properties in the PRC	14,991,914	-	14,991,914
Property management services in the USA	-	27,742	27,742
Total revenue from contracts with customers	<u>14,991,914</u>	<u>27,742</u>	<u>15,019,656</u>
Timing of revenue recognition			
Goods transferred at a point in time	14,991,914	-	14,991,914
Services transferred over time	-	27,742	27,742
Total revenue from contracts with customers	<u>14,991,914</u>	<u>27,742</u>	<u>15,019,656</u>

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2021 RMB'000	2020 RMB'000
Sale of properties in the PRC	<u>17,169,067</u>	<u>11,268,439</u>

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5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advance payments are required pursuant to the terms of sale and purchase agreements.

Rendering of services (project management services and property management services)

The performance obligation is satisfied over time as services are rendered and bills are issued when services are rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	16,110,172	23,015,288
After one year	<u>24,737,847</u>	<u>15,122,197</u>
	<u>40,848,019</u>	<u>38,137,485</u>

An analysis of other income is as follows:

	2021 RMB'000	2020 RMB'000
Interest income	80,113	83,914
Government grants	3,558	5,517
Others	<u>15,859</u>	<u>9,803</u>
	<u>99,530</u>	<u>99,234</u>

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6. OTHER GAINS AND LOSSES, NET

	2021 RMB'000	2020 RMB'000
Fair value loss on investment properties (note 15)	(104)	(33,511)
Fair value gain on financial assets at FVPL	59,931	7,965
Gain on disposal of a subsidiary	-	99,554
Share of losses of a joint venture and an associate	(6,679)	(4,074)
Write-down of properties under development and completed properties held for sale to net realisable value	(166,764)	(150,000)
Impairment of accounts receivable and other receivables (note 22)	(23,431)	-
Exchange losses	(17,580)	(1,257)
Loss on disposal of properties under development	(25,923)	-
Impairment of an investment in an associate	(8,128)	-
	<u>(188,678)</u>	<u>(81,323)</u>

7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interests on:		
Bank and other borrowings	1,384,231	1,746,797
Interest arising from revenue contracts	1,889,280	1,605,404
Interest arising from lease liabilities	-	190
Less: Capitalised in properties under development	<u>(3,100,975)</u>	<u>(3,036,116)</u>
	<u>172,536</u>	<u>316,275</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.95% to 12.80% (2020: 4.568% to 12.80%) per annum.

ZENSUN GROUP LIMITED

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8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021 RMB'000	2020 RMB'000
Cost of properties sold	20,492,690	11,284,678
Cost of services	3,091	2,726
Total employee benefit expenses:		
Director's emoluments	605	1,086
Other staff:		
Salaries and other benefits	167,702	180,891
Retirement benefit scheme contributions	23,738	8,680
	192,045	190,658
Less: Capitalised in properties under development	(27,144)	(19,592)
	164,901	171,065
Auditor's remuneration	6,530	5,850
Depreciation of property, plant and equipment	15,544	9,307
Amortisation of intangible assets	1,340	1,575
Depreciation of right-of-use assets	-	819
Lease payments not included in the measurement of lease liabilities	1,671	7,012
The Group's profit before tax is arrived at after crediting:		
Interest income	80,113	83,914
Gross rental income from investment properties	24,838	27,200
Less: Direct operating expenses incurred for:		
- investment properties generating rental income	(3,068)	(2,890)
- investment properties not generating rental income	(142)	(286)
	(3,210)	(3,176)
	21,628	24,024

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9. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax - charge for the year		
- Hong Kong Profits Tax	-	-
- PRC CIT	634,992	884,421
- PRC LAT	564,198	323,856
- Overseas corporate income tax	118	273
(Over)/under-provision in prior years	(11)	2,607
	<u>1,199,297</u>	<u>1,211,157</u>
Deferred tax (note 29)	(12,256)	(210,402)
Total tax charge for the year	<u><u>1,187,041</u></u>	<u><u>1,000,755</u></u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for each of the years.

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years. In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiaries in the USA are generally subject to Federal Income Tax at a rate of 21% (2020: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdictions for the year ended 31 December 2021. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

Income tax expense for the year is reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	<u>2,260,211</u>	<u>2,774,303</u>
Tax at the domestic income tax rate of 25%	565,053	693,576
Effect of different tax rates on operations in other jurisdictions	(168)	(1,509)
Tax effect of expenses not deductible for tax purpose	40,596	42,607
Tax effect of income not taxable for tax purpose	(24,764)	(31,138)
PRC LAT	564,198	323,856
Tax effect of PRC LAT	(141,050)	(80,964)
Tax effect of temporary differences not recognised	24,164	77
Tax effect of tax losses not recognised	159,997	52,267
Utilisation of tax losses previously not recognised	(974)	(624)
(Over)/under-provision in prior years	(11)	2,607
Income tax expense for the year	<u><u>1,187,041</u></u>	<u><u>1,000,755</u></u>

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10. DIVIDENDS

The director does not recommend the payment of a dividend in respect of the year ended 31 December 2021 (2020: Nil).

11. INVESTMENT IN A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Share of net assets	<u>101,030</u>	<u>295,703</u>

Particulars of the Group's material joint venture are as follows:

Name	Place of registration and business	Percentage of			Principal activity
		Ownership interest	Voting power	Profit sharing	
青島郁士房地產開發有限公司 (Qingdao Yushi Real Estate Development Co., Ltd.)	PRC/ Mainland China	51	51	51	Property development

The above investment is indirectly held by the Company.

Although the Group holds 51% of the equity of Qingdao Yushi Real Estate Development Co., Ltd. (hereinafter referred to as "Qingdao Yushi"), the Group is only entitled to interest in certain properties that are developed by Qingdao Yushi and the corresponding liabilities according to the cooperation agreement signed between the Group and other shareholders of Qingdao Yushi. Neither the Group nor other shareholders of Qingdao Yushi have control over Qingdao Yushi. Therefore, the Group considers Qingdao Yushi as a joint venture and Qingdao Yushi is accounted for using the equity method.

12. INVESTMENT IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Share of assets	8,128	14,772
Impairment loss	<u>(8,128)</u>	<u>-</u>
	<u>-</u>	<u>14,772</u>

Particulars of the material associate are as follows:

Name	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity

The Group's shareholding in the associate comprises equity shares indirectly held by the Company.

The Group carried out assessment on the recoverable amount of the investment at the end of the reporting period and recognised RMB8,128,000 (2020:Nil) of impairment loss for the year ended 31 December 2021.

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13. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	2021 RMB'000	2020 RMB'000
Equity investments designated at FVOCI		
Listed equity investment, at fair value	93,354	127,755
Unlisted equity investments, at fair value	<u>-</u>	<u>57,992</u>
	<u>93,354</u>	<u>185,747</u>

The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Hotels RMB'000	Leasehold improve- ments RMB'000	Furniture, office equipment and motor vehicles RMB'000	Total RMB'000
31 December 2021					
Cost:					
At 1 January 2021	72,698	62,318	2,382	60,839	198,237
Additions	391,030	138,481	-	70,309	599,820
Disposals	-	-	-	(1,374)	(1,374)
Exchange realignment	<u>(1,407)</u>	<u>-</u>	<u>(101)</u>	<u>(64)</u>	<u>(1,572)</u>
At 31 December 2021	<u>462,321</u>	<u>200,799</u>	<u>2,281</u>	<u>129,710</u>	<u>795,111</u>
Accumulated depreciation:					
At 1 January 2021	6,510	4,564	1,732	42,730	55,536
Depreciation provided	1,771	3,011	89	11,955	16,826
Disposals	-	-	-	(1,365)	(1,365)
Exchange realignment	<u>(177)</u>	<u>-</u>	<u>(70)</u>	<u>(62)</u>	<u>(309)</u>
At 31 December 2021	<u>8,104</u>	<u>7,575</u>	<u>1,751</u>	<u>53,258</u>	<u>70,688</u>
Net carrying amount:					
At 1 January 2021	<u>66,188</u>	<u>57,754</u>	<u>650</u>	<u>18,109</u>	<u>142,701</u>
At 31 December 2021	<u>454,217</u>	<u>193,224</u>	<u>530</u>	<u>76,452</u>	<u>724,423</u>

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RMB'000	Hotel RMB'000	Leasehold improve- ments RMB'000	Furniture, office equipment and motor vehicles RMB'000	Total RMB'000
31 December 2020					
Cost:					
At 1 January 2020	42,082	62,318	1,916	59,961	166,277
Additions	-	-	596	4,556	5,152
Transfer from investment property	33,376	-	-	-	33,376
Disposals	-	-	-	(386)	(386)
Disposal of a subsidiary	-	-	-	(2,985)	(2,985)
Exchange realignment	(2,760)	-	(130)	(307)	(3,197)
At 31 December 2020	<u>72,698</u>	<u>62,318</u>	<u>2,382</u>	<u>60,839</u>	<u>198,237</u>
Accumulated depreciation:					
At 1 January 2020	4,548	1,980	1,706	38,350	46,584
Depreciation provided	2,272	2,584	119	5,622	10,597
Disposals	-	-	-	(386)	(386)
Disposal of a subsidiary	-	-	-	(704)	(704)
Exchange realignment	(310)	-	(93)	(152)	(555)
At 31 December 2020	<u>6,510</u>	<u>4,564</u>	<u>1,732</u>	<u>42,730</u>	<u>55,536</u>
Net carrying amount:					
At 1 January 2020	<u>37,534</u>	<u>60,338</u>	<u>210</u>	<u>21,611</u>	<u>119,693</u>
At 31 December 2020	<u>66,188</u>	<u>57,754</u>	<u>650</u>	<u>18,109</u>	<u>142,701</u>

At 31 December 2021, the Group had no leasehold land and buildings pledged to secure the Group's borrowings ((2020: Nil).

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15. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	624,941	727,031
Disposals	-	(3,220)
Transfer to owner-occupied property	-	(33,376)
Net loss from a fair value adjustment (note 6)	(104)	(33,511)
Exchange realignment	<u>(20,455)</u>	<u>(31,983)</u>
Carrying amount at 31 December	<u>604,382</u>	<u>624,941</u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties with an aggregate fair value of RMB444,765,000 (2020: RMB463,392,000) have been pledged to secure the Group's borrowings (note 36).

The fair values of the investment properties situated in Hong Kong, Singapore and the USA as at 31 December 2021 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited ("APAC"). APAC is a member of the Hong Kong Institute of Surveyors and Valuers and an independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the director of the Company.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	31 December 2021 RMB'000	31 December 2020 RMB'000
<i>Fair value measurement using significant unobservable inputs (Level 3)</i>		
Recurring fair value measurement for investment properties located in		
- Hong Kong	63,485	65,049
- Singapore	267,548	281,530
- USA	200,562	205,575
- PRC	<u>72,787</u>	<u>72,787</u>
	<u>604,382</u>	<u>624,941</u>

31 December 2021

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

Below is a summary of the valuation technique used and the key inputs to the valuation of the Group's significant investment properties categorised into Level 3:

Properties	Valuation technique	Significant unobservable inputs	Range or weight average	
			2021	2020
Offices located in Hong Kong with a carrying value of RMB63,485,000 (2020: RMB65,049,000)	Income capitalisation approach	Monthly market rent (HK\$ per sq. ft.)	48.6	46
		Term yield (per annum)	2.0%	1.9%
		Reversion yield (per annum)	2.2%	2.1%
Commercial and residential units located in Singapore with a carrying value of RMB267,548,000 (2020: RMB281,530,000)	Income capitalisation approach	Monthly market rent (SGD per sq. ft.)	3.7-7.5	3.6-7.6
		Term yield (per annum)	2.6%-2.8%	2.5%-2.8%
		Reversion yield (per annum)	2.8%-3.0%	2.7%-3.0%
Senior housing communities located in the USA with a carrying value of RMB177,217,000 (2020: RMB181,862,000)	Income capitalisation approach	Annual market rent (USD per sq. ft.)	22.0-24.4	21.7-23.5
		Term yield (per annum)	7.5%-8.5%	7.3%-8.5%
		Reversion yield (per annum)	8.0%-9.0%	7.8%-9.0%
Red river valley clubhouse located in Mainland China with a carrying value of RMB72,787,000 (2020: RMB72,787,000)	Income capitalisation approach	Daily market rent (RMB per sq. ft.)	0.82	1.1
		Term yield (per annum)	6%	5%
		Reversion yield (per annum)	3%	3%

A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and reversion yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

There has been no change from the valuation technique used in the prior years.

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16. INTANGIBLE ASSETS

	2021 RMB'000	2020 RMB'000
Software		
Cost:		
At 1 January and At 31 December	<u>11,684</u>	<u>11,684</u>
Accumulated amortisation:		
At 1 January	(8,787)	(7,212)
Amortisation provided during the year	<u>(1,340)</u>	<u>(1,575)</u>
At 31 December	<u>(10,127)</u>	<u>(8,787)</u>
Net carrying amount:		
At 1 January	<u>2,897</u>	<u>4,472</u>
At 31 December	<u>1,557</u>	<u>2,897</u>

17. LEASES

The Group as a lessee

The Group had lease contracts of offices used in its operations. Leases of offices were generally with lease terms from 2 to 5 years. Generally, the Group was restricted from assigning and subleasing the leased assets outside the Group. There were no lease contracts that include extension and termination options and variable lease payments. Both right-of-use assets and lease liabilities were terminated upon the disposal of a subsidiary in 2020.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Offices RMB'000
As at 1 January 2020	5,246
Depreciation charge (note 8)	(819)
Disposal of a subsidiary	(4,142)
Exchange realignment	<u>(285)</u>
As at 31 December 2020, 1 January 2021 and 31 December 2021	<u>-</u>

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17. LEASES (continued)

The Group as a lessee (continued)**(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'000
As at 1 January 2020	5,566
Accretion of interest recognised during the year (note 7)	190
Payments	(919)
Disposal of a subsidiary	(4,526)
Exchange realignment	(311)
	<u> </u>
As at 31 December 2020, 1 January 2021 and 31 December 2021	<u> </u>

The Group as a lessor

The Group leases its investment properties (note 15) consisting of offices, commercial and residential units, senior housing communities and residential single homes located in Hong Kong, Singapore, the PRC and the USA under operating lease arrangements. The terms of the leases generally require the tenants to pay the security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB24,838,000 (2020: RMB27,200,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	23,925	23,377
After one year but within two years	19,094	19,164
After two years but within three years	16,548	16,915
After three years but within four years	16,440	16,869
After four years but within five years	16,810	16,883
After five years	40,667	59,026
	<u> </u>	<u> </u>
	<u>133,484</u>	<u>152,234</u>

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18. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Pledged deposits		
- Current	807,414	1,769,777
- Non-current	4,587	27,935
	<u>812,001</u>	<u>1,797,712</u>
Restricted bank balances	<u>1,512,844</u>	<u>823,330</u>
Cash and cash equivalents	<u>1,920,214</u>	<u>3,488,063</u>

Pledged deposits represent bank deposits of RMB794,546,000 (2020: RMB1,741,285,000) and deposits held with financial institutions of RMB17,455,000 (2020: RMB RMB56,427,000) pledged to banks and financial institutions to secure the facilities granted to the Group and the mortgage loan facilities granted by certain banks to certain property buyers of the Group's properties. The pledged deposits will be released upon the settlement of relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers. Bank deposits and deposits held with financial institutions amounting to RMB4,587,000 (2020: RMB27,935,000) have been pledged to secure the Group's non-current borrowings and are therefore classified as non-current assets.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties be placed as guarantee deposits in designated bank accounts for the construction of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

At the end of the reporting period, pledged deposits, restricted bank balances and cash and cash equivalents of the Group denominated in RMB amounted to RMB4,237,005,000 (2020: RMB6,013,349,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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19. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB91,691,000 (2020: Nil) of write-down for completed properties held for sale as at 31 December 2021.

20. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB225,073,000 (2020: RMB150,000,000) of write-down for properties under development as at 31 December 2021.

21. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be recognised as properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Accounts receivable	70,883	115,874
Less: Impairment	<u>-</u>	<u>-</u>
	70,883	115,874
Prepaid value-added taxes and other taxes	2,312,519	2,046,229
Deposits and prepayments	1,631,996	1,906,418
Costs of obtaining contracts	312,853	246,213
Other receivables	4,370,375	3,765,196
	<u>8,627,743</u>	<u>7,964,056</u>
Less: Impairment	(24,081)	(650)
	<u>8,603,662</u>	<u>7,963,406</u>
	<u>8,674,545</u>	<u>8,079,280</u>

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22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Accounts receivable represent receivables from sales of properties, property management fee receivables, dividend receivables and rental receivables.

Receivables arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. All accounts receivable were aged less than 3 months as at the end of the reporting period (2020: less than 3 months), based on the revenue recognition date or invoice date.

No provision for impairment of accounts receivable was provided for as at 31 December 2021 as the director of the Company considers the expected credit loss is insignificant.

The movements in the loss allowance for impairment of other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	650	650
Impairment losses (note 6)	<u>23,431</u>	<u>-</u>
At end of year	<u><u>24,081</u></u>	<u><u>650</u></u>

Increase in the loss allowance of RMB23,431,000 as a result of an increase in other receivables, which the counterparty had been in financial difficulties and the receivable became irrecoverable (2020: Nil).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Equity securities listed in Hong Kong	14,383	33,440
Equity securities listed in Singapore	4,444	4,570
REIT securities listed in the USA	<u>419,524</u>	<u>316,992</u>
	438,351	355,002
Unlisted financial assets	<u>120,169</u>	<u>195,432</u>
	<u><u>558,520</u></u>	<u><u>550,434</u></u>

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24. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Accounts and bills payable	1,164,643	496,220
Accrued construction costs (Note)	9,998,540	13,736,962
Rental deposits received	8,330	5,749
Retention deposits and payable	297,176	142,364
Other taxes payable	195,234	80,006
Other payables and accruals	1,460,135	1,662,289
	<u>13,124,058</u>	<u>16,123,590</u>
Less: Rental deposits received – non-current	<u>(6,492)</u>	<u>(4,866)</u>
	<u>13,117,566</u>	<u>16,118,724</u>

The average credit period of accounts payable ranges from 30 to 90 days (2020: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang"), of approximately RMB524,869,668 (2020: RMB1,231,582,877) for the construction services.

25. CONTRACT LIABILITIES

The Group receives advance payments from customers based on schedules as established in the property sales contracts. The increase in contract liabilities as at 31 December 2021 was due to more property projects having started pre-sale during the current year.

26. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms Zhang, have the controlling interests over these related companies.

27. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms Zhang, have controlling interests over these related companies.

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28. BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate per annum (%)	Maturity	RMB'000	Effective interest rate per annum (%)	Maturity	RMB'000
Current						
Bank loans - secured	2.20 - 8.30	2022	2,908,958	2.16 - 9.98	2021	3,009,906
Bank loans - unsecured	-	-	-	5.10 - 7.13	2021	345,000
Other loans - secured	5.21 - 11.00	2022	1,720,530	5.64 - 11.00	2021	1,705,753
Bonds - unsecured (a)	7.20	2022	749,265	5.58	2021	546,647
Senior notes - unsecured (b) (c)	12.50	2022	1,242,721	12.80	2021	2,194,932
			<u>6,621,474</u>			<u>7,802,238</u>
Non-current						
Bank loans - secured	1.61 - 9.98	2023 - 2030	3,015,551	2.25 - 9.98	2022 - 2030	4,744,413
Bank loans - unsecured	-	-	-	-	-	700,000
Senior notes - unsecured (c) (d) (e)	12.50	2023 - 2024	2,274,113	12.50	2022	1,291,285
Other loans - secured	10.10 - 10.50	2023	611,150	8.50 - 11.00	2022	2,048,600
Bonds - unsecured (a)	-	-	-	7.20	2022	749,265
			<u>5,900,814</u>			<u>9,533,563</u>
			<u>12,522,288</u>			<u>17,335,801</u>

	2021	2020
	RMB'000	RMB'000

Analysed into:

Bank and other borrowings repayable:

Within one year	6,621,474	7,802,238
In the second year	3,529,949	7,866,514
In the third to fifth years, inclusive	2,364,150	1,658,083
Beyond five years	6,715	8,966

	<u>12,522,288</u>	<u>17,335,801</u>
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The carrying amounts of bank and other borrowings at the end of the reporting period were denominated in the following currencies.

	2021	2020
	RMB'000	RMB'000
SGD	62,646	70,363
USD	3,624,533	3,616,228
RMB	8,835,109	13,649,210
	<u>12,522,288</u>	<u>17,335,801</u>

31 December 2021

28. BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) Henan Zensun Real Estate Co., Ltd., a subsidiary of the Company, issued : (1) a five-year corporate bond at a principal amount of RMB1,000,000,000 carrying interest of 5.58% per annum on 26 August 2016, of which an amount of RMB450,100,000 was redeemed on 26 August 2019, RMB96,547,000 was redeemed on 26 August 2020, and the remaining outstanding amount of RMB546,647,000 was redeemed on 26 August 2021; (2) A three-year corporate bond at a principal amount of RMB750,000,000 carrying interest of 7.20% per annum on 27 November 2019, of which the remaining outstanding amount of RMB749,265,000 was reclassified as bonds payable due within one year. The interest was all paid once a year and the last payment of interest was paid together with the principal.
- (b) On 3 October 2019, Zensun Enterprises completed the issued senior notes at a principal amount of US\$220 million carrying interest of 12.8% per annum due on 3 October 2021 in accordance with the terms and conditions of the subscription agreement (the "2019 Original Notes"). Subsequently on 20 December 2019, Zensun Enterprises issued additional senior notes at a principal amount of US\$120 million under the same terms and conditions of the subscription agreement of the 2019 Original Notes. The additional senior notes are consolidated with the 2019 Original Notes and form a single series at an aggregated principal amount of US\$340 million carrying interest of 12.8% per annum due on 3 October 2021.

On September 2021, US\$142,420,000 of the 2019 Notes, representing approximately 42.01% of the total aggregate principal amount of the outstanding 2019 Notes, have been validly tendered for exchange and accepted pursuant to the terms and conditions of the exchange offer in exchange for the new notes to be issued, and the remaining outstanding amount of US\$196,580,000 were repaid upon maturity. Such amount of US\$142,420,000 were in exchanged for the new notes issued on 13 September 2021 (as detailed in note(e) below). Details of the Exchange Offer are set out in the Company's announcement dated 8 September 2021.

- (c) On 13 March 2020, Zensun Enterprises completed the issued senior notes at a principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 September 2022. The US\$200 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes. Details of the assurance of the senior notes are set out in the Company's announcements dated 13 March 2020.
- (d) On 13 September 2021, Zensun Enterprises completed the issued senior notes at a principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 September 2023. The US\$200 million senior notes are listed and traded on the Stock Exchange of Hong Kong. Such amount of US\$142,420,000 were in exchanged for the 2019 Notes due on 3 October 2021(as detailed in note c above), and the remaining amount of US\$57,580,000 were intended for project developments and general corporate purposes. Details of the issuance of the senior notes are set out in the Company's announcements dated 14 September 2021.
- (e) On 24 September 2021, Zensun Enterprises completed the issued senior notes at a principal amount of US\$160 million carrying interest of 12.5% per annum due on 23 April 2024. The US\$160 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes. Details of the issuance of the senior notes are set out in the Company's announcements dated 24 September 2021.

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28. BANK AND OTHER BORROWINGS (continued)

Notes (continued):

Certain of the Group's bank and other borrowings are secured by the Group's pledged deposits, investment properties, completed properties held for sale and properties under development with the total carrying amount of RMB16,395,974,000 (2020: RMB21,320,501,000). In addition, shares of certain subsidiaries were pledged as securities to obtain certain bank and other borrowings granted to the Group as at 31 December 2021 and 2020, details of which are disclosed in note 36 to the financial statements.

In additions, as at 31 December 2021, the Group's bonds, senior notes and bank and other borrowings were guaranteed by related companies. Details of the guarantees are disclosed in note 39 to the financial statements.

29. DEFERRED TAX

The movements in deferred tax assets and liabilities arising from temporary differences are as follows:

Deferred tax assets

	Tax loss RMB'000	Provision for LAT RMB'000	Accrued expenses for tax purpose RMB'000	Write-down of properties under development RMB'000	Total RMB'000
At 1 January 2020	80,451	258,755	320,012	-	659,218
Credited/(charged) to profit or loss during the year (note 9)	<u>53,057</u>	<u>(26,478)</u>	<u>127,650</u>	<u>37,500</u>	<u>191,729</u>
Deferred tax assets at 31 December 2020 and 1 January 2021	133,508	232,277	447,662	37,500	850,947
Credited/(charged) to profit or loss during the year (note 9)	<u>70,451</u>	<u>56,706</u>	<u>(155,810)</u>	<u>23,385</u>	<u>(5,268)</u>
Deferred tax assets at 31 December 2021	<u>203,959</u>	<u>288,983</u>	<u>291,852</u>	<u>60,885</u>	<u>845,679</u>

During the year ended 31 December 2021, deferred tax assets were recognised for unused tax losses to the extent that it is probable that relevant future taxable profits will be available against for utilisation. These unused tax losses were in respect of certain PRC subsidiaries carried forward at the end of 2021 and the director of the Company is of the opinion that these certain PRC subsidiaries will generate sufficient future taxable profits.

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29. DEFERRED TAX (continued)

Deferred tax assets (continued)

At 31 December 2021, the Group had total unrecognised unused tax losses of RMB1,821,146,000 (2020: RMB1,204,544,000) and unrecognised temporary differences of RMB96,655,000 (2020: Nil) which were subject to agreement with the respective tax authorities, available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses incurred in the PRC amounting to RMB1,284,845,000 (2020: RMB669,089,000) will expire within five years since the date of carryforward, these unrecognised unused tax losses can be carried forward indefinitely, subject to fulfilment of certain conditions or rules.

Deferred tax liabilities

	Accelerated tax depreciation RMB'000	Revaluation of investment properties RMB'000	Revaluation of properties acquired under business combination RMB'000	Withholding tax on distributable profits of the Group's PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2020	(59)	(8,932)	(10,086)	(95,000)	(114,077)
(Credited)/ charged to profit or loss during the year (note 9)	-	(1,256)	674	19,255	18,673
Exchange realignment	4	124	-	-	128
Deferred tax liabilities at 31 December 2020 and 1 January 2021	(55)	(10,064)	(9,412)	(75,745)	(95,276)
Charged to profit or loss during the year (note 9)	-	771	1,255	15,498	17,524
Exchange realignment	(7)	48	-	-	41
Deferred tax liabilities at 31 December 2021	<u>(62)</u>	<u>(9,245)</u>	<u>(8,157)</u>	<u>(60,247)</u>	<u>(77,711)</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Zensun Enterprises, a subsidiary of the Group, is therefore liable for withholding taxes at an applicable rate of 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB14,438,449,000 (31 December 2020: RMB13,512,852,000). In the opinion of the director, it is not probable to distribute these earnings in the foreseeable future.

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30. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2021 are presented in the consolidated statement of changes in equity.

(a) Capital and other reserve

Capital and other reserve represents the deemed contribution from controlling shareholder in the reorganisation, and the differences between the consideration and the proportionate shares of the net assets acquired.

(b) Merger reserve

The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the Company's share issued in exchange therefor.

(c) PRC statutory reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, each of these subsidiaries is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) Property revaluation reserve

Property revaluation reserve represents the gain on revaluation of the property, plant and equipment upon transfer to investment properties.

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(f) Fair value of equity investments designated at FVOCI

Fair value of equity investments designated at FVOCI comprise the fair value gains and losses on equity investments designated at FVOCI.

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31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from banks, financial institutions, bonds, senior notes and its related companies in which Ms. Huang has beneficial interests and continued to look for other external financing sources. The Group's overall strategy remains unchanged from prior periods.

The director of the Company reviews the capital structure on an annual basis. As part of this review, the director of the Company considers the cost of capital and the risks associated with the capital. Based on recommendations of the director of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

The capital structure of the Group consists of net debt, which includes bank and other borrowings and amounts due to related companies, net of cash and cash equivalents, restricted bank balances and pledged deposits. The gearing ratio as at the end of the reporting period was as follows:

	2021 RMB'000	2020 RMB'000
Amounts due to related companies	3,753,520	3,023,047
Bank and other borrowings (current and non-current)	12,522,288	17,335,801
Less: Cash and cash equivalents	(1,920,214)	(3,488,063)
Restricted bank balances	(1,512,844)	(823,330)
Pledged deposits (current and non-current)	<u>(812,001)</u>	<u>(1,797,712)</u>
Net debt	<u>12,030,749</u>	<u>14,249,743</u>
Total assets	<u>85,866,582</u>	<u>91,724,223</u>
Gearing ratio	<u>14.0%</u>	<u>15.5%</u>

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32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	<u>Equity investments designated at FVOCI</u> RMB'000	<u>Financial assets at FVPL</u> RMB'000	<u>Financial assets at amortised cost</u> RMB'000
Financial assets at FVPL	-	558,520	-
Equity investments designated at FVOCI	93,354	-	-
Accounts receivable	-	-	70,883
Financial assets included in other receivables and other assets	-	-	4,370,375
Amounts due from related companies	-	-	1,806,203
Pledged deposits (current and non-current)	-	-	812,001
Restricted bank balances	-	-	1,512,844
Cash and cash equivalents	-	-	1,920,214
	<u>93,354</u>	<u>558,520</u>	<u>10,492,520</u>

Financial liabilities

	<u>Financial liabilities at amortised cost</u> RMB'000
Accounts and bills payable	1,164,643
Financial liabilities included in other payables, deposits received and accruals	11,764,181
Amounts due to related companies	3,753,520
Bank and other borrowings (current and non-current)	12,522,288
	<u>29,204,632</u>

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32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2020

Financial assets

	<u>Equity investments designated at FVOCI</u> RMB'000	<u>Financial assets at FVPL</u> RMB'000	<u>Financial assets at amortised cost</u> RMB'000
Financial assets at FVPL	-	550,434	-
Equity investments designated at FVOCI	185,747	-	-
Accounts receivable	-	-	115,874
Financial assets included in other receivables and other assets	-	-	3,765,196
Amounts due from related companies	-	-	715,744
Pledged deposits (current and non-current)	-	-	1,797,712
Restricted bank balances	-	-	823,330
Cash and cash equivalents	-	-	3,488,063
	<u>185,747</u>	<u>550,434</u>	<u>10,705,919</u>

Financial liabilities

	<u>Financial liabilities at amortised cost</u> RMB'000
Accounts and bills payable	496,220
Financial liabilities included in other payables, deposits received and accruals	15,547,364
Amounts due to related companies	3,023,047
Bank and other borrowings (current and non-current)	17,335,801
	<u>36,402,432</u>

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments, other than those with carrying amounts that reasonably approximate to fair values, as at the end of the reporting period are as follows:

	Carrying amounts		Fair values	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at FVPL	558,520	550,434	558,520	550,434
Equity investments designated at FVOCI	93,354	185,747	93,354	185,747
	<u>651,874</u>	<u>736,181</u>	<u>651,874</u>	<u>736,181</u>
Financial liabilities				
Bank and other borrowings (non-current)	<u>5,900,814</u>	<u>9,533,563</u>	<u>5,697,785</u>	<u>9,285,653</u>

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivable, accounts payable, financial assets included in other receivables and other assets, amounts due from related companies, financial liabilities included in other payables, deposits received and accruals, amounts due to related companies and the current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2021 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates.

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL	438,351	120,169	-	558,520
Equity investments designated at FVOCI	93,354	-	-	93,354
	<u>531,705</u>	<u>120,169</u>	<u>-</u>	<u>651,874</u>

As at 31 December 2020

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL	355,002	195,432	-	550,434
Equity investments designated at FVOCI	127,755	-	57,992	185,747
	<u>482,757</u>	<u>195,432</u>	<u>57,992</u>	<u>736,181</u>

During the year, changes of the Level 3 financial assets are included in notes 13 to the financial statements.

The Group had no financial liabilities measured at fair value as at 31 December 2021.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020:Nil).

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bank and other borrowings	-	5,697,785	-	5,697,785

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bank and other borrowings	-	9,285,653	-	9,285,653

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, accounts receivable, other receivables, amounts due from related companies, accounts payable, other payables and accruals, and amounts due to related companies, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits, financial assets at FVPL and FVOCI and bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The director reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates set out in note 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of fixed and variable rate borrowings.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

2021	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Loans and borrowings denominated in		
RMB	100	(2,422)
RMB	(100)	2,422
USD	100	(1,077)
USD	(100)	1,077
SGD	100	(626)
SGD	(100)	626
2020	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Loans and borrowings denominated in		
RMB	100	(9,040)
RMB	(100)	9,040
USD	100	(1,300)
USD	(100)	1,300
SGD	100	(704)
SGD	(100)	704

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed investments classified as financial assets at FVPL. Management manages this exposure by regular review of price fluctuation.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of financial assets at FVPL as at the end of the reporting period.

	Increase/(decrease) in market price %	Increase/(decrease) in profit before tax RMB'000
31 December 2021	10 (10)	43,835 (43,835)
31 December 2020	10 (10)	35,500 (35,500)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which are mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

31 December 2021	12-month	Lifetime ECLs			Total RMB'000
	ECLs			Simplified	
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	approach RMB'000	
Accounts receivable*	-	-	-	2,127	2,127
Accounts receivable					
- Normal**	68,756	-	-	-	68,756
Financial assets included in					
other receivables and other assets					
- Normal**	4,346,294	-	-	-	4,346,294
- Doubtful**	-	-	24,081	-	24,081
Amounts due from related companies	1,806,203	-	-	-	1,806,203
Pledged deposits					
(current and non-current portion)					
- Not yet past due	812,001	-	-	-	812,001
Restricted bank balances					
- Not yet past due	1,512,844	-	-	-	1,509,835
Cash and cash equivalents					
- Not yet past due	1,920,214	-	-	-	1,923,223
	<u>10,466,312</u>	<u>-</u>	<u>24,081</u>	<u>2,127</u>	<u>10,492,520</u>

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)**Maximum exposure and year-end staging (continued)*

31 December 2020	12-month	Lifetime ECLs			Total
	ECLs	Simplified approach			
	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable*	-	-	-	6,335	6,335
Accounts receivable					
- Normal**	109,539	-	-	-	109,539
Financial assets included in other receivables and other assets					
- Normal**	3,764,546	-	-	-	3,764,546
- Doubtful**	-	-	650	-	650
Amounts due from related companies	715,744	-	-	-	715,744
Pledged deposits (current and non-current portion)					
- Not yet past due	1,797,712	-	-	-	1,797,712
Restricted bank balances					
- Not yet past due	823,330	-	-	-	823,330
Cash and cash equivalents					
- Not yet past due	3,488,063	-	-	-	3,488,063
	<u>10,698,934</u>	<u>-</u>	<u>650</u>	<u>6,335</u>	<u>10,705,919</u>

* For accounts receivable to which the Group applies the simplified approach for impairment as detailed in note 22 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in accounts receivable, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings and lease liabilities. Cash flows are being closely monitored on an ongoing basis.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2021

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Accounts payable	1,164,643	-	-	-	1,164,643
Financial liabilities included in other payables, deposits received and accruals	11,764,181	-	-	-	11,764,181
Amounts due to related companies	3,735,520	-	-	-	3,735,520
Bank and other borrowings	<u>7,516,937</u>	<u>3,938,893</u>	<u>2,457,713</u>	<u>6,998</u>	<u>13,920,541</u>
	<u>24,181,281</u>	<u>3,938,893</u>	<u>2,457,713</u>	<u>6,998</u>	<u>30,584,885</u>
Financial guarantee contracts (Note)	<u>52,234,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,234,892</u>

As at 31 December 2020

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Accounts payable	496,220	-	-	-	496,220
Financial liabilities included in other payables, deposits received and accruals	15,547,364	-	-	-	15,547,364
Amounts due to related companies	3,023,047	-	-	-	3,023,047
Bank and other borrowings	<u>9,096,766</u>	<u>8,416,631</u>	<u>1,800,461</u>	<u>9,452</u>	<u>19,323,310</u>
	<u>28,163,497</u>	<u>8,416,631</u>	<u>1,800,461</u>	<u>9,452</u>	<u>38,389,941</u>
Financial guarantee contracts (Note)	<u>39,903,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,903,708</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts 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. Based on the 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. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Amounts due to related companies RMB'000	Accrued interest* RMB'000	Bank and other borrowings RMB'000	Total RMB'000
At 1 January 2021	3,023,047	155,026	17,335,801	20,513,874
Changes from financing cash flows (Note i)	907,111	(1,394,877)	(4,711,592)	(5,199,358)
Interest expenses	-	1,384,231	-	1,384,231
Foreign exchange translation	-	-	(101,921)	(101,921)
Non-cash transitions (Note ii)	(194,638)	-	-	(194,638)
At 31 December 2021	<u>3,735,520</u>	<u>144,380</u>	<u>12,522,288</u>	<u>16,402,188</u>

	Amounts due to related companies RMB'000	Accrued interest* RMB'000	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Total RMB'000
At 1 January 2020	4,430,648	136,748	5,566	22,482,032	27,054,994
Changes from financing cash flows (Note i)	(1,407,601)	(1,728,519)	(919)	(4,897,978)	(8,035,017)
Interest expenses	-	1,746,797	190	-	1,746,987
Foreign exchange translation	-	-	(311)	(248,253)	(248,564)
Decrease arising from disposal of a subsidiary	-	-	(4,526)	-	(4,526)
At 31 December 2020	<u>3,023,047</u>	<u>155,026</u>	<u>-</u>	<u>17,335,801</u>	<u>20,513,874</u>

Notes:

(i) :The financing cash flows are made up of the net amounts of new bank and other borrowings raised, repayment of bank and other borrowings, interest paid, advance from/repayment to related companies and lease payments (including principal and interest portions) in the consolidated statement of cash flows.

(ii) :During the year, the Group settled certain payables due to a related company using the receivables due from another related company, leading to the non-cash transitions of RMB194,638,000 (2020: Nil).

* Included in accounts payable, deposits received and accruals

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	1,671	7,012
Within financing activities	-	919
	<u>1,671</u>	<u>7,931</u>

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36. PLEDGE OF ASSETS

The following assets are pledged to certain banks and financial institutions for banking facilities granted to the Group and mortgage loan facilities granted to certain property buyers of the Group's properties at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Property under development	14,325,413	19,059,397
Completed properties held for sale	813,795	-
Investment properties	444,765	463,392
Pledged deposits	812,001	1,797,712
	<u>16,395,974</u>	<u>21,320,501</u>

In addition, shares of certain subsidiaries were pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2021 and 2020.

37. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted for, but not provided, in respect of		
Acquisitions of land use rights	210,540	549,497
Property development expenditures	11,951,441	14,488,597
	<u>12,161,981</u>	<u>15,038,094</u>

(b) The Group had no lease contracts that have not yet commenced as at 31 December 2021.

38. CONTINGENT LIABILITIES

As at 31 December 2021, the Group had contingent liabilities relating to guarantees amounting to approximately RMB52,234,892,000 (2020: RMB39,903,708,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property, and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the director of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2021 (2020: Nil) as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

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39. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

Related companies (Note (i))	Transactions (Note (ii))	2021 RMB'000	2020 RMB'000
Relevant members of Henan Zensun Corporate Development Company Limited ("Zensun Development") together with its subsidiaries (collectively, the "Zensun Development Group")	Construction costs (capitalised in properties under development)	<u>3,155,960</u>	<u>3,019,714</u>
Relevant members of Xingye Wulian Service Company Limited ("Xingye Wulian") together with its subsidiaries (collectively, the "Xingye Wulian Group")	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	<u>72,528</u>	<u>27,765</u>

Notes:

- (i) Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by the Ms. Huang's daughter, Ms. Zhang.
- (ii) These transactions were based on terms mutually agreed by both parties.

As at 31 December 2021, the Group's bonds, senior notes and certain bank and financial institutions facilities to the Group approximately RMB 590,000,000 (31 December 2020: approximately RMB 721,700,000) were guaranteed by related companies which are controlled by Ms. Huang together with her spouse, Ms. Zhang and her daughter. No assets of the Group were pledged to these related companies in respect of these guarantees.

- (b) Outstanding balances with related parties

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 24, 26 and 27 to the financial statements.

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39. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Short term employee benefits	600	1,039
Post-employment benefits	<u>5</u>	<u>47</u>
Total compensation paid to key management personnel	<u><u>605</u></u>	<u><u>1,086</u></u>

Save as disclosed above, no transaction has been entered into with the director of the Company (being the key management personnel) during the reporting period other than the emoluments paid to him (being key management personnel compensation).

40. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows:

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zensun Enterprises Limited	HK	Share capital HK\$6,174,394,125	-	71.99	Property investment
Zensun International Holdings Co., Ltd.	Cayman Islands	Registered capital HK\$216,000	100	-	Investment holding
HQ Neptune Investments Ltd.	BVI	Registered capital USD100	-	100	Investment holding
Ever Diamond Global Co., Ltd.	Hong Kong	Registered capital HK\$1,000	-	100	Investment holding
Honor Challenge Investment Ltd.	BVI	Registered capital USD1	-	100	Investment holding
Joy Town Inc.	BVI	Registered capital USD1	100	-	Investment holding
Champ Win Enterprise Limited	Hong Kong	Registered capital HK\$1	-	100	Investment holding
75 Wall Street, LLC	USA	Note (i)	-	71.99	Property investment
American Housing REIT, Inc.	USA	Common stock USD6,256	-	71.86	Property investment
AHR First Borrower, LLC	USA	Note (i)	-	71.86	Loan financing and property investment
AHR Second Borrower, LLC	USA	Note (i)	-	71.86	Loan financing
American Senior Housing REIT, LLC	USA	Note (i)	-	71.86	Property investment and investment holding
ASHR McKinney, LLC	USA	Note (i)	-	71.86	Property investment
ASHR First, LLC	USA	Note (i)	-	71.86	Property investment
China Credit Singapore Pte. Ltd.	Singapore	Ordinary shares SGD13,417,282	-	71.99	Investment holding
Expats Residences Pte. Ltd.	Singapore	Ordinary shares SGD25,002	-	71.99	Property investment
Heng Fung Capital Company Limited	Hong Kong	Ordinary shares HK\$2	-	71.99	Property investment and securities trading
Keng Fong Foreign Investment Co., Ltd.	USA	Common stock USD250,000	-	71.99	Property investment

continued/...

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40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Singapore Service Residence Pte. Ltd.	Singapore	Ordinary shares SGD1,250,000	-	71.99	Property investment
Xpress Credit Limited	Hong Kong	Ordinary shares HK\$1,260,000	-	71.99	Securities trading
ZH USA, LLC	USA	Note (i)	-	71.99	Securities trading and investment holding
Xingcheng Holdings Limited	Hong Kong	Ordinary shares HK\$1	-	71.99	Investment holding
河南昌輝企業管理諮詢有限公司 Note (ii)	PRC	Registered capital RMB1,000,000	-	71.99	Investment holding
新鄭正商興城置業有限公司 Note (ii)	PRC	Registered capital RMB400,000,000	-	71.99	Property development
洛陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商尚濱置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商經開置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	71.99	Property development and sales service
河南興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南象湖置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南新築置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商華府置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新銘置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新航置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商鄭東置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
北京上築置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	71.99	Property development
北京上陽置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	71.99	Property development
河南正商銘築置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商鄭新房地產有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南啟盛置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商中岳置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
原陽縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商河洛置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商雅苑置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商金城置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development

continued/...

NOTES TO FINANCIAL STATEMENTS

31 December 2021

40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南正商瓏水置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新雅置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新居置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新府置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南沐歌置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南正商新宏置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商致遠置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
新乡市興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商岳村建設開發有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商佳居置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南漢輝置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	43.19	Property development
河南正商王村置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南鑫築建設工程有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商鴻雅置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南东象正商实业有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	43.19	Property development
河南嘉瑞昌置業股份有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南林盟置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
武汉豫正置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
榮陽博雅置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商金銘置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新古置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	64.79	Property development
河南正商佳航置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商尚築置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南鑫融置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南悅府置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development

continued/...

31 December 2021

40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南悅壘置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南佳悅美置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	50.39	Property development
河南惠東置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南金州置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
北京上瑞置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	71.99	Property development
武漢豫商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
鄭州君聯房地產開發有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
鄧州啟正置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	36.71	Property development
衛輝市正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	33.04	Property development
淮濱縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	64.79	Property development
杭州正商實業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property investment
信陽正商博雅置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.92	Property development
河南正商金悅置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
汝陽縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南正商宛都置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.99	Property development
商丘木華置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
鄧州市漢都置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
滑縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
魯山縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
光山縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.99	Property development
輝縣市正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
伊川縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
周口市興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	40.31	Property development
深圳正商實業投資有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property investment
河南瀾雅置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南興商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development

continued/...

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40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南正商瓏尚置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南宏光正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商置業有限公司 Note (ii)	PRC	Registered capital RMB1,000,000,000	-	100	Property development
青島正商置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	100	Property development
河南上林置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
海南正商房地產開發有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
信陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄉市正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南晨光正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄭正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南展宇置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
洛陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南豫路正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	70	Property development
中牟正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商中原置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商龍湖置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正商惠濟置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	100	Property development
河南正商泓華置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正商商都置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南正商領域置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南展陽商業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正之悅置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南鄭地置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南大亞置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	51	Property development
鄭州市地幔科技有限公司 Note (ii)	PRC	Registered capital RMB15,000,000	-	100	Property development
河南萃居置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development

continued/...

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
武漢佳之美置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development and decoration
河南建正房地產有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南惠正城鄉建設有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南惠興城鄉建設有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	100	Property development
河南正商東華置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商中洲置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
商丘興漢置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
漯河正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	41	Property development
虞城縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
原陽縣興漢置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
羅山縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南正商濬悅置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
商城縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	100	Property development

Notes:

- (i) No capital contribution is required from the member unless otherwise required by law.
- (ii) Entities established in the PRC are limited liability companies with no English names registered or available upon establishment.

41. EVENTS AFTER THE REPORTING PERIOD

On 23 March 2022, the Group acquired land use rights of a land parcel located in Dengfeng City, Henan Province, the PRC through listing for sale process in a public auction held by Dengfeng City Natural Resources and Planning Bureau* (登封市自然資源和規劃局) for transfer of state-owned land use rights with site area of approximately 42,081.84 square meters at a consideration of RMB167,899,200. The land parcel was designated for residential usage with term of use of 70 years and underground floor for transportation service station usage with term of use of 50 years. The handover of the land parcel is expected to be completed respectively in the second quarter of 2022.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the director on 29 April 2022.

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



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To the members of Zensun Enterprises Limited
(Incorporated in Hong Kong with limited liability)

致：正商實業有限公司全體股東
(於香港註冊成立之有限公司)

OPINION

We have audited the consolidated financial statements of Zensun Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 186, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2022, the Group's current portion of bank and other borrowings amounted to RMB RMB4,693,151,000, while its cash and cash equivalents amounted to RMB488,199,000. This condition, along with other matters as set forth in Note 2.1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

意見

我們已審核載於第82頁至186頁正商實業有限公司(「貴公司」)及其附屬公司(「貴集團」)之綜合財務報表，此等財務報表包括於2022年12月31日之綜合財務狀況報表及截至該日止年度之綜合損益賬、綜合全面收益賬、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」)真實公平地反映 貴集團於2022年12月31日之綜合財務狀況及 貴集團截至該日止年度之綜合財務表現和綜合現金流量，並已按照香港公司條例之規定妥為編製。

意見之基礎

我們已根據香港會計師公會頒佈之香港審核準則(「香港審核準則」)進行審核。我們就該等準則承擔之責任在本報告核數師就審核綜合財務報表須承擔之責任一節中進一步闡述。根據香港會計師公會頒佈之專業會計師道德守則(「守則」)，我們獨立於 貴集團，並已履行守則中之其他專業道德責任。我們相信，我們所獲得之審核憑證能充足及適當地為我們的意見提供基礎。

有關持續經營的重大不確定性

我們重點關注綜合財務報表附註2.1，該附註表明，於2022年12月31日， 貴集團銀行及其他借貸之即期部分為人民幣4,693,151,000元，而其現金及現金等值項目為人民幣488,199,000元。此狀況連同附註2.1所載其他事宜表明存在重大不確定性，其可能會對 貴公司持續經營的能力構成重大疑慮。我們的意見未有就此事項作出修訂。

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *MATERIAL UNCERTAINTY RELATED TO GOING CONCERN* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter 關鍵審核事項

Valuation of investment properties 投資物業之估值

As at 31 December 2022, investment properties amounted to approximately RMB584,960,000, which was material to the consolidated financial statements. To support management's assessment of the fair value of the properties, it is the Group's policy that property valuations are performed by an external valuer at the end of the reporting period.

Significant judgement is required to determine the fair values of the investment properties, which reflect market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values.

The accounting policies and disclosures of the valuation of investment properties are included in notes 2.4, 3 and 15 to the consolidated financial statements.

於2022年12月31日，投資物業約為人民幣584,960,000元，該數字對綜合財務報表而言屬重大。為支持管理層對物業公平值的評估，貴集團的政策是於報告期間結算日委聘外部估值師進行物業估值。

在釐定投資物業的公平值時需要作出重大判斷，該等公平值反映年末的市況。採用不同的估值技術及假設可能導致公平值出現重大差異。

有關投資物業估值的會計政策及披露載於綜合財務報表附註2.4、3及15。

關鍵審核事項

關鍵審核事項是根據我們的專業判斷，對本期間綜合財務報表之審核最為重要之事項。除有關持續經營的重大不確定性一節所述事項外，我們已釐定下述事項為將於我們報告中傳達之關鍵審核事項。此等事項在我們審核整體綜合財務報表及出具意見時進行處理，而我們不會對該等事項提供單獨之意見。我們於審核中就下列各事項之處理方法描述載於下文。

我們已履行本報告核數師就審核綜合財務報表須承擔之責任一節所述包括與該等事項有關之責任。相應地，我們之審核工作包括執行旨在回應對綜合財務報表重大錯誤風險評估之程序。我們審核程序之結果，包括為處理以下事項所履行之程序已為我們就隨附之綜合財務報表作出之審核意見提供基礎。

How our audit addressed the key audit matter 我們的審核如何處理關鍵審核事項

We performed the following procedures to address the valuation of investment properties:

- We evaluated the competency, independence and objectivity of the external valuer, and assessing the valuation approach used by the external valuer;
- We involved our internal valuation experts to assess the reasonableness of the assumptions such as the market rent, term yield and reversion yield used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors;
- We tested the accuracy of the property related data used as inputs for the valuations; and
- We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們已執行以下程序以對投資物業進行評估：

- 我們已評估外部估值師的能力、獨立性及客觀性，並評估外部估值師所使用之估值方法；
- 經考慮兼容性及市場因素後，透過將其與可用行業數據進行對比，我們邀請內部估值專家評估估值所用假設（如市場租金、年期收益率及復歸收益率等）之合理性；
- 我們測試用作估值輸入數據之物業相關數據的正確性；及
- 我們亦已評估 貴集團財務報表附註內的相關披露。

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KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Assessment of net realisable values of properties under development and completed properties held for sale
評估發展中物業及持作出售之已完工物業之可變現淨值

As at 31 December 2022, the carrying amounts of properties under development ("PUD") and completed properties held for sale ("PHS") situated in Mainland China were approximately RMB42,475,033,000 and RMB10,212,953,000, respectively. The Group carried out assessment on the net realisable values at the end of the reporting period and compared them to the costs.

This matter was significant to our audit because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.

The related accounting policies and disclosures are included in notes 2.4, 3, 20 and 21 to the consolidated financial statements.

於2022年12月31日，位於中國內地之發展中物業（「發展中物業」）及持作出售之已完工物業（「持作出售之物業」）之賬面值分別為約人民幣42,475,033,000元及人民幣10,212,953,000元。貴集團於報告期間結算日對可變現淨值進行評估並與成本比較。

由於釐定發展中物業及持作出售之物業之可變現淨值涉及對售價、變動銷售開支及估計發展中物業竣工成本的重大會計估計，故此事項對我們的審核而言乃屬重要。

相關會計政策及披露載於綜合財務報表附註2.4、3、20及21。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address the assessment of the net realisable values of PUD and PHS:

- We understood and evaluated the internal control over the Group's process in determining the net realisable values of PUD and PHS based on prevailing market conditions;
- We assessed the reasonableness of management's key estimates:
 - (i) We compared the estimated selling price to the recent market transactions, such as the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location;
 - (ii) We compared the estimated percentage with the historical average selling expenses to revenue ratio of the Group; and
 - (iii) We reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the construction contracts or compared them to the actual costs of similar completed properties of the Group; and
- We also assessed the relevant disclosures in the notes to the consolidated financial statements.

我們已執行以下程序以對發展中物業及持作出售之物業之可變現淨值進行評估：

- 我們根據現行市況，了解及評估 貴集團釐定發展中物業及持作出售之物業之可變現淨值之內部監控程序；
- 我們評估管理層關鍵估計之合理性：
 - (i) 我們將估計銷售價格與近期市場交易進行比較，如 貴集團在同一項目預售單元之銷售價格或具有類似規模、用途及位置的可比物業之現行市場價格；
 - (ii) 我們將估計比率與 貴集團之歷史平均銷售開支佔收益之比率進行比較；及
 - (iii) 我們將預期完工成本核對至管理層批准之預算，並基於抽樣方法檢查至建築合約或將預期完工成本與 貴集團相似類型已完工物業之實際成本進行比較；及
- 我們亦已評估綜合財務報表附註內的相關披露。

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Provision for land appreciation tax ("LAT")

土地增值稅(「土地增值稅」)撥備

The subsidiaries of the Company that are engaged in property development in Mainland China are subject to LAT. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of each reporting period, the management of the Group estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. For the year ended 31 December 2022, a provision for LAT of approximately RMB158,875,000 was recorded in the consolidated statement of profit or loss.

The accounting policies and disclosures for the provision for LAT are included in notes 3 and 11 to the consolidated financial statements.

貴公司於中國內地從事物業發展之附屬公司須繳納土地增值稅。土地增值稅乃按土地價格增值額30%至60%之累進稅率對所銷售物業進行徵收。於各報告期間結算日，貴集團管理層根據相關稅務法律法規的規定及解釋、估計銷售物業總額減可扣減總費用(包括土地使用權租賃費用、物業開發成本、借貸成本及開發費用)對土地增值稅撥備進行估算。於土地增值稅匯算清繳時，實際應付稅金可能與估計金額存在差異。截至2022年12月31日止年度，土地增值稅撥備約人民幣158,875,000元已於綜合損益賬入賬。

有關土地增值稅撥備的會計政策及披露載於綜合財務報表附註3及11。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address the provision for LAT:

- We involved our internal tax specialists to perform a review on the LAT provision, including the review of the estimates and assumptions used by the Group;
- We tested the underlying data used to evaluate LAT provision, including estimated total sales, property development costs, borrowing costs and tax rates;
- We recalculated the tax computation and comparing our calculations with the amounts recorded by the Group; and
- We also assessed the relevant disclosures in the notes to the consolidated financial statements.

我們已執行以下程序以處理土地增值稅撥備：

- 我們已邀請內部稅務專家審查土地增值稅撥備，包括審查貴集團所採用之估計及假設；
- 我們測試了用於評估土地增值稅撥備之有關數據，包括估計總銷售額、物業開發成本、借貸成本及稅率；
- 我們重新計算稅項計算結果，並將我們的計算結果與貴集團錄得的金額進行比較；及
- 我們亦已評估綜合財務報表附註內的相關披露。

INDEPENDENT AUDITOR'S REPORT

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KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Impairment of goodwill

商譽減值

As at 31 December 2022, the carrying value of goodwill in the consolidated financial statements amounted to RMB300,357,000. In accordance with HKFRSs, the Group is required to perform an impairment test for goodwill at least on an annual basis. The impairment test of goodwill is based on the recoverable amount of the cash-generating unit to which the goodwill is allocated. The recoverable amount of the cash-generating unit is the value in use using cash flow projections based on a financial budget. Management, assisted by an external valuer, evaluated the impairment of goodwill by comparing the recoverable amount and the carrying value of the cash-generating unit. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates.

The related accounting policies and disclosures are included in notes 2.4, 3, and 16 to the consolidated financial statements.

於2022年12月31日，綜合財務報表中商譽的賬面值為人民幣300,357,000元。根據香港財務報告準則，貴集團須至少每年對商譽進行減值測試。商譽減值測試乃基於商譽分配之現金產生單位之可收回金額。現金產生單位之可收回金額是使用基於財務預算之現金流量預測之使用價值。經比較現金產生單位之可收回金額與其賬面值，管理層已在外部估值師的協助下評估商譽減值。由於減值測試過程十分複雜，涉及重大判斷及估計，故此事項對我們的審核而言乃屬重要。

相關會計政策及披露載於綜合財務報表附註2.4、3及16。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address the assessment of impairment of goodwill:

- We obtained an understanding of the process of estimating the future cash flows;
- We assessed the competency, objectivity and independence of the external appraiser used by management;
- We evaluated management's main assumptions including the selling price, estimated construction costs to completion, etc;
- We examined the differences between cash flow projections and actual cash flows and checked the cash flow projection by comparing it to the market available data and industry outlook;
- We involved our internal valuation experts to assist us in evaluating the methodologies and key assumptions, such as discount rate; and
- We also assessed the relevant disclosures in the notes to the consolidated financial statements.

我們已執行以下程序以處理商譽減值評估：

- 我們已了解估計未來現金流量之過程；
- 我們已評估管理層委聘之外部估值師之能力、客觀性及獨立性；
- 我們已評估管理層之主要假設，包括銷售價格、竣工之估計建築成本等；
- 我們已審查現金流量預測與實際現金流量之差額，透過與市場可得數據及行業展望比較以檢查現金流量預測；
- 我們已邀請內部估值專家協助我們評估方法及主要假設，例如貼現率；及
- 我們亦已評估綜合財務報表附註內的相關披露。

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKASs 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.

年報所載其他資料

貴公司董事須對其他資料負責。其他資料包括載於年報之資料，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表之意見並不涵蓋其他資料，我們亦不對其他資料發表任何形式之鑒證結論。

結合我們對綜合財務報表的審核，我們的責任是閱讀其他資料，在此過程中，考慮其他資料是否與綜合財務報表或我們在審核過程中所了解的情況存有重大抵觸，或者似乎存在重大錯誤陳述之情況。基於我們已執行之工作，如果我們認為其他資料有重大錯誤陳述，我們須報告該事實。在此方面，我們沒有任何報告。

董事就綜合財務報表須承擔之責任

貴公司董事須負責根據香港會計師公會頒佈之香港財務報告準則以及香港公司條例之規定編製並且真實公平地列報綜合財務報表，並落實董事認為編製綜合財務報表屬必要之內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致之重大錯誤陳述。

在編製綜合財務報表時，貴公司董事負責評估貴集團持續經營之能力，並在適用情況下披露與持續經營有關之事項，以及使用持續經營為會計基礎，除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際之替代方案。

審核委員會協助貴公司董事履行監督貴集團的財務報告過程的責任。

核數師就審核綜合財務報表須承擔之責任

我們之目標，是對整體綜合財務報表是否不存在由於欺詐或錯誤而導致之任何重大錯誤陳述取得合理保證，並出具包括我們意見之核數師報告。我們依據香港公司條例第405條僅向全體股東報告我們之意見，除此之外不作其他目的。我們概不就本報告之內容對任何其他人士負責或承擔責任。

合理保證是高水平之保證，但不能保證按照香港審核準則進行之審核，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關錯誤陳述可被視作重大。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

核數師就審核綜合財務報表須承擔之責任(續)

在根據香港審核準則進行審核之過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對這些風險，以及取得充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部控制，以設計適當的審核程序，但目的並非對 貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露資料的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所得的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能對 貴集團持續經營的能力構成重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者對綜合財務報表中的相關披露資料的關注。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審核憑證。然而，未來事件或情況可能導致 貴集團不能繼續持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露資料，以及綜合財務報表是否中肯反映交易和事項。
- 就 貴集團中實體或業務活動的財務資料獲取充分、適當的審核憑證，以對綜合財務報表發表意見。我們負責 貴集團審核的方向、監督和執行。我們對審核意見承擔全部責任。

我們與審核委員會溝通了(其中包括)計劃的審核範圍、時間安排、重大審核發現等事項，包括我們在審核期間識別出內部控制的任何重大缺陷。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2023

核數師就審核綜合財務報表須承擔之責任(續)

我們亦向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通所有合理地被認為會影響我們獨立性的關係和其他事項，以及在適用的情況下，為減少威脅而採取的行動或適用的防範措施。

從與審核委員會溝通的事項中，我們決定哪些事項對本期間綜合財務報表的審核最為重要，因而構成關鍵審核事項。我們會在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，若有合理預期在我們報告中溝通某事項而造成的負面後果將會超過其產生的公眾利益，我們將不會在此等情況下在報告中溝通該事項。

出具本獨立核數師報告的審核項目合夥人是何兆烽。

安永會計師事務所
執業會計師
香港

2023年3月30日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

綜合損益賬

Year ended 31 December 2022 截至2022年12月31日止年度

		Notes 附註	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
REVENUE	收益	5	9,657,056	13,421,496
Cost of sales	銷售成本		(8,830,013)	(12,158,760)
Gross profit	毛利		827,043	1,262,736
Other income	其他收入	5	18,820	44,024
Other gains and losses, net	其他收益及虧損淨額	6	(3,167,711)	(71,192)
Administrative expenses	行政費用		(194,667)	(237,360)
Sales and marketing expenses	銷售及市場推廣費用		(117,264)	(249,643)
Finance costs	融資成本	7	(114,768)	(89,917)
(LOSS)/PROFIT BEFORE TAX	除稅前(虧損)/溢利	8	(2,748,547)	658,648
Income tax expense	所得稅開支	11	(193,980)	(273,606)
(LOSS)/PROFIT FOR THE YEAR	年度(虧損)/溢利		(2,942,527)	385,042
Attributable to:	下列各方應佔:			
Owners of the Company	本公司擁有人		(2,946,113)	399,470
Non-controlling interests	非控股權益		3,586	(14,428)
			(2,942,527)	385,042
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	本公司擁有人應佔每股 (虧損)/盈利			
Basic (RMB cents)	基本(人民幣分)	13	(154.0)	20.9
Diluted	攤薄		N/A	N/A
			不適用	不適用

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益賬

Year ended 31 December 2022 截至2022年12月31日止年度

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
(LOSS)/PROFIT FOR THE YEAR	年度(虧損)/溢利	(2,942,527)	385,042
OTHER COMPREHENSIVE INCOME	其他全面收益		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:	可能於其後期間重新分類至損益之其他全面(虧損)/收益：		
Exchange difference on translation of foreign operations	換算海外業務而產生之匯兌差額	(375)	3,300
		(375)	3,300
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:	於其後期間將不會重新分類至損益之其他全面收益：		
Exchange difference on translation of non-foreign operations	換算非海外業務而產生之匯兌差額	64,490	76,484
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	年內其他全面收益(稅後)	64,115	79,784
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	年內全面(虧損)/收益總額	(2,878,412)	464,826
Attributable to:	下列各方應佔：		
Owners of the Company	本公司擁有人	(2,882,438)	479,526
Non-controlling interests	非控股權益	4,026	(14,700)
		(2,878,412)	464,826

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況報表

31 December 2022 2022年12月31日

			31 December 2022 2022年 12月31日 RMB'000 人民幣千元	31 December 2021 2021年 12月31日 RMB'000 人民幣千元
	Notes 附註			
NON-CURRENT ASSETS				
非流動資產				
Property, plant and equipment	物業、廠房及設備	14	572,668	574,628
Investment properties	投資物業	15	584,960	531,595
Goodwill	商譽	16	300,357	424,722
Intangible assets	無形資產	17	112,284	157,105
Deferred tax assets	遞延稅項資產	30	555,315	443,790
Pledged deposits	已抵押按金	19	-	4,587
Total non-current assets	非流動資產總額		2,125,584	2,136,427
CURRENT ASSETS				
流動資產				
Completed properties held for sale	持作出售之已完工物業	20	10,212,953	9,028,002
Properties under development	發展中物業	21	42,475,033	47,834,930
Deposits and prepayments paid for land acquisitions	已付土地收購按金及預付款項	22	-	1,220,087
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	23	3,072,002	2,683,744
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	24	247,725	423,968
Prepaid income tax and tax recoverable	預繳所得稅及可收回稅項		1,418,983	1,404,769
Pledged deposits	已抵押按金	19	137,515	211,289
Restricted bank balances	受限制銀行結餘	19	1,365,905	1,457,690
Cash and cash equivalents	現金及現金等值項目	19	488,199	1,838,967
Total current assets	流動資產總額		59,418,315	66,103,446
CURRENT LIABILITIES				
流動負債				
Accounts payable, deposits received and accruals	應付賬款、已收按金及應計費用	25	7,358,246	6,350,361
Contract liabilities	合約負債	26	31,327,733	30,654,098
Amounts due to related companies	應付關連公司款項	27	1,038,106	1,976,226
Loans from a related company	來自一間關連公司之貸款	28	7,243,579	8,204,904
Bank and other borrowings	銀行及其他借貸	29	4,693,151	5,894,516
Tax liabilities	稅項負債		676,048	621,477
Total current liabilities	流動負債總額		52,336,863	53,701,582
NET CURRENT ASSETS	流動資產淨值		7,081,452	12,401,864
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債		9,207,036	14,538,291

		Notes 附註	31 December 2022 2022年 12月31日 RMB'000 人民幣千元	31 December 2021 2021年 12月31日 RMB'000 人民幣千元
NON-CURRENT LIABILITIES				
	非流動負債			
Rental deposits received	已收租賃按金	25	9,440	6,492
Bank and other borrowings	銀行及其他借貸	29	3,506,232	5,900,814
Deferred tax liabilities	遞延稅項負債	30	371,119	432,328
Total non-current liabilities	非流動負債總額		3,886,791	6,339,634
Net assets	資產淨值		5,320,245	8,198,657
EQUITY				
	權益			
Equity attributable to owners of the Company	本公司擁有人應佔權益			
Share capital	股本	31	5,326,923	5,326,923
Reserves	儲備	32	(10,889)	2,871,549
Non-controlling interests	非控股權益		5,316,034	8,198,472
			4,211	185
Total equity	權益總額		5,320,245	8,198,657

Zhang Jingguo

張敬國
Director
董事

Zhang Guoqiang

張國強
Director
董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

Year ended 31 December 2022 截至2022年12月31日止年度

		Attributable to owners of the Company							
		本公司擁有人應佔							
		Share capital	Capital reduction reserve*	PRC** statutory reserve*	Exchange reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		股本	資本削減儲備*	中國法定儲備*	外匯儲備*	保留溢利*	總計	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(note 31)		(note 32)	(note 32)				
		(附註31)		(附註32)	(附註32)				
At 1 January 2021	於2021年1月1日	5,326,923	119,330	261,431	226,016	1,940,230	7,873,930	14,885	7,888,815
Profit/(loss) for the year	年度溢利/(虧損)	-	-	-	-	399,470	399,470	(14,428)	385,042
Other comprehensive income/(loss) for the year:	年內其他全面收益/(虧損):								
Exchange differences on translation	換算之匯兌差額	-	-	-	80,056	-	80,056	(272)	79,784
Total comprehensive income/(loss) for the year	年內全面收益/(虧損)總額	-	-	-	80,056	399,470	479,526	(14,700)	464,826
Transfer to PRC statutory reserve	轉撥至中國法定儲備	-	-	42,613	-	(42,613)	-	-	-
2020 final dividend paid	已付2020年末期股息	-	-	-	-	(154,984)	(154,984)	-	(154,984)
At 31 December 2021	於2021年12月31日	5,326,923	119,330	304,044	306,072	2,142,103	8,198,472	185	8,198,657

		Attributable to owners of the Company							
		本公司擁有人應佔							
		Share capital	Capital reduction reserve*	PRC** statutory reserve*	Exchange reserve*	Retained profits/(accumulated loss)*	Total	Non-controlling interests	Total equity
		股本	資本削減儲備*	中國法定儲備*	外匯儲備*	保留溢利/(累計虧損)*	總計	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(note 31)		(note 32)	(note 32)				
		(附註31)		(附註32)	(附註32)				
At 1 January 2022	於2022年1月1日	5,326,923	119,330	304,044	306,072	2,142,103	8,198,472	185	8,198,657
(Loss)/profit for the year	年度(虧損)/溢利	-	-	-	-	(2,946,113)	(2,946,113)	3,586	(2,942,527)
Other comprehensive income for the year:	年內其他全面收益:								
Exchange differences on translation	換算之匯兌差額	-	-	-	63,675	-	63,675	440	64,115
Total comprehensive income/(loss) for the year	年內全面收益/(虧損)總額	-	-	-	63,675	(2,946,113)	(2,882,438)	4,026	(2,878,412)
Transfer to PRC statutory reserve	轉撥至中國法定儲備	-	-	27,521	-	(27,521)	-	-	-
At 31 December 2022	於2022年12月31日	5,326,923	119,330	331,565	369,747	(831,531)	5,316,034	4,211	5,320,245

* These reserve accounts comprise the consolidated negative reserves of RMB10,889,000 (2021: RMB2,871,549,000) in the consolidated statement of financial position.

** PRC refers to the People's Republic of China. For the purposes of these financial statements only, except where the context specifies otherwise, references to Mainland China or the PRC exclude Hong Kong, Macau and Taiwan.

* 該等儲備賬包括綜合財務狀況報表內之綜合負儲備人民幣10,889,000元(2021年: 人民幣2,871,549,000元)。

** 中國指中華人民共和國。僅就該等財務報表而言, 除非文義另有規定外, 指中國內地或除香港、澳門及台灣以外的中國地區。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 December 2022 截至2022年12月31日止年度

	Notes 附註	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(2,748,547)	658,648
Adjustments for:			
Fair value loss/(gain) on financial assets at fair value through profit or loss	6	207,039	(112,618)
Fair value (gain)/loss on investment properties	6	(19,319)	104
Depreciation of property, plant and equipment	8	20,036	2,158
Interest income	5	(7,492)	(30,793)
Write-down of properties under development and completed properties held for sale to net realisable value	6	2,656,869	166,764
Provision for impairment of goodwill	6	124,365	-
Impairment losses on accounts receivable and other receivables	6	11,604	-
Finance costs	7	114,768	89,917
		359,323	774,180
Increase in accounts receivable, other receivables and other assets		(376,654)	(574,779)
Decrease/(increase) in restricted bank deposits from pre-sale proceeds of properties		91,785	(809,055)
Decrease in properties under development		5,321,984	1,882,907
Increase in completed properties held for sale		(2,329,172)	(2,265,015)
Decrease in deposits and prepayments paid for land acquisitions		1,220,087	1,426,006
Increase/(decrease) in accounts payable, deposits received and accruals		1,513,054	(959,585)
(Decrease)/increase in contract liabilities		(148,849)	6,656,926
Cash from operating activities		5,651,558	6,131,585
Tax paid		(326,357)	(650,845)
Net cash flows from operating activities		5,325,201	5,480,740

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 December 2022 截至2022年12月31日止年度

	Notes 附註	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動所得現金流量		
Interest received	已收利息	7,492	34,960
Purchases of items of property, plant and equipment	購入物業、廠房及設備項目	(4,808)	(2,806)
Net cash flows from investing activities	投資活動所得現金淨額	2,684	32,154
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動所得現金流量		
Release of pledged deposits	解除已抵押按金	205,005	298,095
Placement of pledged deposits	存放已抵押按金	(126,644)	(155,700)
New bank and other borrowings raised	新增銀行及其他借貸	1,749,251	5,240,896
Repayment of bank and other borrowings	償還銀行及其他借貸	(5,858,830)	(8,479,570)
Interest paid	已付利息	(749,418)	(1,346,699)
Repayment to related companies	償還關連公司款項	(1,294,055)	(2,458,150)
Advance from related companies	預收關連公司款項	355,935	333,415
Loans repaid to a related company	償還一間關連公司貸款	(2,263,580)	(1,678,518)
Loans received from a related company	收取一間關連公司貸款	1,302,255	1,508,449
Dividends paid	已付股息	-	(153,486)
Net cash flows used in financing activities	融資活動所用現金流量淨額	(6,680,081)	(6,891,268)
NET DECREASE IN CASH AND CASH EQUIVALENTS	現金及現金等值項目減少淨額	(1,352,196)	(1,378,374)
Cash and cash equivalents at beginning of year	於年初之現金及現金等值項目	1,838,967	3,218,611
Effect of foreign exchange rate changes, net	外匯匯率變動影響淨額	1,427	(1,270)
CASH AND CASH EQUIVALENTS AT END OF YEAR	於年末之現金及現金等值項目	488,199	1,838,967
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等值項目結餘分析		
Cash and cash equivalents as stated in the consolidated statement of financial position	綜合財務狀況報表內列賬之現金及現金等值項目	488,199	1,838,967

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2022 2022年12月31日

1. CORPORATE INFORMATION

Zensun Enterprises Limited (the “Company”) is a public limited liability company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong. In the opinion of the directors of the Company, the immediate holding company of the Company is Joy Town Inc., a private limited liability company incorporated in the British Virgin Islands (“BVI”). The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, as trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”), a non-executive director of the Company. Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the Chairman and an executive director of the Company, is the spouse of Ms. Huang.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 44. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

1. 公司資料

正商實業有限公司(「本公司」)為在香港註冊成立之上市有限公司，其股份在香港聯合交易所有限公司(「聯交所」)主板上市。本公司之註冊辦事處位於香港中環雲咸街40-44號雲咸商業中心24樓。本公司董事認為，本公司之直接控股公司Joy Town Inc.為於英屬處女群島(「英屬處女群島」)註冊成立之有限私營公司。本公司之最終控股公司為Vistra Trust (Singapore) Pte Limited，為於新加坡註冊成立之有限私營公司，作為Huang Yanping女士(「Huang女士」，本公司非執行董事)設立之全權信託之信託人。Huang女士為全權信託之授出人及保護人。本公司主席及執行董事張敬國先生(「張先生」)為Huang女士之配偶。

本公司為一間投資控股公司。其附屬公司主要業務載於附註44。本公司及其附屬公司以下統稱本集團。

2.1 編製基準

該等財務報表乃按照香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」，包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計政策及香港公司條例編製。彼等已根據歷史成本法編製，惟已按公平值計量之投資物業及按公平值計入損益之金融資產除外。除另有說明外，該等財務報表乃以人民幣(「人民幣」)呈列，所有金額均約整至最近接之千位數。

綜合基準

綜合財務報表包括本集團截至2022年12月31日止年度之財務報表。附屬公司為本公司直接或間接控制的實體(包括結構實體)。本集團因參與投資對象而可以或有權獲得不定回報，且可透過對投資對象行使權力改變回報(即本集團運用既有權利現時可以左右投資對象有關業務)時，視為擁有控制權。

一般情況下均存在多數投票權形成控制權的推定。如本公司直接或間接擁有投資對象投票權或類似權利不過半數，本集團衡量是否對投資對象有權力時，會考慮所有相關事實及情況，包括：

- (a) 投資對象其他投票權持有人的合約安排；
- (b) 其他合約安排的權利；及
- (c) 本集團的投票權及潛在投票權。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

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2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern basis

As at 31 December 2022, the Group's current portion of bank and other borrowings amounted to RMB4,693,151,000, while its cash and cash equivalents amounted to RMB488,199,000.

The directors of the Company have evaluated the sustainable operation ability for 12 months from the end of the reporting period, which is affected by the macroeconomic environment, industry environment and credit environment superimposing the impact of multiple rounds of epidemic and came to an opinion that the liquidity risk of the company is facing periodic challenges.

2.1 編製基準(續)

綜合基準(續)

附屬公司使用與本公司一致的會計政策編製同一報告期間的財務報表。附屬公司的業績自本集團取得控制權之日起綜合入賬，並持續綜合入賬至有關控制權終止當日為止。

損益及其他全面收益的各組成部分會歸屬於本集團母公司擁有人及非控股權益，即使此舉引致非控股權益結餘為負數。本集團成員公司之所有公司間有關交易之資產及負債、權益、收入、開支及現金流量於綜合賬目時全數抵銷。

倘事實及情況顯示上文所述三項控制因素之一項或多項出現變化，本集團會重新評估其是否控制投資對象。於一間附屬公司之擁有權權益變動，惟並無失去控制權，則以權益交易入賬。

倘本集團失去對一間附屬公司之控制權，則其撤銷確認(i)該附屬公司之資產(包括商譽)及負債；(ii)任何非控股權益之賬面值及(iii)於權益內記錄之累計換算差額；及確認(i)所收代價之公平值、(ii)所保留任何投資之公平值及(iii)損益賬中任何因此產生之盈餘或虧損。先前於其他全面收益表內確認之本集團應佔部份重新分類為損益或保留溢利(視何者屬適當)，基準與倘若本集團直接出售有關資產或負債所需者相同。

持續經營基準

於2022年12月31日，本集團銀行及其他借貸之即期部分為人民幣4,693,151,000元，而其現金及現金等值項目為人民幣488,199,000元。

本公司董事已評估自報告期末起12個月的持續經營能力(有關估計受宏觀經濟環境、行業環境及信貸環境加上反覆的疫情影響)，並認為本公司的流動資金風險正面臨階段性挑戰。

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include the following:

- (a) The Group continues to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from sales of properties, project management and sales, hotel operations, rentals from investment properties and dividend income from financial assets at fair value through profit or loss to generate additional operating cash inflows and putting extra efforts on the collection of outstanding sales proceeds and other receivables;
- (b) The Group is actively reviewing its debt structure and looking for funding opportunities; the Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost;
- (c) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations; and
- (d) The Group continues to take actions to tighten cost controls over various operating expenses.

The directors of the Company have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.1 編製基準(續)

持續經營基準(續)

本公司已採取及正採取措施以管理其流動資金需求及改善其財務狀況，當中包括以下各項：

- (a) 本集團正實施各種策略增加本集團的物業銷售、項目管理及銷售、酒店營運所得收入以及投資物業所得租金及按公平值計入損益之金融資產之股息收入以產生額外經營現金流入，並加大力度收回未償還銷售所得款項及其他應收款項，為未來十二個月產生持續正向經營現金流量；
- (b) 本集團積極審視其債務結構並爭取融資機會；本集團積極與多間金融機構磋商，以按合理的成本獲得新貸款；
- (c) 本集團持續監察資本開支，以平衡並釋放現金資源支持營運；及
- (d) 本集團持續採取行動加強對各種營運開支的成本控制。

本公司董事已審閱本集團涵蓋報告期末起十二個月期間的現金流量預測。彼等認為，考慮到上述計劃及措施後，本集團將具備足夠的營運資金，於可見將來撥付其營運及應付其到期的財務責任。因此，董事相信，按持續經營基準編製本集團截至2022年12月31日止年度的綜合財務報表為恰當。

儘管如上所述，鑒於中國房地產行業的波動性以及獲得銀行及本集團債權人持續支持的不確定性，本公司管理層能否落實上述計劃及措施存在重大不確定性。

倘若持續經營假設並不恰當，則可能必須進行調整以將資產價值撇減至其可收回金額，就可能出現的任何其他負債進行撥備，並將非流動資產及非流動負債分別重新分類為流動資產及流動負債。該等調整的影響並未反映於綜合財務報表中。

NOTES TO FINANCIAL STATEMENTS

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

2.2 會計政策及披露之變動

本集團已就本年度之財務報表首次採納下列經修訂香港財務報告準則。

香港財務報告準則第3號修訂本	<i>對概念框架的提述</i>
香港會計準則第16號修訂本	<i>物業、廠房及設備：作擬定用途前的所得款項</i>
香港會計準則第37號修訂本	<i>虧損合約－履行合約的成本</i>
2018年至2020年香港財務報告準則的年度改進	香港財務報告準則第1號、香港財務報告準則第9號、香港財務報告準則第16號隨附說明範例及香港會計準則第41號修訂本

適用於本集團的經修訂香港財務報告準則的性質及影響載列如下：

- (a) 香港財務報告準則第3號修訂本以2018年6月發佈財務報告概念框架(「概念框架」)之提述取代編製及呈列財務報表之框架之先前提述，而無需重大改變其要求。該等修訂亦為香港財務報告準則第3號增加確認原則之例外，實體可參考概念框架釐定資產或負債之構成要素。該例外情況規定，對於單獨而非於業務合併中承擔且屬於香港會計準則第37號或香港(國際財務報告詮釋委員會)－詮釋第21號的負債及或然負債，採用香港財務報告準則第3號的實體應分別提述香港會計準則第37號或香港(國際財務報告詮釋委員會)－詮釋第21號，而非概念框架。此外，該等修訂澄清或然資產於收購日期不符合確認資格。本集團已就於2022年1月1日或之後發生之業務合併前瞻性應用該等修訂。由於年內並無業務合併，該等修訂對本集團之財務狀況及表現並無構成任何影響。
- (b) 香港會計準則第16號修訂本禁止實體從物業、廠房及設備項目成本中扣除出售任何使資產達到管理層擬定之營運方式所需之地點與條件時產生之項目之所得款項。相反，實體須於損益中確認出售任何有關項目之所得款項及根據香港會計準則第2號存貨釐定之成本。本集團已就於2021年1月1日或之後可供使用之物業、廠房及設備項目追溯應用該等修訂。由於在使物業、廠房及設備可供使用前並無出售任何產生的項目，故該等修訂對本集團之財務狀況或表現並無構成任何影響。

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.2 會計政策及披露之變動(續)

- (c) 香港會計準則第37號修訂本澄清，就根據香港會計準則第37號評估合約是否屬虧損性而言，履行合約之成本包括與合約直接相關之成本。與合約直接相關之成本包括履行該合約之增量成本(例如直接勞工及材料)及與履行合約直接相關之其他成本分配(例如分配履行合約所用物業、廠房及設備項目之折舊開支以及合約管理與監督成本)。一般及行政費用與合約並無直接關係，除非合約明確向對手方收費，否則將其排除在外。本集團已於2022年1月1日就其仍未履行所有義務之合約前瞻性應用該等修訂，惟並無識別任何虧損合約。因此，該等修訂對本集團之財務狀況或表現並無構成任何影響。
- (d) *香港財務報告準則2018年至2020年之年度改進*載列香港財務報告準則第1號、香港財務報告準則第9號、香港財務報告準則第16號隨附說明性範例香港會計準則第41號修訂本。適用於本集團之該等修訂詳情如下：
- 香港財務報告準則第9號金融工具：澄清於實體評估是否新訂或經修改金融負債之條款與原金融負債之條款存在實質差異時所包含之費用。該等費用僅包括借款人與貸款人之間已支付或收取之費用，包括借款人或貸款人代表其他方支付或收取之費用。本集團已就於2022年1月1日前瞻性應用該等修訂。由於本集團之金融負債於年內並無修訂或交換，故該修訂對本集團之財務狀況或表現並無構成任何影響。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1, 5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

- ¹ Effective for annual periods beginning on or after 1 January 2023
- ² Effective for annual periods beginning on or after 1 January 2024
- ³ No mandatory effective date yet determined but available for adoption
- ⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
- ⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
- ⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.3 已頒佈但尚未生效之香港財務報告準則

本集團並無於財務報表應用下列已頒佈但尚未生效之新訂及經修訂香港財務報告準則：

香港財務報告準則第10號及香港會計準則第28號(2011年)修訂本	投資者與其聯營公司或合營企業之間之資產出售或注入 ³
香港財務報告準則第16號修訂本	售後租回的租賃負債 ²
香港財務報告準則第17號	保險合約 ¹
香港財務報告準則第17號修訂本	保險合約 ^{1, 5}
香港財務報告準則第17號修訂本	香港財務報告準則第17號及香港財務報告準則第9號之初步應用 – 比較資料 ⁶
香港會計準則第1號修訂本	負債分類為流動或非流動 (「2020年修訂本」) ^{2, 4}
香港會計準則第1號修訂本	有契約的非流動負債 (「2022年修訂本」) ²
香港會計準則第1號及香港財務報告準則實務報告第2號修訂本	會計政策之披露 ¹
香港會計準則第8號修訂本	會計估計之定義 ¹
香港會計準則第12號修訂本	與單一交易產生之資產及負債有關之遞延稅項 ¹

- ¹ 於2023年1月1日或之後開始之年度期間生效
- ² 於2024年1月1日或之後開始之年度期間生效
- ³ 並未釐定強制生效日期，但可提早採納
- ⁴ 作為2022年修訂本的結果，2020年修訂本的生效日期延遲至於2024年1月1日或之後開始之年度期間。此外，作為2020年修訂本及2022年修訂本的結果，香港詮釋第5號財務報告表的呈報 – 借款人對載有按要求償還條款的定期貸款的分類已進行修訂，以使相應措詞保持一致而結論保持不變
- ⁵ 作為於2020年10月頒佈的香港財務報告準則第17號之修訂的結果，於2023年1月1日之前開始的年度期間，香港財務報告準則第4號已作出修訂，以延長允許保險人應用香港會計準則第39號而非香港財務報告準則第9號的暫時豁免
- ⁶ 實體於首次應用香港財務報告準則第17號時，可選擇應用有關本修訂列明的分類重疊法之過渡選擇權

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities or at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 已頒佈但尚未生效之香港財務報告(續)

預期將適用於本集團之該等香港財務報告準則之進一步資料於下文載述。

香港會計準則第1號修訂本負債分類為流動或非流動澄清劃分負債為流動或非流動之規定，尤其是，釐定實體是否有權利延遲償還負債至報告期後至少12個月。負債的分類不受該實體行使權利延遲償還負債的可能性所影響。該等修訂亦澄清被視為償還負債的情況。於2022年，香港會計師公會頒佈2022年修訂本，以進一步澄清貸款安排引致的負債契諾僅在實體須於報告日期或之前遵守該等契諾的情況下會影響負債分類為即期或非即期。此外，2022年修訂本規定，倘實體有權利延遲償還負債並須遵守報告期後12個月內的未來契諾，分類貸款安排引致的負債為非即期須作出額外披露。該等修訂自2024年1月1日或之後開始的年度期間生效，並應追溯應用。允許提早應用。提早應用2020年修訂本的實體須同時應用2022年修訂本，反之亦然。本集團目前正評估該等修訂的影響及是否須修訂現有貸款協議。基於初步評估，預期該等修訂不會對本集團財務報表產生任何重大影響。

香港會計準則第1號修訂本會計政策之披露要求實體披露重要會計政策資料，而非重大會計政策。倘會計政策資料與實體財務報表所載其他資料一併考慮時，可合理預期會影響一般用途財務報表之主要使用者基於該等財務報表作出之決定，則該等資料屬重大。香港財務報告準則實務報告第2號修訂本就如何將重大性概念應用於會計政策披露提供非強制性指引。香港會計準則第1號修訂本自2023年1月1日或之後開始之年度期間生效，允許提早採納。由於香港財務報告準則實務報告第2號修訂本提供的指引屬非強制性，該等修訂的生效日期並無必要。本集團目前正在重新審查會計政策披露，確保其與修訂一致。

香港會計準則第8號修訂本澄清會計估計變動與會計政策變動之間的區別。會計估計被界定為存在計量不明朗因素之財務報表之貨幣金額。該等修訂亦闡釋實體如何使用計量技術及輸入數據編製會計估計。該等修訂自2023年1月1日或之後開始之年度報告期間生效，並適用於該期間開始時或之後發生的會計政策變動及會計估計變動。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2022 2022年12月31日

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.3 已頒佈但尚未生效之香港財務報告(續)

香港會計準則第12號修訂本縮小香港會計準則第12號首次確認例外情況的範圍，使其不再適用於產生相同的應課稅及可扣減暫時差額的交易，如租賃及退役義務。因此，實體須就該等交易產生的暫時差額確認遞延稅款資產（如有充足應課稅利潤）及遞延稅款負債。該等修訂自2023年1月1日或之後開始之年度報告期間生效，並將應用於最早呈列的比較期開始時適用於與租賃及退役義務有關的交易，任何累積影響在該日確認為對保留溢利或權益的其他組成部分（如適用）的期初結餘的調整。此外，該等修訂應前瞻性地適用於除租賃及退役義務以外的交易。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。

2.4 主要會計政策概要

業務合併及商譽

業務合併乃以收購法入賬。轉讓代價乃以收購日期的公平值計算，該公平值為本集團所轉讓資產於收購日期之公平值、本集團自收購對象之前擁有人承擔的負債以及本集團發行以換取收購對象控制權之股本權益之總和。於各業務合併中，本集團選擇是否以公平值或收購對象可識別資產淨值的應佔比例，計算於收購對象屬現時擁有人權益的非控股權益，並賦予擁有人權利，於清盤時按比例分佔淨資產。非控股權益之一切其他成分乃按公平值計量。收購相關成本於產生時列為開支。

當所收購的一組活動及資產包括一項投入及一項實質過程，而兩者對創造產出的能力有重大貢獻，則本集團認為其已收購一項業務。

倘本集團收購一項業務，則會根據合約條款、於收購日期的經濟環境及相關條件評估所承接的金融資產及負債，以作出適合的分類及標示，其中包括分開收購對象主合約中的嵌入式衍生工具。

商譽初步按成本計量，即已轉讓代價、非控股權益的確認金額及本集團先前所持於被收購方的任何股本權益的公平值總額超出所收購可識別資產淨值及所承擔負債的差額。倘此代價及其他項目的總和低於所收購資產淨值的公平值，則於重新評估後的差額會於損益確認為議價購買的收益。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash generating unit retained.

Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 主要會計政策概要(續)

業務合併及商譽(續)

初步確認後，商譽按成本減任何累計減值虧損計量。商譽每年進行減值測試，或倘有事件發生或情況變化顯示賬面值可能出現減值跡象，則進行更為頻密的減值測試。本集團於12月31日對商譽進行年度減值測試。就減值測試而言，業務合併中購入的商譽由收購日期起被分配到預期將從合併的協同效應中受益的本集團各現金產生單位或現金產生單位組別，不論本集團的其他資產或負債是否被分配至該等單位或單位組別。

減值透過對與商譽有關的現金產生單位(現金產生單位組別)的可收回金額進行評估釐定。倘現金產生單位(現金產生單位組別)的可收回金額少於其賬面值，則確認減值虧損。就商譽確認的減值虧損不會於其後期間撥回。

倘商譽已被分配到現金產生單位(或現金產生單位組別)而該單位的某部分業務被出售，則於釐定出售的收益或虧損時，與出售業務相關的商譽將計入該業務的賬面值內。在此等情況下出售的商譽將按出售業務及保留的現金產生單位部分相對價值進行計量。

公平值計量

本集團於各報告期間結算日計量按公平值計量投資物業及按公平值計入損益之金融資產。公平值為市場參與者於計量日期在有序交易中出售資產所收取或轉讓負債所支付的價格。公平值計量乃基於假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場的情況下)最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入的市場。資產或負債的公平值乃假設市場參與者以最佳經濟利益行事，按照其於為資產或負債定價時所使用的假設計量。

非金融資產的公平值計量須計及市場參與者自最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者，以產生的經濟效益的能力。

本集團採用適用於當時情況且具備充分數據以供計量公平值的估值方法，以盡量使用相關可觀察輸入數據及盡量減少使用不可觀察輸入數據。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2022 2022年12月31日

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 主要會計政策概要(續)

公平值計量(續)

所有公平值於本財務報表計量或披露的資產及負債乃基於對公平值計量整體而言屬重大的最低層級輸入數據按以下公平值層級分類：

- 第一級 – 基於相同資產或負債於活躍市場的報價(未經調整)
- 第二級 – 基於對公平值計量而言屬重大的最低層級輸入數據可觀察(直接或間接)的估值方法
- 第三級 – 基於對公平值計量而言屬重大的最低層級輸入數據不可觀察的估值方法

就按經常性基準於本財務報表確認的資產及負債而言，本集團透過於各報告期間結算日重新評估分類(基於對公平值計量整體而言屬重大的最低層輸入數據)確定是否發生不同層級轉移。

非金融資產減值

倘有跡象顯示出現減值或需就資產(不包括存貨、遞延稅項資產、金融資產及投資物業)進行年度減值測試，則會估計該資產之可收回金額。資產之可收回金額為該資產或現金產生單位之使用價值及其公平值減銷售成本(以較高者為準)，並就個別資產而確定，除非有關資產並無產生在頗程度上獨立於其他資產或資產類別之現金流入，在此情況下，可收回金額就資產所屬之現金產生單位而確定。於對現金產生單位進行減值測試時，倘公司資產(如總部大樓)賬面值的一部分能夠按合理一致基準進行分配，則其將分配至個別現金產生單位，否則將分配至最小的現金產生單位組別。

減值虧損僅於資產之賬面值超逾其可收回金額時確認。於評估使用價值時，估計未來現金流量按可反映現時市場評估之貨幣時間價值及資產特定風險之稅前貼現率貼現至現值。減值虧損於產生期間內在損益賬中與已減值資產功能一致之支出類別內扣除。

於各報告期末須評估有否跡象顯示過往確認減值虧損不再存在或已減少。如有該跡象存在，則會估計可收回金額。過往確認之資產(商譽除外)減值虧損，僅會於用以釐定該資產可收回金額之估計改變時撥回，惟撥回後之金額不得高於假設過往年度並無就資產確認減值虧損而釐定之賬面值(扣除任何折舊/攤銷)。該項減值虧損的撥回於發生時計入損益賬，惟倘若資產按重估值列賬，則按照該重估資產之相關會計政策處理減值虧損的撥回。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 主要會計政策概要(續)

關連人士

任何人士倘符合以下情況即被認為屬本集團之關連人士：

- (a) 該方為一名人士或該名人士之近親，而該名人士：
- (i) 於本集團擁有控制權或共同控制權；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司之高級管理人員之一；

或

- (b) 該方為一個實體並符合以下任何一項條件：
- (i) 該實體及本集團為同一集團之成員公司；
 - (ii) 一個實體為另一實體(或該另一實體之母公司、附屬公司或同系附屬公司)之聯營公司或合營企業；
 - (iii) 該實體及本集團為同一第三方之合營企業；
 - (iv) 一個實體為一名第三方實體之合營企業，而另一實體為該第三方實體之聯營公司；
 - (v) 該實體乃為本集團或與本集團有關連之實體之僱員福利而設之離職後福利計劃；
 - (vi) 該實體由(a)所界定之人士控制或共同控制；
 - (vii) 於(a)(i)所界定之人士對該實體有重大影響力或為該實體(或該實體之母公司)之高級管理人員之一；及
 - (viii) 該實體，或其所屬集團之任何成員公司，向本集團或本集團之母公司提供主要管理人員服務。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the lease terms and 2%
Hotel	2.78% to 10%
Leasehold improvement	Over the shorter of the lease terms and 6.67% to 20%
Furniture, office equipment and motor vehicles	20% to 50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 主要會計政策概要(續)

物業、廠房及設備以及折舊

物業、廠房及設備乃按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目成本包括其購買價及將資產達至營運狀況及地點以作擬定用途之任何直接應佔成本。

物業、廠房及設備項目開始運作後產生之支出，如維修及保養費用等，一般於產生期間在損益賬中扣除。倘符合確認標準，主要檢查之開支於資產賬面值中資本化為重置成本。倘物業、廠房及設備之重要部份須不時更換，則本集團將該等部份確認為具有特定使用年期之個別資產及作出相應折舊。

折舊乃以直線法按每項物業、廠房及設備項目之估計可使用年期撇銷其成本至其剩餘價值計算。就此採用之主要年率如下：

土地及樓宇	租賃年期與2%之較短者
酒店	2.78%至10%
租賃物業裝修	租賃年期與6.67%至20%之較短者
傢俬、辦公設備及汽車	20%至50%

倘物業、廠房及設備項目各部份之可使用年期不同，則該項目的成本按合理基準於各部份之間分配，而各部份乃分別折舊。剩餘價值、可使用年期及折舊方法至少於各財政年度末予以檢討，並適時作出調整。

初始確認的物業、廠房及設備項目(包括任何重大部分)於出售或預期使用或出售不會再產生未來經濟利益時終止確認。於資產終止確認年度在損益內確認的任何出售或報廢產生的收益或虧損，乃有關資產出售所得款項淨額與其賬面值的差額。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Contract benefit is recognised as intangible assets and amortized on the straight-line basis over the following estimated useful economic lives:

Contracts benefit	50 months
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The useful life of contract benefit is assessed based on the remaining period of the property development.

2.4 主要會計政策概要(續)

投資物業

投資物業指持作賺取租金收入及／或資本增值的土地及樓宇權益(包括符合投資物業定義的持作使用權資產的租賃物業)，但不包括用作生產或作供應貨品或提供服務或作行政管理用途或持作日常業務過程中出售的土地及樓宇權益。該等物業初步按成本(包括交易成本)計量。初始確認後，投資物業按公平值列賬，以反映報告期間結算日的市況。

投資物業公平值變動產生的收益或虧損計入其產生年度的損益賬。

報廢或出售投資物業產生的任何收益或虧損於報廢或出售年度的損益賬確認。

就投資物業轉移至業主自用物業而言，在後續會計處理上，物業成本會被視作其於改變用途當日的公平值。倘本集團作業主自用物業的物業成為投資物業，則本集團根據自用物業的「物業、廠房及設備以及折舊」所述政策及／或根據持作使用權資產之物業的「使用權資產」所述政策，直至改變用途當日為該物業入賬，並根據上文「物業、廠房及設備以及折舊」所述政策，賬面值與物業公平值於該日的任何差額按重新估價入賬。

無形資產(商譽除外)

分開收購的無形資產於初步確認時按成本計量。經業務合併收購的無形資產成本為收購當日的公平值。無形資產的可使用年期可評定為有限期或無限期。有限期無形資產其後於可使用經濟年期攤銷，並於無形資產可能出現減值跡象時評估減值。有限可使用年期無形資產的攤銷期間及攤銷方法至少須於各財政年度末進行檢討。

合約利益確認為無形資產，並於下列估計可使用經濟年期內按直線法攤銷：

合約利益	50個月
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合約利益的可使用年期以物業發展的剩餘年限為基準進行評估。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Contract benefit

Contract benefit acquired in a business combination is recognised at fair value at the acquisition date, which is related to the future acquisition of the land use right. Before completing the acquisition of the land use right, contract benefit is tested for impairment annually and is not amortised. And after completing the acquisition of the land use right, contract benefit is subsequently carried at cost less accumulated amortization and impairment losses. The useful life of contract benefit is assessed based on the remaining period of the property development. Amortization is calculated using the straight-line method over the period of the property development.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets except those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 主要會計政策概要(續)

無形資產(商譽除外)(續)

合約利益

於業務合併中收購的合約利益於收購當日按公平值確認，其與未來收購土地使用權有關。於收購土地使用權完成前，合約利益每年進行減值測試，不進行攤銷。於收購土地使用權完成後，合約利益其後按成本減累計攤銷及減值虧損計量。合約利益的可使用年期以物業發展的剩餘年限為基準進行評估。攤銷於物業發展期間使用直線法計算。

發展中物業

發展中物業擬持作竣工後出售。

發展中物業按成本及可變現淨值的較低者列賬，成本包括土地成本、建築成本、借貸成本、專業費用與於發展期內產生與該等物業直接相關的其他成本。

除非發展中物業不會於正常營運周期內變現，否則其分類為流動資產。物業於竣工時轉至持作出售之已完工物業。

持作出售之已完工物業

持作出售之已完工物業乃按成本與可變現淨值的較低者列賬。成本乃按未出售物業應佔土地及樓宇總成本的分攤比例釐定。可變現淨值計及最終預期將變現的價格減去銷售該物業時將產生的估計成本。

租賃

本集團於合約開始時評估合約是否為或包含租賃。倘合約為換取代價而給予在一段時間內控制已識別資產使用的權利，則合約為或包含租賃。

本集團作為承租人

本集團對辦公室及汽車短期租賃(即自開始日期起租期為12個月或以下且不含購買選擇權的租賃)應用短期租賃確認豁免。

短期租賃的租賃付款以直線法按租期確認為開支。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 主要會計政策概要(續)

租賃(續)

本集團作為出租人

當本集團作為出租人行事時，其自租賃開始時(或存在租賃修改時)將租賃分類為經營租賃或融資租賃。

所有本集團並未轉讓資產所有權所附帶的絕大部分風險及回報的租賃歸類為經營租賃。倘合約包含租賃及非租賃部分，本集團按相關單獨售價基準將合約代價分配至各部分。租金收入於租期內按直線法列賬，由於其經營性質而計入損益賬之收益。於磋商及安排經營租賃時產生的初始直接成本乃計入租賃資產的賬面值，並於租期內按相同方法確認為租金收入。

所有向承租人轉讓相關資產所有權所附帶的絕大部分風險及回報的租賃列賬為融資租賃。

投資及其他金融資產

初始確認及計量

於初始確認時，金融資產以按公平值計入損益之方式進行分類，其後則按攤銷成本計量。

金融資產於初始確認時之分類取決於取決於金融資產之合約現金流量特徵及本集團管理金融資產之業務模式。若不計及應收賬款(並不包含重大融資部分或本集團就此應用不調整重大融資部分的影響的切實權益法)，本集團初步按公平值加交易成本(倘金融資產並非按公平值計入損益)計量金融資產。根據下文「收益確認」所載之政策，應收賬款(並不包含重大融資部分或本集團就此應用切實權益法)乃按根據香港財務報告準則第15號釐定之交易價格計量。

為使金融資產按攤銷成本或按公平值計入其他全面收益進行分類及計量，須就未償還本金產生純粹為支付本金及利息(「純粹為支付本金及利息」)的現金流量。現金流量並非純粹為支付本金及利息的金融資產，不論其業務模式如何，均按公平值計入損益進行分類及計量。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 主要會計政策概要(續)

投資及其他金融資產(續)

初始確認及計量(續)

本集團管理金融資產之業務模式指本集團管理其金融資產以產生現金流量之方法。該業務模式釐定現金流量是否將因收取合約現金流量、出售金融資產或兩者產生。按攤銷成本進行分類及計量的金融資產乃於旨在持有金融資產以收取合約現金流量的業務模式中持有，而按公平值計入其他全面收益進行分類及計量的金融資產則於以收取合約現金流量及出售金融資產的業務模式中持有。並無於上述業務模式中持有的金融資產按公平值計入損益進行分類及計量。

所有常規買賣之金融資產概於交易日(即本集團承諾購買或出售該資產之日期)予以確認。常規買賣乃指按照一般市場規定或慣例在一定期間內交付資產之金融資產買賣。

後續計量

金融資產按其分類之後續計量如下：

按攤銷成本計量之金融資產(債務工具)

按攤銷成本列賬之金融資產其後使用實際利率法計量，並可能受減值影響。當終止確認、修訂或減值時，收益及虧損於損益中確認。

按公平值計入損益之金融資產

按公平值計入損益之金融資產按公平值於財務狀況報表列賬，而公平值變動則於損益賬中確認。

此類別包括本集團並無不可撤銷地選擇按公平值計入其他全面收益之方式進行分類之股權投資。分類為按公平值計入損益之金融資產之股權投資股息亦於支付權利確立時在損益賬中確認為其他收入。與股息相關之經濟利益可能將流入本集團及股息金額能夠可靠計量。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 主要會計政策概要(續)

終止確認金融資產

金融資產或(如適用)一項金融資產的一部分或一組同類金融資產的一部分主要在下列情況將終止確認(即自本集團綜合財務狀況報表移除):

- 收取該項資產所得現金流量的權利已屆滿; 或
- 本集團已轉讓收取該項資產所得現金流量的權利, 或已透過一項「轉付」安排, 承擔在未有嚴重延誤的情況下, 向一名第三方支付所有已收現金流量的責任; 及(a)本集團已轉讓該項資產的絕大部分風險及回報, 或(b)本集團並無轉讓或保留該項資產絕大部分風險及回報, 但已轉讓該項資產的控制權。

倘本集團已轉讓其從一項資產收取現金流量之權利或已訂立一項轉付安排, 其將評估是否保留資產擁有權之風險及回報及保留程度。倘其並無轉讓或保留該項資產的絕大部份風險及回報, 且並無轉讓該項資產的控制權, 本集團將繼續確認該已轉讓資產, 惟以本集團持續參與者為限。於該情況下, 本集團亦確認一項相關負債。已轉讓之資產及相關負債乃按反映本集團已保留權利及責任之基準計量。

本公司就已轉讓資產作出保證之持續參與, 乃以該項資產之原賬面值及本集團或須償還之代價數額上限(以較低者為準)計算。

金融資產減值

本集團就所有並非以按公平值計入損益之方式持有之債務工具確認預期信貸虧損(「預期信貸虧損」)撥備。預期信貸虧損乃按根據合約到期之合約現金流量與本集團預期將收取之所有現金流量之間之差額計算, 並按原有實際利率之約數進行折現。預期現金流量將包括出售所持抵押品或其他信貸提升措施(屬於合約條款之一部分)所產生之現金流量。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable and which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 主要會計政策概要(續)

金融資產減值(續)

通用方法

預期信貸虧損分兩個階段確認。就初始確認以來信貸風險並無大幅增加的信貸敞口而言，會為未來十二個月(十二個月預期信貸虧損)可能發生的違約事件所產生之信貸虧損計提預期信貸虧損撥備。就初始確認以來信貸風險大幅增加之信貸敞口而言，須就預期於敞口之餘下年期產生之信貸虧損計提減值撥備，不論違約的時間(全期預期信貸虧損)。

於各報告日期，本集團會評估金融工具的信貸風險自初始確認以來是否大幅增加。於作出評估時，本集團會比較金融工具於報告日期之違約風險與金融工具於初始確認日期之違約風險，並會考慮毋須耗費不當成本或精力即可獲得之合理及有據資料(包括過往及前瞻性資料)。本集團認為，倘合約付款逾期超過30天，則信貸風險已大幅上升。

於合約付款逾期90天時，本集團視金融資產出現違約。然而，於若干情況下，在計及本集團持有之任何信貸措施前，倘內外部資料顯示本集團不大可能悉數收回尚未收回合約款項，則本集團亦可視金融資產出現違約。

按攤銷成本計量之金融資產須根據通用方法計量減值，其亦於計量預期信貸虧損之下列階段內進行分類，惟應用簡化方法(如下文詳述)之應收賬款除外。

- 第1階段 – 自初始確認以來，信貸風險並無顯著增加，且其虧損撥備按相當於十二個月預期信貸虧損之金額計量之金融工具
- 第2階段 – 自初始確認以來，信貸風險顯著增加，但並非屬信貸減值金融資產且其虧損撥備按相當於全期預期信貸虧損之金額計量之金融工具
- 第3階段 – 於報告日期出現信貸減值(但未購買或產生信貸減值)且其虧損撥備按相當於全期預期信貸虧損之金額計量之金融資產

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For accounts receivable and that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable and that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables, amounts due to related companies, loans from a related company, bank and other borrowings, and financial liabilities in other payables, deposits and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, banks and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

2.4 主要會計政策概要(續)

金融資產減值(續)

簡化方法

就並不包含重大融資部分或本集團就此應用不調整重大融資部分的影響的切實權宜法，本集團會應用簡化方法計算預期信貸虧損。根據簡化方法，本集團並不追蹤信貸風險之變動，而是在每個報告日確認基於全期預期信貸虧損之減值虧損。本集團已建立基於過往信貸虧損經驗之撥備矩陣，並就應收賬款及經濟環境特定之前瞻性因素作出調整。

對於含有重大融資部分及應收租賃之應收賬款，本集團會選擇採用簡化方法計算具有上述政策之預期信用損失作為其會計政策。

金融負債

初始確認及計量

金融負債於初始確認時分類為貸款及借款或應付款項(如適用)。

初始確認時，所有金融負債均按公平值確認，而貸款及借款以及應付款項則扣除直接應佔交易成本確認。

本集團金融負債包括應付賬款、應付關連公司款項、來自一間關連公司之貸款、銀行及其他借款以及其他應付款項、按金及應計費用中的金融負債。

後續計量

金融負債的後續計量如下：

按攤銷成本計算之金融負債(貸款和借款)

初始確認後，銀行及其他借款其後以實際利率法按攤銷成本計量，惟倘貼現之影響並不重大，於此情況下，則按成本列賬。倘負債被終止確認，則盈虧在損益中透過實際利率法攤銷程式確認。

攤銷成本計算時會考慮任何收購折讓或溢價以及構成實際利率整體部份的費用或成本。實際利率法攤銷包括在損益內的財務費用。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 主要會計政策概要(續)

金融負債(續)

後續計量(續)

財務擔保合約

本集團發出的財務擔保合約為要求付款以彌償擔保持有人因指定債務人未能按照債務工具條款於到期時付款而招致的損失的合約。財務擔保合約初始按公平值確認為負債，並就直接歸屬於發出該擔保的交易成本作出調整。初始確認後，本集團按以下兩者中的較高者計量財務擔保合約：(i)根據「金融資產減值」所載政策釐定之預期信貸虧損撥備；及(ii)初始確認的金額減(若適用)累計已確認收入金額。

終止確認金融負債

倘金融負債下的義務被解除、取消或到期，則本集團終止確認負債。

當現有金融負債被來自同一放債人的另一項條款迥異的金融負債取代，或現有負債的條款大部分被修訂時，該項交換或修訂會視作終止確認原有負債及確認新負債，各自的賬面金額差額於損益賬確認。

抵銷金融工具

倘現時存在一項可在法律上強制執行的權利，可抵銷已確認金額，且有意以淨額結算或同時變現資產及償付債務，則金融資產與金融負債可予抵銷，並將淨金額列入綜合財務狀況報表。

現金及現金等值項目

就綜合現金流量表而言，現金及現金等值項目包括手頭現金及活期存款，以及可隨時兌換為已知數額現金、價值變動風險不大、一般於收購後三個月內到期的短期高度流通投資(須按要求償還並構成本集團現金管理重要部分)。

就綜合財務狀況報表而言，現金及現金等值項目包括用途不受限制的手頭現金及銀行存款(包括定期存款以及現金類似性質資產)。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 主要會計政策概要(續)

撥備

當因過往發生的事件而產生目前的債務(法定或推定), 並可能導致日後須流出資源以清償債務時, 本集團會確認撥備, 惟債務的金額須能夠可靠地估計。

當貼現的影響重大時, 本集團會就撥備確認的金額為預期清償債務所需的未來開支於報告期末的現值。因時間流逝而產生的已貼現現值金額增加計入損益賬的融資成本。

所得稅

所得稅包括即期及遞延稅項。有關損益外確認項目的所得稅會於損益外確認, 即於其他全面收益或直接於權益確認。

即期稅項資產及負債乃根據於報告期末已頒佈或實質上已頒佈的稅率(及稅法), 並考慮本集團業務所在國家的現有詮釋及慣例, 按預期自課稅機關退回或支付予課稅機關的金額計量。

遞延稅項就於報告期末資產與負債的稅基及作財務申報用途的賬面金額兩者間的所有暫時差額以負債法計提撥備。

遞延稅項負債乃就所有應課稅暫時差額確認, 惟:

- 遞延稅項負債乃因一項交易(並非業務合併)中最初確認商譽或資產或負債而產生, 且於交易時並無對會計溢利或應課稅溢利或虧損構成影響除外; 及
- 就與於附屬公司、聯營公司及合營企業的投資有關的應課稅暫時差額而言, 暫時差額的撥回時間可以控制及暫時差額有可能不會於可預見未來撥回除外。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 主要會計政策概要(續)

所得稅(續)

遞延稅項資產就所有可扣減暫時差額及未被動用稅項抵免與任何未被動用稅項虧損的結轉確認。遞延稅項資產僅在可能有未來應課稅溢利以動用可扣減暫時差額及結轉的未被動用稅項抵免及未被動用稅項虧損時，方可確認，惟：

- 遞延稅項資產與於一項交易(並非業務合併)中最初確認資產或負債時產生而於交易時並無對會計溢利或應課稅溢利或虧損構成影響的可扣減暫時差額有關除外；及
- 就與於附屬公司的投資有關的可扣減暫時差額而言，遞延稅項資產僅以暫時差額有可能於可預見未來撥回及可能有未來應課稅溢利以動用暫時差額為限確認。

本集團於各報告期末檢討遞延稅項資產的賬面金額，並於不再可能會有足夠應課稅溢利動用全部或部分資產時作調減。未確認的遞延稅項資產會於各報告期末重新評估，並於可能會有足夠應課稅溢利收回全部或部分遞延稅項資產時確認。

遞延稅項資產與負債以變現資產或清還負債的期間的預期適用稅率，按於報告期末已頒佈或實質上已頒佈的稅率(及稅法)計量。

倘及僅倘本集團有在法律上可強制執行的權利抵銷即期稅項資產與即期稅項負債，且遞延稅項資產及遞延稅項負債涉及同一課稅機關就同一應課稅實體徵收的所得稅，或涉及就有意於各個預期清償大額遞延稅項負債或收回大額遞延稅項資產的未來期間以淨額基準結算即期稅項負債與資產或同時變現資產及清償負債的不同應課稅實體徵收的所得稅，則遞延稅項資產及遞延稅項負債會作抵銷。

政府補助

政府補助於能合理確定將能收取補助及將符合所有附帶條件時按公平值確認。當補助與支出項目有關時，會於補助擬補償的成本支銷的期間內按有系統基準確認為收入。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

- (a) *Sale of properties*
Revenue from the sale of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.
- (b) *Project management services*
Revenue from project management services derived from the provision of management and sale services in connection with development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.
- (c) *Hotel operation*
Revenue from room sales and other ancillary guest services is recognised over time on a daily basis, and revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to customers.

2.4 主要會計政策概要(續)

收益確認

客戶合約收益

來自客戶合約的收益乃於商品或服務的控制權轉讓予客戶時確認，該金額能反映本集團預期就交換該等商品或服務有權獲得的代價。

當合約中的代價包含可變金額時，代價金額於本集團向客戶轉讓商品或服務而有權獲得交換時估計。可變代價於合約開始時估計並受到約束，直至與可變代價相關的不確定因素其後得到解決時，確認的累積收益金額極有可能不會發生重大收益回撥。

當合約中包含融資成分，該融資成分為客戶提供超過一年的商品或服務轉讓融資的重大利益時，收益按應收款項的現值計量，使用貼現率折現，該貼現率將反映在本集團與客戶在合同開始時的單獨融資交易中。當合約中包含融資部分，該融資部分為本集團提供了一年以上的重大財務利益時，合約項下確認的收益包括按實際利息法在合約負債上累計的利息。就客戶付款至轉讓承諾商品或者服務的期限為一年或者更短的合約而言，交易價格採用香港務報告準則第15號中實際權宜之計，不會對重大融資部分的影響作出調整。

就於本集團日常業務過程中出售物業及提供服務而言，收益按已收或應收代價之公平值計量。收益於扣除稅項後列賬。

- (a) *物業銷售*
就於日常業務過程中出售物業而言，收益於買方獲得竣工物業的實際所有權或法定業權、本集團現時擁有要求付款權及代價有可能收回時確認。
- (b) *項目管理服務*
為物業項目開發提供管理及銷售服務而產生的項目管理服務收入於提供相關服務且客戶同時收到並消耗本集團提供的利益時確認。
- (c) *酒店營運*
客房銷售及其他配套賓客服務之收益每日隨時間確認，而來自商品銷售之收益則於商品的控制權轉移至客戶時確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 主要會計政策概要(續)

收益確認(續)

其他來源收益

租金收入於租期內按時間比例基準確認。

股息收入於股東收取派付的權利獲確定、與股息有關的經濟利益可能流向本集團及股息金額能可靠計量時確認。

其他收入

利息收入按累計基準使用實際利息法確認，當中採用將金融工具預期年期或更短期間(如適用)內的估計未來現金收入準確貼現至金融資產賬面淨額的利率。

合約負債

倘本集團轉讓有關貨品或服務前自客戶收取付款或付款到期時(以較早者為準)，則確認合約負債。合約負債於本集團履行合約時確認為收益(即將有關貨品或服務的控制權轉讓予客戶)。

合約成本

除資本化為存貨、物業、廠房及設備以及無形資產的成本外，倘符合下列全部標準，履行客戶合約產生的成本資本化為資產：

- (a) 有關成本與實體可明確識別之合約或預期合約有直接關係。
- (b) 有關成本令實體將用於履行(或持續履行)日後履約責任之資源得以產生或有所增加。
- (c) 有關成本預期可收回。

資本化合約成本按與向客戶轉讓與該資產相關的商品或服務一致的基準系統化地攤銷並於損益賬扣除。其他合約成本於產生時支銷。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Retirement benefit scheme and pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operates in Mainland China are required to participate in a pension scheme (the “Pension Scheme”) operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company’s functional currency is the Hong Kong dollar. These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 主要會計政策概要(續)

其他僱員福利

退休福利計劃及退休金計劃

本集團根據強制性公積金計劃條例為其全體僱員提供界定供款強制性公積金退休福利計劃(「強積金計劃」)。供款乃按照僱員基本薪資之百分比作出，並於供款根據強積金計劃規則變為應付時於損益賬扣除。強積金計劃資產與本集團資產分開持有，於獨立管理基金持有。本集團僱員供款於繳納入強積金計劃時悉數歸僱員所有。

本集團於中國內地經營的附屬公司的僱員被要求參與地方市政府營辦的退休金計劃(「退休金計劃」)。附屬公司須將其一定比例的薪金成本向該退休金計劃供款。根據退休金計劃規則須支付的供款於損益賬列賬。

借貸成本

與收購、建造或生產需要長時間方能達致擬定用途或銷售之合資格資產直接有關之借貸成本，均資本化為該等資產成本的一部分，直至該等資產可大致上作擬定用途或銷售為止。將特定借貸用以支付合資格資產前就該等借貸所作暫時投資賺取之投資收入，從資本化借貸成本中扣除。所有其他借貸成本於其產生期間支銷。借貸成本包括利息及實體產生之有關資金借貸的其他成本。

股息

末期股息於股東在股東大會上批准時確認為負債。建議末期股息於財務報表附註披露。

外幣

本公司的功能貨幣為港元。該等財務報表以人民幣呈列。本集團各實體釐定其各自之功能貨幣，各實體財務報表所載項目使用功能貨幣計量。本集團實體所列外幣交易初步使用交易日期其各自的功能貨幣匯率入賬。以外幣計值的貨幣資產及負債按於報告期末的外幣匯率進行換算。貨幣項目結算或換算產生的差額於損益賬確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than the RMB, including the Hong Kong dollar (HK\$), United States dollar ("USD") and Singapore dollar ("SGD"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.4 主要會計政策概要(續)

外幣(續)

貨幣項目結算或換算產生的差額於損益賬確認，惟就指定作為對沖本集團的海外業務投資淨額一部分的貨幣項目則除外。該等貨幣項目於其他全面收益確認，直至投資淨額已出售，此時累算金額乃重新分類至損益賬。就該等貨幣項目匯兌差額應佔的稅項支出及抵免亦計入其他全面收益內。

按外幣歷史成本計量的非貨幣項目按首次交易日期的匯率換算。按外幣公平值計量之非貨幣項目採用計量公平值當日之匯率換算。兌換非貨幣項目產生及按公平值計量之損益之處理方式與確認該項目公平值變動產生之損益相符。

於終止確認涉及預付代價的非貨幣資產或非貨幣負債時，為了確定相關資產、開支或收入於初始確認時的匯率，初始交易日期為本集團初始確認預付代價產生的非貨幣資產或非貨幣負債的日期。倘支付或收受多項預付代價，則本集團就支付或收受每項預付代價確定交易日期。

若干香港及海外附屬公司之功能貨幣為人民幣以外之貨幣，包括港元(「港元」)、美元(「美元」)、新加坡元(「新加坡元」)及日圓(「日圓」)。於報告期末，該等實體之資產與負債，按報告期末之匯率換算為人民幣，其損益賬則按本年度之加權平均匯率換算為人民幣。

因此而產生之匯兌差額於其他全面收益確認，並於外匯變動儲備中累計。出售外國業務時，就該項外國業務確認之其他全面收益部份，會在損益賬中確認。

任何因收購外國業務引起之商譽及任何由於收購所得之資產及負債面值金額之公平值調整均視為外國業務之資產及負債及以收市價換算。

就綜合現金流量表而言，海外附屬公司之現金流量乃以現金流動日之匯率換算為人民幣。於年內產生之海外附屬公司經常性現金流量乃以年內之加權平均匯率換算為人民幣。

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2.1 to the financial statements.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties – senior housing communities located in the United States of America (the "USA") – are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in Hong Kong and Singapore are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties of senior housing communities but is not rebutted for properties located in Hong Kong and Singapore. The Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong and Singapore as the Group is not subject to any income taxes on disposal of these investment properties.

Deferred tax on withholding taxes

Deferred tax liabilities are recognised for withholding corporate income taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries established in the PRC for the year ended 31 December 2022 was RMB60,247,000 (31 December 2021: 60,247,000). Further details are contained in note 31 to the financial statements.

3. 重大會計判斷及估計

編製本集團之財務報表時，管理層須作出會影響收益、開支、資產及負債之呈報金額，及其隨附披露以及或然負債披露之判斷、估計及假設。然而，有關該等假設及估計之不確定因素可導致於日後須對受影響之資產或負債賬面值作出重大調整。

持續經營考慮

於應用本集團會計政策之過程中，除涉及估計之事項外，管理層編製綜合財務報表時乃假設本集團於來年將可按持續經營基準營運，此乃對綜合財務報表內已確認金額構成最重大影響之主要判斷。評估持續經營假設時，董事需於特定時間就本質上不確定之事件或狀況之未來結果作出判斷。董事認為，本集團有能力持續經營，而可能個別或共同對持續經營假設構成重大疑問，且或會引致業務風險之重大事件或狀況載於財務報表附註2.1。

判斷

於應用本集團會計政策之過程中，除涉及估計之判斷外，管理層亦作出以下對於財務報表中確認之金額構成最重大影響之判斷：

於投資物業之遞延稅項

就以公平值模型計量之投資物業產生之遞延稅項而言，本公司董事已審閱本集團之投資物業組合，總結為本集團位於美利堅合眾國（「美國」）之投資物業－長者住房院舍以商業模式（其目標是隨時間而非透過銷售消耗投資物業所包含之絕大部分經濟利益）持有，而該等位於香港及新加坡之投資物業則並非以該商業模式持有。因此，就長者住房院舍之物業而言，透過出售全部回收投資物業賬面值之假定被推翻，惟就位於香港及新加坡之物業而言，假定則不被推翻。由於本集團出售該等位於香港及新加坡之投資物業時毋須繳納任何所得稅，故本集團並無就該等投資物業之公平值變動確認任何遞延稅項。

於預扣稅之遞延稅項

就本集團於中國成立之附屬公司須繳納預扣稅的未匯出盈利應付的預扣企業所得稅確認遞延稅項負債。管理層須基於該等附屬公司於可見未來可能分派有關盈利之水平作出重大判斷，以釐定遞延稅項負債金額。於截至2022年12月31日止年度，與於中國成立之附屬公司的投資相關之預扣稅產生之遞延稅項負債金額為人民幣60,247,000元（2021年12月31日：人民幣60,247,000元）。進一步詳情載於財務報表附註31。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2022 2022年12月31日

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB300,357,000 (2021: RMB424,722,000). Further details are given in note 16 to the financial statements.

Provision for expected credit losses on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and other receivables is disclosed in note 23 to the financial statements, respectively.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

3. 重大會計判斷及估計(續)

估計不明朗因素

有關未來之主要假設及於報告期間結算日估計不明朗因素(會導致下個財政年度內之資產及負債賬面值出現大幅調整之重大風險)之其他主要來源載述如下。

商譽減值

集團至少每年釐定商譽是否減值。其要求估計獲分配商譽的現金產生單位的使用價值。估計使用價值要求本集團對現金產生單位的預期未來現金流量作出估計，並須選擇合適的貼現率計算該等現金流量的現值。於2022年12月31日商譽的賬面值為人民幣300,357,000元(2021年：人民幣424,722,000元)。進一步詳情載於財務報表附註16。

應收賬款及其他應收款項之預期信貸虧損撥備

本集團使用撥備矩陣計算應收賬款及其他應收款項之預期信貸虧損。撥備率乃基於具有類似虧損模式之多個客戶分部組別(即地理位置、產品類別、客戶類別及評級)之逾期天數釐定。

預期虧損率初步基於本集團之過往觀察所得違約率。本集團將調整矩陣，藉以按前瞻性資料調整過往信貸虧損經驗。例如，倘預測經濟狀況(即國內生產總值)預期將在未來一年內惡化，可能導致製造業之違約次數增加，則會調整過往違約率。於各報告日期，過往觀察所得違約率會予以更新，並分析前瞻性估計之變動。

過往觀察所得違約率、經濟狀況預測及預期信貸虧損之間的相關性評估為一個重要估計。預期信貸虧損金額對環境及經濟狀況預測之變動極為敏感。本集團之過往信貸虧損經驗及經濟狀況預測亦或不能代表客戶未來的實際違約。有關本集團應收賬款及其他應收款項之預期信貸虧損之資料於財務報表附註23中分別披露。

投資物業公平值之估計

當活躍市場上缺乏相似物業之現價時，本集團會參考不同資料來源，包括：

- (a) 在活躍市場上不同性質、條件或地點之物業現價，並作出調整以反映該等差異；
- (b) 在較為不活躍市場上相似物業之現價，並作出調整以反映該等價格自交易日以來經濟狀況任何變動對該等價格之影響；及
- (c) 基於未來現金流量之可靠估計之貼現現金流量預測，並根據任何現有租約及其他合約之條款，以及(如可能)外部證據，例如同一地點及狀況的類似物業的現行市場租金，並使用貼現率反映現時市場對現金流量之金額及時間之不確定性評估。

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimation of fair value of investment properties (continued)

The carrying amount of investment properties at 31 December 2022 was RMB584,960,000 (2021: RMB531,595,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. An intangible asset not yet available for use is tested for impairment annually and at other times when such an indicator exists. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 was RMB181,464,000 (2021: RMB159,300,000). The amount of unrecognised tax losses at 31 December 2022 was RMB1,013,474,000 (2021: RMB554,526,000). Further details are contained in note 30 to the financial statements.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

投資物業公平值之估計(續)

於2022年12月31日，投資物業賬面值為人民幣584,960,000元(2021年：人民幣531,595,000元)。進一步詳情(包括計量公平值採用之主要假設及敏感度分析)載於財務報表附註15。

非金融資產減值(商譽除外)

本集團於各報告期間結算日評估所有非金融資產有否任何減值跡象。尚未達至使用狀態的無形資產每年進行減值測試，並於存在減值跡象的其他時間進行測試。非金融資產會於有跡象顯示可能無法收回賬面值時進行減值測試。當資產或現金產生單位之賬面值超出其可收回金額(即其公平值減銷售成本及其使用價值的較高者)時，則存在減值。公平值減出售成本乃基於同類資產按公平協商基準進行的具約束力的銷售交易的可用數據，或可觀察市價減出售資產之遞增成本而計算。計算使用價值時，管理層須估計資產或現金產生單位之預計未來現金流量，並選用合適的貼現率以計算該等現金流量之現值。

遞延稅項資產

遞延稅項資產就未動用稅項虧損予以確認，惟以可能出現應課稅溢利將可用以抵銷有關可動用之虧損為限。在釐定可予以確認之遞延稅項資產金額時，須根據日後應課稅溢利可能出現之時間及水平以及未來稅項規劃策略作出重大管理判斷。於2022年12月31日，有關已確認稅項虧損之遞延稅項資產賬面值為人民幣181,464,000元(2021年：人民幣159,300,000元)。於2022年12月31日，未確認稅項虧損為人民幣1,013,474,000元(2021年：人民幣554,526,000元)。進一步詳情載於財務報表附註30。

中國土地增值稅(「土地增值稅」)

本集團須繳納中國土地增值稅。土地增值稅撥備根據管理層對中國相關稅務法律及法規所載規定的理解所作之最佳估計而計提。實際土地增值稅負債須待物業發展項目竣工後由稅務機關釐定。本集團尚未就其全部物業發展項目與稅務機關落實其土地增值稅之計算及付款。最終結果可能與初步入賬之金額不同，而差額將會影響差額變現期間之土地增值稅開支及相關撥備。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2022 2022年12月31日

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Net realisable value assessment of properties under development and completed properties held for sale

The Group carried out assessment on net realisable value of properties under development and completed properties held for sale at the end of each reporting period and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Group's pre-sale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Groups' completed projects, adjusted by certain current market data, the legal and regulating framework and general market conditions. The Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the consolidated statement of financial position and notes 20 and 21 to the financial statements. At 31 December 2022, the carrying amounts of properties under development and completed properties held for sale were approximately RMB42,475,033,000 (2021: RMB47,834,930,000) and RMB10,212,953,000 (2021: RMB9,028,002,000), respectively, which are expected to be recovered through future sales and stated at the lower of cost and net realisable value. The Group carried out assessment on net realisable value at the end of the reporting period and recognised RMB1,263,639,000 (2021: RMB225,073,000) and RMB1,449,493,000 (2021: RMB91,691,000) of the write-down for properties under development and completed properties held for sale as at 31 December 2022, respectively. When there is any decrease in the net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the consolidated statement of profit or loss.

Contingent liabilities

As at 31 December 2022, the Group had contingent liabilities relating to guarantees amounting to approximately RMB19,274,110,000 (2021: RMB18,002,298,000) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interests thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2022 as in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interests and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

發展中物業及持作出售之已完工物業之可變現淨值評估

本集團於各報告期間結算日對發展中物業及持作出售之已完工物業之可變現淨值進行評估並對比成本與其可變現淨值。可變現淨值乃按估計未來售價減估計完成成本或出售所需之估計成本(如有)計算。估計未來售價乃由管理層經參考本集團之預售價及於附近或相關地點之類似物業之近期售價後估計得出。管理層亦已參考本集團竣工項目所需的實際銷售開支對未來銷售開支及預期完工成本進行估計，有關實際銷售開支已根據若干現有市場數據、法律及監管體制以及整體市況作出調整。本集團之發展中物業及持作出售之已完工物業均位於中國，其詳情載於綜合財務狀況報表以及財務報表附註20及21。於2022年12月31日，發展中物業及持作出售之已完工物業之賬面值分別約人民幣42,475,033,000元(2021年：人民幣47,834,930,000元)及人民幣10,212,953,000元(2021年：人民幣9,028,002,000元)預期可透過未來銷售予以收回，並按成本及可變現淨值兩者之較低者列賬。於2022年12月31日，本集團於報告期間結算日對可變現淨值進行評估並分別就發展中物業及持作出售之已完工物業確認撇減人民幣1,263,639,000元(2021年：人民幣225,073,000元)及人民幣1,449,493,000元(2021年：人民幣91,691,000元)。倘物業之可變現淨值出現任何減少並低於物業之成本，則將就發展中物業及持作出售之已完工物業於綜合損益賬確認虧損。

或然負債

於2022年12月31日，本集團就有關本集團物業之物業買家訂立之按揭貸款而由若干銀行提供之按揭融資之擔保擁有或然負債約人民幣19,274,110,000元(2021年：人民幣18,002,298,000元)。根據擔保條款，倘該等物業買家拖欠按揭款項，本集團須負責支付負責買家欠付銀行的未償還按揭本金連同累計利息及任何罰款。本集團將有權接管相關物業的法定業權及擁有權。該等擔保將於以下較早者發生時解除：(i)物業買家償還按揭貸款；及(ii)就按揭物業發出物業所有權證並完成按揭的取消登記。本公司董事認為，由於倘付款出現違約，相關物業之可變現淨值可涵蓋未償還本金連同累計利息及罰款，故並無就擔保合約於截至2022年12月31日止年度之綜合財務報表作出撥備。倘實際結果與預期不同，則將於綜合財務報表確認虧損撥備。

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Project management services in the PRC
- (c) Hotel operations in the PRC
- (d) Property investment and management in the United States of America (“USA” or “US”) in American Housing REIT, Inc. (“AHR”)
- (e) Property investment other than AHR
- (f) Securities trading and investment

The Group has property investment and/or management businesses in Hong Kong, the USA and Singapore. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management previously and up to 31 December 2022.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Except for the new reportable operating segment of hotel operations in the PRC since January 2022, there are no differences from the Group’s annual financial statements for the year ended 31 December 2022 on the basis of segmentation or on the basis of measurement of segment profit or loss, segment assets and liabilities.

4. 經營分部資料

為進行管理，本集團根據其產品及服務成立業務分部，其六個可報告經營分部如下：

- (a) 於中國之物業發展
- (b) 於中國之項目管理服務
- (c) 於中國之酒店營運
- (d) 於美利堅合眾國（「美國」）對美洲房地產投資信託（「AHR」）進行之物業投資及管理
- (e) AHR以外之物業投資
- (f) 證券買賣及投資

本集團於香港、美國及新加坡擁有物業投資及／或管理業務。除於美國經營的AHR外，之前及截至2022年12月31日的其他地區物業投資業務乃由管理層一併估值，並作為一個經營分部予以評估。

管理層個別監控本集團之經營分部之業績，以便作出有關資源分配及表現評估之決定。評估分部表現乃根據可報告之分部溢利／（虧損）（除稅前經調整溢利／（虧損）之計量）。除稅前經調整溢利／（虧損）乃貫徹本集團之除稅前溢利／（虧損）計量，惟若干其他收益及虧損、公司及未分配收入及支出（包括未分配融資成本）除外。

分部資產不包括遞延稅項資產、總部及公司未分配資產，因該等資產是以集團基準管理。

分部負債不包括遞延稅項負債、稅項負債以及總部及公司未分配負債，因該等負債是以集團基準管理。

除自2022年1月以來於中國的酒店營運的新可報告經營分部外，本集團截至2022年12月31日止年度之年度財務報表於分部基準或分部損益、分部資產及負債之計量基準方面並無差異。

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31 December 2022 2022年12月31日

4. OPERATING SEGMENT INFORMATION (CONTINUED)

4. 經營分部資料(續)

Segment revenue and segment results

分部收益及分部業績

		Segment revenue		Segment results	
		分部收益		分部業績	
		2022	2021	2022	2021
		2022年	2021年	2022年	2021年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Property development in the PRC	於中國之物業發展	9,591,489	13,321,003	(2,395,838)	492,287
Project management services in the PRC	於中國之項目管理服務	11,366	61,825	4,348	58,734
Hotel operations in the PRC	於中國之酒店營運	12,456	–	(1,503)	–
Property investment and management on AHR	對AHR進行之物業投資及管理	14,738	14,441	9,683	9,912
Property investment other than AHR	AHR以外之物業投資	10,897	9,493	21,065	2,038
Securities trading and investment	證券買賣及投資	16,110	14,734	(190,930)	127,351
		9,657,056	13,421,496	(2,553,175)	690,322
Unallocated corporate income	未分配公司收入			820	326
Other gains and losses	其他收益及虧損			(187,153)	(16,942)
Unallocated corporate expenses	未分配公司開支			(9,039)	(15,058)
(Loss)/profit before tax	除稅前(虧損)/溢利			(2,748,547)	658,648
				2022	2021
				2022年	2021年
				RMB'000	RMB'000
				人民幣千元	人民幣千元
<i>Segment assets</i>	<i>分部資產</i>				
Property development in the PRC	於中國之物業發展			59,913,866	66,687,630
Project management services in the PRC	於中國之項目管理服務			5,030	62,444
Hotel operations in the PRC	於中國之酒店營運			132,668	–
Property investment and management on AHR	對AHR進行之物業投資及管理			223,768	202,296
Property investment other than AHR	AHR以外之物業投資			397,348	357,273
Securities trading and investment	證券買賣及投資			251,586	427,489
Segment assets	分部資產			60,924,266	67,737,132
Unallocated assets	未分配資產			619,633	502,741
Total assets	總資產			61,543,899	68,239,873
<i>Segment liabilities</i>	<i>分部負債</i>				
Property development in the PRC	於中國之物業發展			54,989,960	58,804,650
Project management services in the PRC	於中國之項目管理服務			682	1,676
Property investment and management on AHR	對AHR進行之物業投資及管理			62,409	63,024
Property investment other than AHR	AHR以外之物業投資			120,927	115,475
Segment liabilities	分部負債			55,173,978	58,984,825
Unallocated liabilities	未分配負債			1,049,676	1,056,391
Total liabilities	總負債			56,223,654	60,041,216

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Other segment information

For the year ended 31 December 2022

4. 經營分部資料(續)

其他分部資料

截至2022年12月31日止年度

	Property development in the PRC	Project management services in the PRC	Hotel operations in the PRC	Property investment and management on AHR in the USA 於美國對AHR進行之物業投資及管理	Property investment other than AHR	Securities trading and investment	Segment total	Unallocated	Total
	於中國之物業發展	於中國之項目管理服務	於中國之酒店營運	物業投資及AHR以外之物業投資	證券買賣及投資	分部總額	未分配	總計	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
Additions to investment properties and property, plant and equipment	570	-	4,213	-	-	-	4,783	25	4,808
Depreciation of property, plant and equipment	16,526	-	4,735	-	26	-	21,287	1,254	22,541
Amortisation of intangible assets	44,887	-	22	-	-	-	44,909	-	44,909
Fair value (loss)/gain on investment properties	-	-	-	(135)	19,454	-	19,319	-	19,319
Fair value loss on financial assets at fair value through profit or loss	-	-	-	-	-	(207,039)	(207,039)	-	(207,039)
Write-down of properties on properties under development and completed properties held for sale to net realisable value	2,656,869	-	-	-	-	-	2,656,869	-	2,656,869
Provision for impairment of goodwill	124,365	-	-	-	-	-	124,365	-	124,365
Impairment losses on accounts receivable and other receivables	11,604	-	-	-	-	-	11,604	-	11,604

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)
For the year ended 31 December 2021

4. 經營分部資料(續)

其他分部資料(續)
截至2021年12月31日止年度

	Property development in the PRC	Project management services in the PRC	Property management on AHR in the USA 於美國對AHR	Property investment other than AHR	Securities trading and investment	Segment total	Unallocated	Total
	於中國之物業發展	於中國之項目管理服務	進行之物業投資及管理	AHR以外之物業投資	證券買賣及投資	分部總額	未分配	總計
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Additions to investment properties and property, plant and equipment	投資物業及物業、廠房及設備之添置	532,305	-	-	-	532,305	12	532,317
Depreciation of property, plant and equipment	物業、廠房及設備折舊	2,551	58	6	-	2,615	1,133	3,748
Amortisation of intangible assets	無形資產攤銷	41,895	-	-	-	41,895	-	41,895
Fair value gain/(loss) on investment properties	投資物業之公平值收益/(虧損)	-	-	129	(233)	(104)	-	(104)
Fair value gain on financial assets at fair value through profit or loss	按公平值計入損益之金融資產之公平值收益	-	-	-	112,618	112,618	-	112,618
Write-down of properties on properties under development and completed properties held for sale to net realisable value	就發展中物業及持作出售之已完工物業將物業撇減至可變現淨值	166,764	-	-	-	166,764	-	166,764

Geographical information

地區資料

		Revenue from external customers 來自外部客戶收益		Non-current assets 非流動資產	
		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
The PRC	中國	9,616,380	13,383,569	932,408	1,118,698
The USA	美國	15,482	29,633	217,740	200,562
Singapore	新加坡	7,438	6,740	317,236	267,549
Hong Kong	香港	17,756	1,554	102,885	101,241
		9,657,056	13,421,496	1,570,269	1,688,050

The geographical information of revenue from external customers is based on the geographical markets of the customers, and the locations of properties and investments. The geographical information of the non-current assets, excluding deferred tax assets and financial instruments, is based on the locations of the assets.

來自外部客戶收益之地區資料乃基於客戶地區市場、物業及投資之所在地而釐定。非流動資產(遞延稅項資產及金融工具除外)之地區資料乃基於有關資產之區域而釐定。

Information about major customers

During the years ended 31 December 2022 and 2021, no single customer has contributed 10% or more of the Group's total revenue.

有關主要客戶之資料

截至2022年及2021年12月31日止年度，概無單一客戶貢獻本集團總收益10%或以上。

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
<i>Revenue from contracts with customers</i>			
Sales of properties in the PRC	客戶合約收益 於中國出售物業	9,591,489	13,321,003
Project management services in the PRC	於中國之項目管理服務	11,366	61,825
Hotel operations in the PRC	於中國之酒店營運	12,456	-
		9,615,311	13,382,828
<i>Revenue from other sources</i>			
Gross rental income from investment properties	其他收益來源 投資物業租金收入總額	25,635	23,934
Dividend income from financial assets at fair value through profit or loss	按公平值計入損益之金融資產之 股息收入	16,110	14,734
		9,657,056	13,421,496

Revenue from contracts with customers

(i) *Disaggregated revenue information*
For the year ended 31 December 2022

客戶合約收益

(i) *收益分拆資料*
截至2022年12月31日止年度

Segments	分部	Project			Total
		Sales of properties in the PRC	management services in the PRC	Hotel operations in the PRC	
		於中國 出售物業 RMB'000 人民幣千元	於中國 之項目 管理服務 RMB'000 人民幣千元	於中國之 酒店營運 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
Type of goods or services and geographical markets	商品或服務之類別及 區域市場				
Sale of properties in the PRC	於中國出售物業	9,591,489	-	-	9,591,489
Project management services in the PRC	於中國之項目管理服務	-	11,366	-	11,366
Hotel operations in the PRC	於中國之酒店營運	-	-	12,456	12,456
Total revenue from contracts with external customers	外部客戶合約收益總額	9,591,489	11,366	12,456	9,615,311
Timing of revenue recognition	收益確認時間				
Goods transferred at a point in time	於某一時間點轉讓貨物	9,591,489	-	5,602	9,597,091
Services transferred over time	隨時間轉讓服務	-	11,366	6,854	18,220
Total revenue from contracts with external customers	外部客戶合約收益總額	9,591,489	11,366	12,456	9,615,311

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5. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

(i) *Disaggregated revenue information (continued)*

For the year ended 31 December 2021

5. 收益及其他收入(續)

客戶合約收益(續)

(i) *收益分拆資料(續)*

截至2021年12月31日止年度

Segments	分部	Sales of properties in the PRC 於中國出售物業 RMB'000 人民幣千元	Project management services in the PRC 於中國之項目管理服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Types of goods or services and geographical markets	商品或服務之類別及區域市場			
Sale of properties in the PRC	於中國出售物業	13,321,003	–	13,321,003
Project management services in the PRC	於中國之項目管理服務	–	61,825	61,825
Total revenue from contracts with external customers	外部客戶合約收益總額	13,321,003	61,825	13,382,828
Timing of revenue recognition	收益確認時間			
Goods transferred at a point in time	於某一時間點轉讓貨物	13,321,003	–	13,321,003
Services transferred over time	隨時間轉讓服務	–	61,825	61,825
Total revenue from contracts with external customers	外部客戶合約收益總額	13,321,003	61,825	13,382,828

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

於本報告期間確認並計入報告期初之合約負債之收益如下：

	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Sale of properties in the PRC 於中國出售物業	7,713,410	10,125,280

5. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advance payments are required pursuant to the terms of sale and purchase agreements.

Rendering of project management services

The performance obligation is satisfied over time as services are rendered and bills are issued when services are rendered.

Hotel operations

The performance obligation is satisfied as services are rendered or goods are delivered and payment is generally received in advance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021 are as follows:

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Within one year	一年內	18,797,317	12,103,855
After one year	一年後	15,721,954	21,878,848
		34,519,271	33,982,703

An analysis of other income is as follows:

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Interest income	利息收入	7,492	30,793
Government grants	政府資助	87	2,914
Others	其他	11,241	10,317
		18,820	44,024

5. 收益及其他收入(續)

客戶合約收益(續)

(ii) 履約責任

有關本集團履約責任之資料概述如下：

物業銷售

履約責任乃於交付物業後獲履行，且須根據買賣協議條款預付款項。

提供項目管理服務

履約責任乃於已提供服務並在提供服務後獲出具賬單時隨時間履行。

酒店營運

由於已提供服務或已交付貨品及一般預先收取款項，因此履約責任獲達成。

於2022年及2021年12月31日，分配至餘下履約責任(未履行或部分未履行)之交易價格如下：

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Within one year	一年內	18,797,317	12,103,855
After one year	一年後	15,721,954	21,878,848
		34,519,271	33,982,703

其他收入之分析如下：

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Interest income	利息收入	7,492	30,793
Government grants	政府資助	87	2,914
Others	其他	11,241	10,317
		18,820	44,024

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6. OTHER GAINS AND LOSSES, NET

6. 其他收益及虧損淨額

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Fair value gain/(loss) on fair value of investment properties (note 15)	投資物業公平值之公平值收益／(虧損)(附註15)	19,319	(104)
Fair value (loss)/gain on financial assets at fair value through profit or loss	按公平值計入損益之金融資產之公平值(虧損)／收益	(207,039)	112,618
Exchange losses	匯兌虧損	(187,153)	(16,942)
Write-down of properties under development and completed properties held for sale to net realisable value	撇減發展中物業及持作出售之已完工物業至可變現淨值	(2,656,869)	(166,764)
Provision for impairment of goodwill (note 16)	商譽減值撥備(附註16)	(124,365)	-
Impairment losses on accounts receivable and other receivables (note 23)	應收賬款及其他應收款項減值虧損(附註23)	(11,604)	-
		(3,167,711)	(71,192)

7. FINANCE COSTS

7. 融資成本

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Interests on:	以下各項之利息：		
Bank and other borrowings	銀行及其他借貸	719,716	1,323,241
Interest arising from revenue contracts	合約收益產生之利息	1,691,864	1,525,514
Less: Capitalised in properties under development	減：於發展中物業資本化	(2,296,812)	(2,758,838)
		114,768	89,917

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.75% to 12.50% (2021: 4.95% to 12.80%) per annum.

來自銀行及其他借貸之借貸成本已按介乎4.75厘至12.50厘(2021年：4.95厘至12.80厘)之年利率予以資本化。

8. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

8. 除稅前(虧損)/溢利

本集團之除稅前(虧損)/溢利已扣除下列各項：

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Cost of properties sold	已售物業成本	8,805,512	12,152,459
Cost of services	服務成本	20,977	3,091
Total employee benefit expenses:	僱員福利開支總額：		
Directors' emoluments (note 9)	董事薪酬(附註9)	1,049	1,023
Other staff:	其他員工：		
Salaries and other benefits	薪金及其他福利	90,379	122,661
Retirement benefit scheme contributions	退休福利計劃供款	8,949	9,168
		100,377	132,852
Less: Capitalised in properties under development	減：於發展中物業資本化	(6,418)	(27,144)
		93,959	105,708
Auditor's remuneration	核數師薪酬	2,880	2,380
Depreciation of property, plant and equipment	物業、廠房及設備折舊	20,036	2,158
Lease payments not included in the measurement of lease liabilities	並未計入租賃負債計量的租賃付款	368	1,483
The Group's (loss)/profit before tax is arrived at after crediting:	本集團之除稅前(虧損)/溢利已計入下列各項：		
Interest income	利息收入	7,492	30,793
Gross rental income from investment properties	投資物業租金收入總額	25,635	23,934
Less: Direct operating expenses incurred for:	減：所產生之直接經營開支：		
– investment properties generating rental income	– 產生租金收入之投資物業	(3,371)	(3,068)
– investment properties not generating rental income	– 並無產生租金收入之投資物業	(153)	(142)
		(3,524)	(3,210)
		22,111	20,724

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

9. 董事及主要行政人員薪酬

根據上市規則、香港公司條例第383(1)(a)、(b)、(c)及(f)條以及公司(披露董事利益資料)規例第2部披露之年內董事及主要行政人員薪酬如下：

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Fees	袍金	636	597
Other emoluments:	其他薪酬：		
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	368	381
Retirement benefit scheme contributions	退休福利計劃供款	45	45
		1,049	1,023

For the year ended 31 December 2022

截至2022年12月31日止年度

		Fees 袍金 RMB'000 人民幣千元	Salaries, allowances and benefits in kind 薪金、津貼及 實物福利 RMB'000 人民幣千元	Retirement benefit scheme contributions 退休福利 計劃供款 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>				
Mr. Zhang*	張先生*	-	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	368	45	413
<i>Non-executive director:</i>	<i>非執行董事：</i>				
Ms. Huang	Huang女士	-	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>				
Mr. Liu Da	劉達先生	212	-	-	212
Mr. Ma Yuntao	馬運波先生	212	-	-	212
Dr. Li Huiqun***	李惠群博士***	212	-	-	212
		636	368	45	1,049

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

For the year ended 31 December 2021

9. 董事及主要行政人員薪酬(續)

截至2021年12月31日止年度

		Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
		袍金	薪金、津貼 及實物福利	退休福利計 劃供款	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>				
Mr. Zhang*	張先生*	-	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	381	45	426
<i>Non-executive director:</i>	<i>非執行董事：</i>				
Ms. Huang	Huang女士	-	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>				
Mr. Liu Da	劉達先生	199	-	-	199
Dr. Liu Qiao**	劉俏博士**	159	-	-	159
Mr. Ma Yuntao	馬運弢先生	199	-	-	199
Dr. Li Huiqun***	李惠群博士***	40	-	-	40
		597	381	45	1,023

* Mr. Zhang is also the chief executive of the Company.

** Dr. Liu Qiao was resigned as an independent non-executive director of the Company on 18 October 2021.

*** Dr. Li Huiqun was appointed as an independent non-executive director of the Company on 18 October 2021.

There was no arrangement under which the directors waived or agreed to waive any remuneration during the reporting period (2021: Nil).

* 張先生亦為本公司行政總裁。

** 劉俏博士於2021年10月18日辭任本公司獨立非執行董事。

*** 李惠群博士於2021年10月18日獲委任為本公司獨立非執行董事。

報告期間內概無董事據此豁免或同意豁免任何薪酬的安排(2021年：無)。

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year were neither a director nor chief executive of the Company (2021: Nil), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five (2021: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	4,373	4,377

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

		2022 2022年	2021 2021年
HK\$500,001 to HK\$1,000,000	500,001港元至1,000,000港元	4	3
HK\$1,000,001 to HK\$1,500,000	1,000,001港元至1,500,000港元	1	1
HK\$1,500,001 to HK\$2,000,000	1,500,001港元至2,000,000港元	-	1
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	-	-
HK\$2,500,001 to HK\$3,000,000	2,500,001港元至3,000,000港元	-	-
HK\$3,000,001 to HK\$3,500,000	3,000,001港元至3,500,000港元	-	-
		5	5

10. 五名最高薪人士

年內五名最高薪人士並非本公司董事亦非主要行政人員(2021年：無)，有關彼等薪酬之詳情載於上文附註9。有關年內五(2021年：五)名最高薪人士(並非本公司董事亦非主要行政人員)薪酬之詳情如下：

酬金介乎下列組別之最高薪人士(非董事及非主要行政人員)之人數如下：

11. INCOME TAX EXPENSE

Current tax – charge for the year	本期稅項－年內開支
– Hong Kong Profits Tax	– 香港利得稅
– PRC CIT	– 中國企業所得稅
– PRC LAT	– 中國土地增值稅
– Overseas Corporate Income Tax	– 海外企業所得稅
Over provision in prior years	過往年度超額撥備
Deferred tax (note 30)	遞延稅(附註30)
Total tax charge for the year	年內稅項開支總額

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for both years.

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years. In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiaries in the USA are generally subject to Federal Income Tax at a rate of 21% (2021: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the year ended 31 December 2022. Certain of these subsidiaries retained with undistributed income are also subjected to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

11. 所得稅開支

	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Current tax – charge for the year		
– Hong Kong Profits Tax	–	–
– PRC CIT	207,911	291,669
– PRC LAT	158,875	126,325
– Overseas Corporate Income Tax	106	118
Over provision in prior years	(31)	(10)
Deferred tax (note 30)	366,861 (172,881)	418,102 (144,496)
Total tax charge for the year	193,980	273,606

由於本集團於兩個年度內均無於香港產生應課稅溢利，因此並無於綜合財務報表就香港利得稅作出撥備。

中國企業所得稅兩個年度按應課稅溢利之25%適用所得稅率計算。根據中國企業所得稅法，在中國成立的外資企業向外國投資者宣派的股息將被徵收10%預扣所得稅。因此，本集團須就於中國成立的附屬公司自2008年1月1日以來賺取的盈利所派付的股息繳付預扣稅。

中國土地增值稅乃按土地價格增值額30%至60%之累進稅率徵收，增值額為銷售物業所得款項減除土地使用權費用及所有物業發展開支等應扣除開支的餘額。

截至2022年12月31日止年度，於美國之附屬公司一般均需就應課稅收入按21%（2021年：21%）之聯邦所得稅稅率支付稅項並需遵守不同司法權區州所得稅之法定規例。預留未分派收入之若干該等附屬公司亦需就應課稅收入之20%支付個人控股公司附加稅。若干附屬公司屬有限公司，本身不被視為實體（即視為控股公司之分部），將就聯邦稅而言當作控股公司一部分計算稅項。

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11. INCOME TAX EXPENSE (CONTINUED)

Income tax expense for the year is reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
(Loss)/profit before tax	除稅前(虧損)/溢利	(2,748,547)	658,648
Tax at the statutory tax rate of 25% (2021: 25%)	按法定稅率25%(2021年: 25%) 計算之稅項	(687,137)	164,662
Effect of different tax rates on operations in other jurisdictions	在其他司法權區營運稅率不同之 影響	(53)	(168)
Tax effect of expenses not deductible for tax purpose	不可扣稅支出之稅務影響	138,260	12,857
Tax effect of income not taxable for tax purpose	毋須課稅收入之稅務影響	(10,075)	(31,838)
PRC LAT	中國土地增值稅	158,875	126,325
Tax effect of PRC LAT	中國土地增值稅之稅務影響	(39,719)	(31,581)
Tax effect of temporary differences not recognised	未確認暫時差額之稅務影響	519,123	18,306
Tax effect of tax losses not recognised	未確認之稅項虧損之稅務影響	117,473	16,027
Utilisation of tax losses previously not recognised	動用過往未確認之稅項虧損	(2,736)	(974)
Over provision in prior years	過往年度超額撥備	(31)	(10)
Income tax expenses for the year	年內所得稅開支	193,980	273,606

11. 所得稅開支(續)

年內所得稅開支與綜合損益賬所示除稅前溢利對賬如下：

12. DIVIDENDS

The directors of the Company did not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil).

12. 股息

本公司董事並不建議派付截至2022年12月31日止年度之股息(2021年：無)。

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic (loss)/earnings per share is based on:

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
(Loss)/earnings			
(Loss)/profit attributable to owners of the Company used in the basic (loss)/earnings per share calculation	(虧損)/溢利 本公司擁有人應佔(虧損)/溢利， 用於計算每股基本(虧損)/溢利	(2,946,113)	399,470
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	股份 年內已發行普通股加權平均數， 用於計算每股基本(虧損)/溢利	1,913,387	1,913,387

No diluted (loss)/earnings per share amounts were presented for the years ended 31 December 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during these years.

13. 本公司擁有人應佔每股(虧損)/盈利

每股基本(虧損)/盈利乃按以下資料計算：

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
(Loss)/earnings			
(Loss)/profit attributable to owners of the Company used in the basic (loss)/earnings per share calculation	(虧損)/溢利 本公司擁有人應佔(虧損)/溢利， 用於計算每股基本(虧損)/溢利	(2,946,113)	399,470
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	股份 年內已發行普通股加權平均數， 用於計算每股基本(虧損)/溢利	1,913,387	1,913,387

由於本集團於截至2022年及2021年12月31日止年度並無潛在攤薄已發行普通股，故該兩個年度概無呈列每股攤薄(虧損)/盈利。

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14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Land and buildings	Hotel	Leasehold improvement	Furniture, office equipment and motor vehicles	Total
		土地及樓宇	酒店	租賃物業裝修	傢俬、辦公室設備及汽車	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
31 December 2022	2022年12月31日					
Cost:	成本：					
At 1 January 2022	於2022年1月1日	434,177	138,481	2,281	22,223	597,162
Additions	添置	-	-	-	4,808	4,808
Transfer from investment property	轉撥自投資物業	13,467	-	-	-	13,467
Exchange realignment	匯兌調整	2,750	-	128	61	2,939
At 31 December 2022	於2022年12月31日	450,394	138,481	2,409	27,092	618,376
Accumulated depreciation:	累計折舊：					
At 1 January 2022	於2022年1月1日	5,982	-	1,751	14,801	22,534
Depreciation provided	折舊撥備	14,309	4,735	142	3,355	22,541
Exchange realignment	匯兌調整	495	-	71	67	633
At 31 December 2022	於2022年12月31日	20,786	4,735	1,964	18,223	45,708
Net carrying amount:	賬面淨值：					
At 1 January 2022	於2022年1月1日	428,195	138,481	530	7,422	574,628
At 31 December 2022	於2022年12月31日	429,608	133,746	445	8,869	572,668

14. PROPERTY, PLANT AND EQUIPMENT
(CONTINUED)

14. 物業、廠房及設備(續)

		Land and buildings	Hotel	Leasehold improve- ment 租賃 物業裝修	Furniture, office equipment and motor vehicles 傢俬、辦公室 設備及汽車	Total
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
31 December 2021	2021年12月31日					
Cost:	成本：					
At 1 January 2021	於2021年1月1日	44,554	–	2,382	20,664	67,600
Additions	添置	391,030	138,481	–	2,806	532,317
Disposals	出售	–	–	–	(1,183)	(1,183)
Exchange realignment	匯兌調整	(1,407)	–	(101)	(64)	(1,572)
At 31 December 2021	於2021年12月31日	434,177	138,481	2,281	22,223	597,162
Accumulated depreciation:	累計折舊：					
At 1 January 2021	於2021年1月1日	5,129	–	1,732	13,417	20,278
Depreciation provided	折舊撥備	1,030	–	89	2,629	3,748
Disposals	出售	–	–	–	(1,183)	(1,183)
Exchange realignment	匯兌調整	(177)	–	(70)	(62)	(309)
At 31 December 2021	於2021年12月31日	5,982	–	1,751	14,801	22,534
Net carrying amount:	賬面淨值：					
At 1 January 2021	於2021年1月1日	39,425	–	650	7,247	47,322
At 31 December 2021	於2021年12月31日	428,195	138,481	530	7,422	574,628

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15. INVESTMENT PROPERTIES

15. 投資物業

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Carrying amount at 1 January	於1月1日之賬面值	531,595	552,154
Transfer to owner-occupied property	轉撥至擁有人佔用物業	(13,467)	-
Net gain/(loss) from a fair value adjustment	調整公平值之收益/(虧損)淨額	19,319	(104)
Exchange realignment	匯兌調整	47,513	(20,455)
		584,960	531,595
Carrying amount at 31 December	於12月31日之賬面值		

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties with an aggregate fair value of RMB495,852,000 (2021: RMB444,765,000) have been pledged to secure the Group's borrowings (note 38).

The fair values of the investment properties situated in Hong Kong, Singapore and the USA as at 31 December 2022 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited ("APAC"). APAC is the member of the Hong Kong Institute of Surveyors and Valuers and an independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 18 to the financial statements.

本集團所有以經營租賃持有以賺取租金或作資本升值之物業權益皆按公平值模式計量，並分類為投資物業入賬。公平值合共人民幣495,852,000元(2021年：人民幣444,765,000元)之投資物業已抵押以取得本集團之借貸(附註38)。

位於香港、新加坡及美國之投資物業於2022年12月31日之公平值乃基於亞太資產評估及顧問有限公司(「亞太」)所進行估值釐定。亞太為Hong Kong Institute of Surveyors and Valuers會員且與本集團並無關連之獨立合資格專業估值師。

估計投資物業公平值時，投資物業最常用及最佳用途為現時用途。投資物業公平值自收入淨額資本化法得出，並為復歸收入作出適當撥備。

於報告期間結算日，本集團管理層與估值師合作，就第三級公平值計量建立和決定適當之估值技術及輸入數據。倘資產之公平值有重大改動，其波動原因將向本公司董事報告。

投資物業根據經營租賃出租予第三方，其進一步詳情概要載於財務報表附註18。

15. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

		31 December 2022 2022年 12月31日 RMB'000 人民幣千元	31 December 2021 2021年 12月31日 RMB'000 人民幣千元
<i>Fair value measurement using significant unobservable inputs (Level 3)</i>	採用重大不可觀察輸入數據之公平值計量(第三級)		
Recurring fair value measurement for investment properties located in	就位於下列地區之投資物業之經常性公平值計量		
– Hong Kong	– 香港	63,443	63,485
– Singapore	– 新加坡	303,777	267,548
– USA	– 美國	217,740	200,562
		584,960	531,595

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

15. 投資物業(續)

公平值層級

下表列示本集團投資物業之公平值計量層級：

年內，第一級與第二級之間並無發生任何公平值計量轉移之情況，且並無發生轉入或轉出第三級之情況(2021年：無)。

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15. INVESTMENT PROPERTIES (CONTINUED)

Set out below is a summary of the valuation technique used and the key inputs to the valuation of the Group's significant investment properties categorised into Level 3:

15. 投資物業(續)

下文載列本集團分類為第三級之主要投資物業估值所使用之估值技術及主要輸入數據之概要：

Properties 物業	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察輸入數據	Range or weighted average 範圍或加權平均數	
			2022 2022年	2021 2021年
Offices located in Hong Kong with a carrying value of RMB63,443,000 (2021: RMB63,485,000) 位於香港賬面值人民幣63,443,000元(2021年：人民幣63,485,000元)之辦公室	Income capitalisation approach 收入資本化法	Monthly market rent (HK\$ per sq. ft.) 每月市場租金(每平方呎港元)	44.9	48.6
		Term yield (per annum) 年期收益率(每年)	2.0%	2.0%
		Reversion yield (per annum) 復歸收益率(每年)	2.2%	2.2%
Commercial and residential units located in Singapore with a carrying value of RMB303,777,000 (2021: RMB267,548,000) 位於新加坡賬面值人民幣303,777,000元(2021年：人民幣267,548,000元)之商用及住宅單位	Income capitalisation approach 收入資本化法	Monthly market rent (SGD per sq. ft.) 每月市場租金(每平方呎新加坡元)	4.1-7.1	3.7-7.5
		Term yield (per annum) 年期收益率(每年)	2.6%-3.0%	2.6%-2.8%
		Reversion yield (per annum) 復歸收益率(每年)	2.8%-3.2%	2.8%-3.0%
Senior housing communities located in the USA with a carrying value of RMB192,074,000 (2021: RMB177,217,000) 位於美國賬面值人民幣192,074,000元(2021年：人民幣177,217,000元)之長者住房院舍	Income capitalisation approach 收入資本化法	Annual market rent (USD per sq. ft.) 每年市場租金(每平方呎美元)	22.0-24.7	22.0-24.4
		Term yield (per annum) 年期收益率(每年)	7.5%-8.5%	7.5%-8.5%
		Reversion yield (per annum) 復歸收益率(每年)	8.0%-9.0%	8.0%-9.0%

A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and reversion yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

市場租金單獨大幅增加(減少)會導致投資物業公平值大幅增加(減少)。年期收益率及復歸收益率單獨大幅增加(減少)會導致投資物業公平值大幅減少(增加)。

There has been no change from the valuation technique used in the prior years.

所用估值技術與過往年度相同。

16. GOODWILL

16. 商譽

		RMB'000 人民幣千元
<hr/>		
At 1 January 2021 and 31 December 2021:	於2021年1月1日及2021年12月31日：	
Cost	成本	424,722
Accumulated impairment	累計減值	-
		<hr/>
Net carrying amount	賬面淨值	424,722
<hr/>		
Cost at 1 January 2022, net of accumulated impairment	於2022年1月1日之成本(扣除累計減值)	424,722
Impairment during the year	於年內之減值	(124,365)
<hr/>		
Cost and net carrying amount at 31 December 2022	於2022年12月31日之成本及賬面淨值	300,357
<hr/>		
At 31 December 2022:	於2022年12月31日：	
Cost	成本	424,722
Accumulated impairment	累計減值	(124,365)
		<hr/>
Net carrying amount	賬面淨值	300,357
<hr/>		

Impairment testing of goodwill

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a four-year period approved by senior management. The discount rate applied to the cash flow projections is 30.13% (2021: 29.68%).

Assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2022. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Selling price – Management determined the selling price based on the selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location.

Costs to completion – Management determined the costs to completion based on the budgets approved by management, which is estimated according to the past project construction experience and its knowledge of expected market prices of land and construction cost.

The value assigned to the key assumptions is consistent with external information sources.

商譽減值測試

現金產生單位之可收回金額乃根據使用價值計算釐定，該計算使用的現金流量預測基於高級管理層所批准之涵蓋四年期間之財務預算。現金流量預測適用之貼現率為30.13%(2021年：29.68%)。

計算2022年12月31日之現金產生單位使用價值已使用假設。管理層基於其現金流量預測對商譽進行減值測試之關鍵假設描述如下：

貼現率 – 所採用貼現率為除稅前貼現率，反映與相關單位有關之特定風險。

售價 – 管理層根據同一項目預售單位之售價或具相若規模、用途及位置之可比較物業之現行市價釐定售價。

完工成本 – 管理層根據管理層批准之預算釐定完工成本，預算乃根據過往項目建設經驗及其對土地及建築成本預期市價之了解估計。

賦予關鍵假設之各項數值與外部資料來源一致。

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17. INTANGIBLE ASSETS

		Contract benefit 合約效益 RMB'000 人民幣千元
Cost and net carrying amount at 1 January 2021	於2021年1月1日之成本及賬面淨值	199,000
Accumulated amortisation	累計攤銷	(41,895)
Cost and net carrying amount at 31 December 2021 and 1 January 2022	於2021年12月31日及2022年1月1日之成本及賬面淨值	157,105
Additions	添置	88
Accumulated amortisation	累計攤銷	(44,909)
Cost and net carrying amount at 31 December 2022	於2022年12月31日之成本及賬面淨值	112,284

The amortization is recorded into the property under development and transferred to the profit or loss together with the revenue is recognized.

攤銷計入發展中物業並在確認收益時一併轉入損益。

18. LEASES

The Group as a lessor

The Group leases its investment properties (note 15) consisting of offices, commercial and residential units, senior housing communities located in Hong Kong, Singapore and the USA under operating lease arrangements. The terms of the leases generally require the tenants to pay the security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB25,635,000 (2021: RMB23,934,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

Within one year	一年內
After one year but within two years	一年以上但兩年以內
After two years but within three years	兩年以上但三年以內
After three years but within four years	三年以上但四年以內
After four years but within five years	四年以上但五年以內
After five years	超過五年

17. 無形資產

18. 租賃

本集團作為出租人

本集團根據經營租賃安排出租其位於香港、新加坡及美國的投資物業(附註15)，包括辦公、商用及住宅單位、長者住房院舍。租賃條款通常要求租戶支付抵押按金，並根據當時現行市況定期調整租金。本集團年內確認的租金收入為人民幣25,635,000元(2021年：人民幣23,934,000元)，其詳情載於財務報表附註5。

於2022年12月31日，日後本集團根據與其租戶之不可撤銷經營租賃的應收未貼現租賃款項如下：

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Within one year	一年內	24,612	22,810
After one year but within two years	一年以上但兩年以內	19,815	17,764
After two years but within three years	兩年以上但三年以內	17,113	16,191
After three years but within four years	三年以上但四年以內	17,498	16,440
After four years but within five years	四年以上但五年以內	17,891	16,810
After five years	超過五年	24,987	40,667
		121,916	130,682

19. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

19. 已抵押按金、受限制銀行結餘及現金及現金等值項目

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Pledged deposits	已抵押按金		
– Current	– 即期	137,515	211,289
– Non-current	– 非即期	–	4,587
		137,515	215,876
Restricted bank balances	受限制銀行結餘	1,365,905	1,457,690
Cash and cash equivalents	現金及現金等值項目	488,199	1,838,967

Pledged deposits represent bank deposits of RMB130,921,000 (2021: RMB198,421,000) and deposits held with financial institutions of RMB6,594,000 (2021: RMB17,455,000) pledged to banks and financial institutions to secure the facilities granted to the Group and the mortgage loan facilities granted by certain banks to certain property buyers of the Group's properties. The pledged deposits will be released upon the settlement of the relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers. There is no bank deposits and deposits held with financial institutions (2021: RMB4,587,000) have been pledged to secure the Group's non-current borrowings which are classified as non-current assets.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties be placed as guarantee deposits in designated bank accounts for the construction of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,974,886,000 (2021: RMB3,488,635,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

已抵押按金指已抵押予銀行及金融機構之銀行存款人民幣130,921,000元(2021年:人民幣198,421,000元)及金融機構所持存款人民幣6,594,000元(2021年:人民幣17,455,000元),以取得授予本集團之融資及若干銀行授予本集團物業之若干物業買家之按揭貸款融資。已抵押按金將於相關借貸償還後及提供予物業買家之按揭擔保到期後解除。並無銀行存款及金融機構所持存款(2021年:人民幣4,587,000元)已抵押,以獲得本集團非即期貸款,因此分類為非流動資產。

受限制銀行結餘指根據中國相關規例,須將物業預售所得款項之若干金額存入指定銀行戶口作為相關物業建築工程之保證金之款項。經批准後,有關保證金方可用於支付相關物業之建築成本。

銀行現金根據日常銀行存款利率按浮動或固定利率賺取利息。銀行結餘已存入近期並無欠款記錄且信用良好之銀行。現金及現金等值項目之賬面值與其公平值相若。

於報告期間結算日,本集團以人民幣計值之現金及銀行結餘為人民幣1,974,886,000元(2021年:人民幣3,488,635,000元)。人民幣不能自由兌換為其他貨幣。然而,根據中國內地之《外匯管理條例》及《結匯、售匯以及付匯管理規定》,本集團獲准透過獲授權進行外匯業務的銀行將人民幣兌換作其他貨幣。

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20. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB1,449,493,000 (2021: RMB91,691,000) of write-down for completed properties held for sale as at 31 December 2022.

21. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB1,263,639,000 (2021: RMB225,073,000) of write-down for properties under development as at 31 December 2022.

22. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be converted into properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

20. 持作出售之已完工物業

持作出售之已完工物業全部位於中國。本集團於報告期間結算日對可變現淨值進行評估，於2022年12月31日，確認撇減持作出售之已完工物業人民幣1,449,493,000元（2021年：人民幣91,691,000元）。

21. 發展中物業

發展中物業全部位於中國。本集團於報告期間結算日對可變現淨值進行評估，於2022年12月31日，確認撇減發展中物業人民幣1,263,639,000元（2021年：人民幣225,073,000元）。

22. 已付土地收購按金及預付款項

有關金額指於中國收購土地使用權而產生之已付土地收購按金及預付款項。該等按金將於土地收購程序完成後轉換為發展中物業，倘收購並未成功，則悉數退回。

23. 應收賬款、其他應收款項及其他資產

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Accounts receivable	應收賬款	16,546	12,210
Less: Impairment	減：減值	(1,063)	-
		15,483	12,210
Prepaid value-added taxes and other taxes	預付增值稅及其他稅項	1,611,784	1,993,816
Deposits and prepayments	按金及預付款項	446,349	243,054
Costs of obtaining contracts	取得合約之成本	261,855	286,408
Other receivables	其他應收款項	747,722	148,906
		3,067,710	2,672,184
Less: Impairment	減：減值	(11,191)	(650)
		3,056,519	2,671,534
		3,072,002	2,683,744

23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Accounts receivable represent receivables from sales of properties, project management services, dividend receivables and rental receivables. Receivables arising from sales of properties and services are due for settlement in accordance with the terms of the related agreements. The settlement terms of rental receivables are upon presentation of demand notes.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and the net of loss allowance, is as follows:

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Within 1 year	1年內	14,419	10,083
1 to 2 years	1至兩年	-	-
2 to 3 years	兩至3年	-	-
Over 3 years	3年以上	1,064	2,127
At end of year	於年末	15,483	12,210

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

23. 應收賬款、其他應收款項及其他資產(續)

應收賬款指出售物業、項目管理服務之應收款項、股息應收款項及租賃應收款項。來自出售物業之應收款項及項目管理費應收款項乃根據各相關協議之條款到期結算。應收租金之結算條款為出示繳款通知書時結算。

於報告期末，根據發票日期及扣除虧損撥備後的貿易應收賬款賬齡分析如下：

減值分析乃於各報告日期使用撥備矩陣進行，以計量預期信貸虧損。撥備率乃基於多個具有類似虧損模式的客戶分部組別的逾期天數釐定。該計算反映或然率加權結果、貨幣時間價值以及於報告日期可得有關過往事件、當前狀況及未來經濟狀況預測的合理及可靠資料。

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23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's financial assets included in accounts receivable using a provision matrix:

As at 31 December 2022

		Gross carrying amount	Expected credit losses
		賬面總值	預期信貸虧損
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Individual evaluation of expected credit losses	預期信貸虧損之個別評估	2,127	1,063
Assessment of expected credit losses by credit risk portfolio	透過信貸風險組合評估預期信貸虧損	14,419	-
At end of year	於年末	16,546	1,063

As at 31 December 2021

		Gross carrying amount	Expected credit losses
		賬面總值	預期信貸虧損
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Assessment of expected credit losses by credit risk portfolio	透過信貸風險組合評估預期信貸虧損	12,210	-

23. 應收賬款、其他應收款項及其他資產(續)

下文載列使用撥備矩陣得出本集團計入應收賬款之金融資產面臨的信貸風險的資料：

於2022年12月31日**於2021年12月31日**

23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Deposits and other receivables mainly represent deposits with suppliers and other receivables due from third parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The expected credit losses was RMB11,191,000 as at 31 December 2022 (31 December 2022: RMB650,000).

The movements in the loss allowance for impairment of accounts and other receivables are as follows:

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
At beginning of year	於年初	650	650
Impairment losses	減值虧損	11,604	-
At end of year	於年末	12,254	650

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Equity securities listed in Singapore
REIT securities listed in the USA

於新加坡上市之股本證券
於美國上市之房地產投資信託證券

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
		4,716	4,444
		243,009	419,524
		247,725	423,968

23. 應收賬款、其他應收款項及其他資產(續)

按金及其他應收款項主要指供應商按金及應收第三方其他應收款項。如適用，減值分析乃於各報告日期透過考慮違約之可能性進行，預期信貸虧損則透過參考本集團的歷史損失記錄應用損失率法進行估計。損失率會作出調整，以反映當前狀況及未來經濟狀況預測(如適用)。於2022年12月31日，預期信貸虧損為人民幣11,191,000元(2022年12月31日：人民幣650,000元)。

應收賬款及其他應收款項減值之虧損撥備之變動如下：

24. 按公平值計入損益之金融資產

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25. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

25. 應付賬款、已收按金及應計費用

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Accounts and bills payable	應付賬款及票據	209,544	221,514
Accrued construction costs (Note)	應計建築成本(附註)	6,211,261	5,428,927
Rental deposits received	已收租賃按金	10,393	8,330
Retention deposits and payable	保留金及應付款項	304,058	262,011
Real estate and other taxes payable	應付房產稅及其他稅項	324,662	82,324
Other payables and accruals	其他應付款項及應計費用	307,768	353,747
		7,367,686	6,356,853
Less: Rental deposits received – non-current	減：已收租賃按金－非流動	(9,440)	(6,492)
		7,358,246	6,350,361

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang"), of approximately RMB682,551,000 (2021: RMB523,479,000) for its construction work.

附註：應計建築成本內的約人民幣682,551,000元(2021年：人民幣523,479,000元)為就其建築工程而應付一間關連公司(由Huang女士之女兒張惠琪女士(「張女士」)控制)之款項。

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

於報告期末之貿易應付款項及應付票據按發票日期之賬齡分析如下：

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Within 1 year	一年內	3,316,514	3,229,724
1 to 2 years	一至兩年	2,833,891	1,352,075
2 to 3 years	兩至三年	194,644	744,335
Over 3 years	超過三年	75,756	324,307
		6,420,805	5,650,441
At end of year	於年末		

26. CONTRACT LIABILITIES

The amounts represented advance payments from customers based on schedules as established in the property sale contracts. The increase in contract liabilities as at 31 December 2022 was due to more property projects having started pre-sale during the current year.

27. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms. Zhang, have the controlling interests over these related companies.

28. LOANS FROM A RELATED COMPANY

The Group has entered into loan agreements with a related company, Henan Zensun Real Estate Co., Ltd. ("Zensun Real Estate"), which is ultimately controlled by Ms. Huang, pursuant to which Zensun Real Estate will provide unsecured loans to the Group.

The amounts are unsecured, interest-free and repayable on demand. Those amounts were shown under the current liabilities as Zensun Real Estate had the discretionary rights to demand immediate repayment.

In the opinion of the directors of the Company, the carrying amounts of the loans approximated their fair values at initial recognition.

26. 合約負債

該等金額指根據物業銷售合約制定的時間表自客戶收取的預付款項。於2022年12月31日合約負債增加乃由於更多物業項目於本年度開始預售所致。

27. 應付關連公司款項

應付關連公司款項為無抵押、免息並按要求償還。Huang女士連同其配偶張先生及其女兒張女士對該等關連公司擁有控股權益。

28. 來自一間關連公司之貸款

本集團與關連公司河南正商置業有限公司(「正商置業」，由Huang女士最終控制之公司)簽訂貸款協議，據此，正商置業將提供無抵押貸款予本集團。

該等金額為無抵押、免息及須按要求償還。由於正商置業有酌情權可要求即時還款，故該等款項已列作流動負債。

本公司董事認為，該等貸款之賬面值與彼等於初始確認時之公平值相若。

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29. BANK AND OTHER BORROWINGS

29. 銀行及其他借貸

		2022 2022年			2021 2021年		
		Effective interest rate per annum (%) 實際 年利率 (%)	Maturity	RMB'000	Effective interest rate per annum (%) 實際 年利率 (%)	Maturity	RMB'000
			到期日	人民幣千元		到期日	人民幣千元
Current	即期						
Bank loans – secured	銀行貸款－有抵押	1.76-9.98	2023 2023年	2,734,671	2.20-8.30	2022 2022年	2,908,958
Other loans – secured	其他貸款－有抵押	2.80-10.50	2023 2023年	552,012	5.21-11.00	2022 2022年	1,720,530
Other loans – unsecured	其他貸款－無抵押	2.80-5.50	2023 2023年	37,380	–	–	–
Senior notes – unsecured (a)	優先票據－無抵押(a)	12.50	2023 2023年	1,369,088	12.50	2022 2022年	1,265,028
				4,693,151			5,894,516
Non-current	非即期						
Bank loans – secured	銀行貸款－有抵押	1.76-9.98	2024-2030 2024年－2030年	2,143,760	1.61-9.98	2023-2030 2023年至2030年	3,015,551
Other loans – secured	其他貸款－有抵押	2.80-5.50	2025 2025年	145,301	10.10-10.50	2023 2023年	611,150
Other loans – unsecured	其他貸款－無抵押	2.80-5.50	2025 2025年	125,145	–	–	–
Senior notes – unsecured (a/b)	優先票據－無抵押(a/b)	12.50	2024 2024年	1,092,026	12.50	2023-2024 2023年至2024年	2,274,113
				3,506,232			5,900,814
				8,199,383			11,795,330

29. BANK AND OTHER BORROWINGS (CONTINUED) 29. 銀行及其他借貸(續)

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Analysed into:	分析為：		
Bank and other borrowings repayable:	於下列日期償還之銀行及其他借貸：		
Within one year	一年內	4,693,151	5,894,516
In the second year	第二年	2,803,531	3,529,949
In the third to fifth years, inclusive	第三至第五年(包括首尾兩年)	702,701	2,364,150
Beyond five years	超過五年	-	6,715
		8,199,383	11,795,330

The carrying amounts of bank and other borrowings at the end of the reporting period were denominated in the following currencies.

於報告期間結算日，銀行及其他借貸之賬面值乃以下列貨幣列值。

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
SGD	新加坡元	63,468	62,646
USD	美元	2,569,380	3,646,840
RMB	人民幣	5,566,535	8,085,844
		8,199,383	11,795,330

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29. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

- (a) On 3 October 2019, the Company issued senior notes at a principal amount of US\$220 million carrying interest of 12.8% per annum due on 3 October 2021 in accordance with the terms and conditions of the subscription agreement (the "2019 Original Notes"). Subsequently on 20 December 2019, the Company issued additional senior notes at a principal amount of US\$120 million under the same terms and conditions of the subscription agreement of the 2019 Original Notes. The additional senior notes are consolidated with the 2019 Original Notes and form a single series at an aggregate principal amount of US\$340 million carrying interest of 12.8% per annum due on 3 October 2021.

In September 2021, US\$142,420,000 of the 2019 Notes, representing approximately 42.01% of the total aggregate principal amount of the outstanding 2019 Notes, have been validly tendered for exchange and accepted pursuant to the terms and conditions of the exchange offer in exchange for the new notes to be issued, and the remaining outstanding amount of US\$196,580,000 were repaid upon maturity. Such amount of US\$142,420,000 were in exchanged for the new notes issued on 13 September 2021. Details of the Exchange Offer are set out in the Company's announcement dated 8 September 2021.

On 13 September 2021, the Company issued senior notes at a principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 September 2023. The US\$200 million senior notes are listed and traded on the Stock Exchange of Hong Kong. Such amount of US\$142,420,000 were in exchanged for the 2019 Notes due on 3 October 2021 (as detailed in note a above), and the remaining amount of US\$57,580,000 were intended for project developments and general corporate purposes. Details of the issuance of the senior notes are set out in the Company's announcements dated 14 September 2021.

- (b) On 24 September 2021, the Company issued senior notes at a principal amount of US\$160 million carrying interest of 12.5% per annum due on 23 April 2024. The US\$160 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes. Details of the issuance of the senior notes are set out in the Company's announcements dated 24 September 2021.

Certain of the Group's bank and other borrowings are secured by the Group's pledged deposits, investment properties, completed properties held for sale and properties under development with the total carrying amount of RMB15,369,276,000 (2021: RMB15,799,849,000). In addition, shares of certain subsidiaries were pledged as securities to obtain certain bank and other borrowings granted to the Group as at 31 December 2022 and 2021. Details of pledged assets are disclosed in note 38 to the financial statements.

In additions, as at 31 December 2022, the Group's senior notes and bank and other borrowings were guaranteed by related companies. Details of the guarantees are disclosed in note 41 to the financial statements.

29. 銀行及其他借貸(續)

附註：

- (a) 於2019年10月3日，本公司根據認購協議之條款與條件發行於2021年10月3日到期之本金額220,000,000美元年息12.8厘優先票據(「2019年原始票據」)。其後於2019年12月20日，本公司根據2019年原始票據認購協議之相同條款與條件額外發行本金額120,000,000美元優先票據。額外優先票據與2019年原始票據合併為一個系列，即於2021年10月3日到期之本金總額340,000,000美元年息12.8厘優先票據。

於2021年9月，2019年票據142,420,000美元(佔未償還2019年票據本金總額約42.01%)已根據交換要約的條款及條件有效提交作交換並已獲接納，以交換將予發行的新票據，而餘下未償還金額196,580,000美元已於到期時償還。該142,420,000美元已交換於2021年9月13日發行的新票據。交換要約的詳情載於本公司日期為2021年9月8日的公告。

於2021年9月13日，本公司發行於2023年9月13日到期之本金額200,000,000美元年息12.5厘優先票據。該200,000,000美元優先票據於香港聯交所上市及買賣。142,420,000美元獲發行以交換於2021年10月3日到期之2019年票據(如上文附註a所詳述)，餘下57,580,000美元擬用作項目發展以及一般企業用途。有關優先票據發行的詳情載於本公司日期為2021年9月14日的公告。

- (b) 於2021年9月24日，本公司發行於2024年4月23日到期之本金額160,000,000美元年息12.5厘優先票據。該160,000,000美元優先票據於香港聯交所上市及買賣。優先票據所得款項淨額擬用作現有債務再融資、項目發展以及一般企業用途。有關優先票據發行的詳情載於本公司日期為2021年9月24日的公告。

本集團若干銀行及其他借貸乃由本集團賬面總值人民幣15,369,276,000元(2021年：人民幣15,799,849,000元)之已抵押按金、投資物業、持作出售之已完工物業及發展中物業作抵押。此外，於2022年及2021年12月31日，若干附屬公司之股份已作抵押，以取得本集團所獲授之若干銀行及其他借貸，有關已抵押資產之詳情於財務報表附註38披露。

此外，於2022年12月31日，本集團之優先票據以及銀行及其他借貸由關連公司擔保。有關擔保之詳情於財務報表附註41披露。

30. DEFERRED TAX

The movements in deferred tax assets and liabilities arising from temporary differences are as follows:

Deferred tax assets

		Tax loss	Provision for LAT	Accrued expenses for tax purpose	Write-down of properties under development	Total
		稅項虧損	土地增值稅撥備	累計稅項開支	發展中物業撇減	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2021	於2021年1月1日	125,658	42,081	119,413	37,500	324,652
Credited to profit or loss during the year (note 11)	年內於損益賬計入(附註11)	33,642	9,744	52,367	23,385	119,138
Deferred tax assets at 31 December 2021 and 1 January 2022	於2021年12月31日及2022年1月1日之遞延稅項資產	159,300	51,825	171,780	60,885	443,790
Credited to profit or loss during the year (note 11)	年內於損益賬計入(附註11)	22,164	594	15,934	72,833	111,525
Deferred tax assets at 31 December 2022	於2022年12月31日之遞延稅項資產	181,464	52,419	187,714	133,718	555,315

During the year ended 31 December 2022, deferred tax assets were recognised for unused tax losses to the extent that it is probable that relevant future taxable profits will be available against for utilisation. These unused tax losses were in respect of certain PRC subsidiaries carried forward at the end of 2022 and the directors of the Company are of the opinion that these certain PRC subsidiaries will generate sufficient future taxable profits.

At 31 December 2022, the Group had total unrecognised unused tax losses of RMB1,013,474,000 (2021: RMB554,526,000) and unrecognised temporary differences of RMB2,149,714,000 (2021: RMB73,224,000) which were subject to agreement with the respective tax authorities, available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses incurred in the PRC amounting to RMB605,897,000 (2021: RMB147,584,000) will expire within five years since the date of carryforward, these unrecognised unused tax losses can be carried forward indefinitely, subject to fulfilment of certain conditions or rules.

30. 遞延稅項

暫時差額產生之遞延稅項資產及負債之變動如下：

遞延稅項資產

		Tax loss	Provision for LAT	Accrued expenses for tax purpose	Write-down of properties under development	Total
		稅項虧損	土地增值稅撥備	累計稅項開支	發展中物業撇減	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2021	於2021年1月1日	125,658	42,081	119,413	37,500	324,652
Credited to profit or loss during the year (note 11)	年內於損益賬計入(附註11)	33,642	9,744	52,367	23,385	119,138
Deferred tax assets at 31 December 2021 and 1 January 2022	於2021年12月31日及2022年1月1日之遞延稅項資產	159,300	51,825	171,780	60,885	443,790
Credited to profit or loss during the year (note 11)	年內於損益賬計入(附註11)	22,164	594	15,934	72,833	111,525
Deferred tax assets at 31 December 2022	於2022年12月31日之遞延稅項資產	181,464	52,419	187,714	133,718	555,315

截至2022年12月31日止年度，倘可能具有有關未來應課稅溢利可供抵銷，則會就未動用稅項虧損確認遞延稅項資產。該等未動用稅項虧損乃為若干中國附屬公司於2022年底結轉款項，及本公司董事認為，該等若干中國附屬公司將產生足夠之未來應課稅溢利。

於2022年12月31日，本集團未確認未動用稅項虧損總額為人民幣1,013,474,000元（2021年：人民幣554,526,000元）及未確認暫時差額人民幣2,149,714,000元（2021年：人民幣73,224,000元），與有關稅務機構訂立之協議，可用作抵扣未來利潤。由於稅項虧損乃由已虧損一段時間之附屬公司及本公司產生及不大可能有應課稅溢利可用以抵銷稅項虧損，故並無就該等未動用稅項虧損確認遞延稅項資產。除於中國產生之稅項虧損人民幣605,897,000元（2021年：人民幣147,584,000元）將自結轉日期起五年內屆滿外，該等未確認未動用稅項虧損可無限期結轉，惟須符合若干條件或規則。

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30. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

		Accelerated tax depreciation	Revaluation of investment properties	Revaluation of properties acquired under business combination	Withholding tax on distributable profits of the Group's PRC subsidiaries	Total
		加速稅項 折舊 RMB'000 人民幣千元	投資物業 重估 RMB'000 人民幣千元	業務合併 項下收購之 物業重估 RMB'000 人民幣千元	本集團中國 附屬公司可 分派收益之 預扣稅 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
At 1 January 2021	於2021年1月1日	(55)	(1,877)	(380,049)	(75,745)	(457,726)
Credited to profit or loss during the year (note 11)	年內於損益賬 計入(附註11)	-	-	9,860	15,498	25,358
Exchange realignment	匯兌調整	(9)	49	-	-	40
Deferred tax liabilities at 31 December 2021 and 1 January 2022	於2021年12月31日及 2022年1月1日之 遞延稅項負債	(64)	(1,828)	(370,189)	(60,247)	(432,328)
Credited to profit or loss during the year (note 11)	年內於損益賬 計入(附註11)	-	-	61,357	-	61,357
Exchange realignment	匯兌調整	(9)	(139)	-	-	(148)
Deferred tax liabilities at 31 December 2022	於2022年12月31日 遞延稅項負債	(73)	(1,967)	(308,832)	(60,247)	(371,119)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes at applicable rate of 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB902,453,000 (31 December 2021: RMB902,453,000). In the opinion of the directors, it is not probable to distribute these earnings in the foreseeable future.

30. 遞延稅項(續)

遞延稅項負債

	Accelerated tax depreciation	Revaluation of investment properties	Revaluation of properties acquired under business combination	Withholding tax on distributable profits of the Group's PRC subsidiaries	Total
	加速稅項 折舊 RMB'000 人民幣千元	投資物業 重估 RMB'000 人民幣千元	業務合併 項下收購之 物業重估 RMB'000 人民幣千元	本集團中國 附屬公司可 分派收益之 預扣稅 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
At 1 January 2021	(55)	(1,877)	(380,049)	(75,745)	(457,726)
Credited to profit or loss during the year (note 11)	-	-	9,860	15,498	25,358
Exchange realignment	(9)	49	-	-	40
Deferred tax liabilities at 31 December 2021 and 1 January 2022	(64)	(1,828)	(370,189)	(60,247)	(432,328)
Credited to profit or loss during the year (note 11)	-	-	61,357	-	61,357
Exchange realignment	(9)	(139)	-	-	(148)
Deferred tax liabilities at 31 December 2022	(73)	(1,967)	(308,832)	(60,247)	(371,119)

根據中國企業所得稅法，於中國內地成立之海外投資企業分派股息予海外投資者時，須徵收股息10%之預扣稅。該規定於2008年1月1日起生效及適用於2007年12月31日之後的盈利。如中國內地與外國投資者所在司法權區訂有稅收協定，則適用於較低預扣稅率。因此，本集團須就中國內地成立之附屬公司就於2008年1月1日之後產生的盈利派付的股息按適用稅率10%繳納預扣稅。

於2022年12月31日，與於並無確認遞延稅項負債的中國內地附屬公司的投資相關之暫時差異總額約人民幣902,453,000元(2021年12月31日：人民幣902,453,000元)。董事認為，於可見未來可能不會分派該等盈利。

31. SHARE CAPITAL

31. 股本

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Issued and fully paid:	已發行及繳足：		
1,913,386,669 (2021: 1,913,386,669) ordinary shares	1,913,386,669股(2021年： 1,913,386,669股)普通股	5,326,923	5,326,923

A summary of movements in the Company's share capital is as follows:

本公司股本變動概要載列如下：

		Number of ordinary shares in issue 已發行 普通股數目	Share capital 股本 RMB'000 人民幣千元
At 1 January 2021	於2021年1月1日	19,133,866,698	5,326,923
Share Consolidation (Note)	股份合併(附註)	(17,220,480,029)	-
At 31 December 2021 and 1 January 2022 and 31 December 2022	於2021年12月31日及2022年 1月1日及2022年12月31日	1,913,386,669	5,326,923

Note:

Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company held on 5 August 2021, the share consolidation on the basis that every ten issued ordinary shares in the share capital of the Company be consolidated into one ordinary share in the share capital of the Company became effective on 9 August 2021 (the "Share Consolidation").

All the shares issued during 2021 rank pari passu with other shares in issue in all respects.

附註：

根據股東於2021年8月5日舉行的本公司特別股東大會上通過的普通決議案，根據本公司股本中每十股已發行普通股合併為本公司股本中一股普通股進行的股份合併已於2021年8月9日生效(「股份合併」)。

2021年度發行的所有股份在所有方面與其他已發行股份享有同等地位。

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32. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2022 are presented in the consolidated statement of changes in equity.

(a) PRC statutory reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, these entities are required to appropriate 10% of their net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserves may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from banks, financial institutions, senior notes and its related companies in which Ms. Huang has beneficial interests and continued to look for other external financing sources. The Group's overall strategy remains unchanged from the prior year.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

32. 儲備

本集團之儲備金額及其於截至2022年12月31日止年度之變動呈列於綜合權益變動表內。

(a) 中國法定儲備

根據中國公司法及於中國成立的附屬公司的組織章程細則，該等實體須按稅後溢利淨額之10%提取法定盈餘儲備，此乃根據中國會計準則釐定，直至儲備餘額達到其註冊資本50%為止。受相關中國法規及實體組織章程細則所載若干限制之規限，法定盈餘儲備可用於抵銷虧損或轉換為增加股本，但轉換後儲備餘額不得少於本集團註冊資本之25%。儲備不得用作其設立目的以外的其他用途，亦不得作為現金股息分派。

(b) 外匯儲備

外匯儲備包括換算集團實體財務報表所產生的所有外匯差額，有關儲備根據附註2.4所載會計政策處理。

33. 資本風險管理

本集團管理資本乃為確保本集團實體能夠持續經營，同時透過優化債務與權益平衡為股東帶來最大回報。鑒於本集團之擴建策略，本集團由銀行、金融機構、優先票據及Huang女士擁有實益權益之關連公司籌集資金來源及繼續尋求其他外部融資渠道。本集團整體策略與過往年度保持不變。

本公司董事每年均會審閱資本架構。為配合該項審閱，本公司董事認為資本成本及風險與股本相關。根據本公司董事建議，本集團將透過支付股息、發行新股份、籌集新借貸或贖回債務，平衡其整體資本架構。

33. CAPITAL RISK MANAGEMENT (CONTINUED)

The capital structure of the Group consists of net debt, which includes bank and other borrowings, amounts due to related companies and loans from a related company, net of cash and cash equivalents, restricted bank balances and pledged deposits. The gearing ratio as at the end of the reporting period was as follows:

33. 資本風險管理(續)

本集團資本架構包括負債淨額，即包括銀行及其他借貸、應付關連公司款項及來自一間關連公司貸款，減現金及現金等值項目、受限制銀行結餘及已抵押按金。於報告期末之資產負債比率如下：

		2022	2021
		2022年	2021年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Amounts due to related companies	應付關連公司款項	1,038,106	1,976,226
Loans from a related company	來自一間關連公司之貸款	7,243,579	8,204,904
Bank and other borrowings (current and non-current)	銀行及其他借貸(流動及非流動)	8,199,383	11,795,330
Less: Cash and cash equivalents	減：現金及現金等值項目	(488,199)	(1,838,967)
Restricted bank balances	受限制銀行結餘	(1,365,905)	(1,457,690)
Pledged deposits (current and non-current)	已抵押按金(流動及非流動)	(137,515)	(215,876)
Net debt	負債淨額	14,489,449	18,463,927
Total assets	總資產	61,543,899	68,223,815
Gearing ratio	資產負債比率	24%	27%

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34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022**Financial assets**

Financial assets at fair value through profit or loss	按公平值計入損益之金融資產		
Accounts receivable	應收賬款		
Financial assets included in other receivables and other assets	計入其他應收款項及其他資產之金融資產		
Pledged deposits	已抵押按金		
Restricted bank balances	受限制銀行結餘		
Cash and cash equivalents	現金及現金等值項目		

34. 按類別劃分之金融工具

於報告期末，各類金融工具之賬面值如下：

2022年**金融資產**

Financial assets at fair value through profit or loss 按公平值計入損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本計算之金融資產 RMB'000 人民幣千元
247,725	-
-	15,483
-	736,531
-	137,515
-	1,365,905
-	488,199
247,725	2,743,633

Financial liabilities**金融負債**

Accounts and bills payables	應付賬款及應付票據	209,544
Financial liabilities included in other payables, deposits and accruals	計入其他應付款項、按金及應計費用之金融負債	6,833,480
Amounts due to related companies	應付關連公司款項	1,038,106
Loans from a related company	來自一間關連公司之貸款	7,243,579
Bank and other borrowings	銀行及其他借貸	8,199,383
		23,524,092

34. FINANCIAL INSTRUMENTS BY CATEGORY
(CONTINUED)

2021

Financial assets

		Financial assets at fair value through profit or loss	Financial assets at amortised cost
		按公平值 計入損益之 金融資產	按攤銷 成本計算之 金融資產
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	423,968	-
Accounts receivable	應收賬款	-	12,210
Financial assets included in other receivables and other assets	計入其他應收款項及其他資產之 金融資產	-	148,256
Pledged deposits	已抵押按金	-	215,876
Restricted bank balances	受限制銀行結餘	-	1,457,690
Cash and cash equivalents	現金及現金等值項目	-	1,838,967
		423,968	3,672,999

*Financial liabilities**金融負債*

		Financial liabilities at amortised cost
		按攤銷成本 計算之金融負債
		RMB'000
		人民幣千元
Accounts and bills payables	應付賬款及應付票據	221,514
Financial liabilities included in other payables, deposits and accruals	計入其他應付款項、按金及應計費用之 金融負債	6,036,957
Amounts due to related companies	應付關連公司款項	1,976,226
Loans from a related company	來自一間關連公司之貸款	8,204,904
Bank and other borrowings	銀行及其他借貸	11,795,330
		28,234,931

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

35. 金融工具之公平值及公平值層級

於報告期末，各類金融工具之賬面值如下：

		Carrying amounts		Fair values	
		賬面值		公平值	
		2022	2021	2022	2021
		2022年	2021年	2022年	2021年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Financial assets	金融資產				
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	247,725	423,968	247,725	423,968
Financial liabilities	金融負債				
Bank and other borrowings	銀行及其他借貸	8,199,383	11,795,330	8,139,778	11,591,687

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivable, financial assets included in other receivables and other assets, accounts payable, financial liabilities included in other payables and accruals, amounts due to related companies and loans from a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

The fair values of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2022 were assessed to be insignificant.

管理層已評估現金及現金等值項目、受限制銀行結餘、已抵押按金、應收賬款、計入其他應收款項及其他資產之金融資產、應付賬款、計入其他應付款項及應計費用之金融負債、應付關連公司款項及來自一間關連公司之貸款公平值與其賬面值大致相若，乃由於該等工具到期日較短所致。

本集團由財務經理主管的財務部，負責確定金融工具公平值計量之政策及程序。財務經理直接向首席財務官報告。於各報告日期，財務部分析金融工具的價值變動並確定估值中所應用之主要輸入值。估值由首席財務官審閱及批准。

金融資產及負債的公平值乃包含於可由自願各方現時交易兌換工具之金額，強迫或清盤出售之金融資產及負債除外。

已上市股本投資之公平值按市場報價計算。

銀行及其他借貸之公平值乃通過將預期未來現金流量按現時可用於具類似條款、信貸風險及餘下到期時間之工具之利率進行貼現計算。於2022年12月31日，本集團有關銀行及其他借貸的不履約風險導致的公平值變動屬微不足道。

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之 金融資產	247,725	-	-	247,725

As at 31 December 2021

於2021年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之 金融資產	423,968	-	-	423,968

The Group had no financial liabilities measured at fair value as at 31 December 2022 (2021: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

35. 金融工具之公平值及公平值層級 (續)

公平值層級

下表列示本集團金融工具之公平值計量層級：

按公平值計量之資產：

於2022年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之 金融資產	247,725	-	-	247,725

於2021年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之 金融資產	423,968	-	-	423,968

於2022年12月31日，本集團並無任何按公平值計量之金融負債(2021年：無)。

年內，金融資產及金融負債第一級與第二級之間並無公平值計量之轉撥，亦無轉撥至或轉撥自第三級(2021年：無)。

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2022

35. 金融工具之公平值及公平值層級 (續)

公平值層級(續)

披露公平值之負債：

於2022年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Bank and other borrowings	銀行及其他借貸	-	8,139,778	-	8,139,778

As at 31 December 2021

於2021年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Bank and other borrowings	銀行及其他借貸	-	11,591,687	-	11,591,687

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, accounts receivable, other receivables, accounts payable, other payables and accruals and amounts due to related companies, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits, financial assets at fair value through profit or loss, bank and other borrowings and loans from a related company. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rate set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

2022

2022年

Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸
USD	美元
USD	美元
SGD	新加坡元
SGD	新加坡元

36. 財務風險管理目標及政策

本集團的主要金融工具主要包括現金及現金等值項目、受限制銀行結餘、應收賬款、其他應收款項、應付賬款、其他應付款項及應計費用及應付關連公司款項，該等金融工具因其經營而直接產生。本集團擁有其他金融資產及負債，如已抵押按金、按公平值計入損益之金融資產、銀行及其他借貸及來自一間關連公司之貸款。該等金融工具的主要目的在於為本集團之運營融資。

本集團金融工具產生的主要風險為利率風險、股本價格風險、外匯風險、信貸風險及流動資金風險。一般而言，本集團對其風險管理採取保守策略。本集團未持有或發行可供交易的衍生金融工具。董事會檢討並同意該等風險管理政策，其概述如下。

利率風險

本集團面臨的市場利率變動風險主要與附註29所載本集團浮息銀行及其他借貸有關。本集團並無使用衍生金融工具對沖利率風險。本集團使用定息及浮息借貸管理其利息成本。

下表列示在所有其他可變因素保持不變的情況下，利率的合理可能變動敏感度分析對本集團除稅前溢利之影響。

Increase/ (decrease) in basis points 基點上升 /(下降)	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
100	(1,083)
(100)	1,083
100	(635)
(100)	635

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

2021		Increase/ (decrease) in basis points 基點 上升/(下降)	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
2021年			
Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸		
USD	美元	100	(1,077)
USD	美元	(100)	1,077
SGD	新加坡元	100	(626)
SGD	新加坡元	(100)	626

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed investments classified as financial assets at fair value through profit or loss. The management manages this exposure by regular review of price fluctuation.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of financial assets at fair value through profit or loss at the end of the reporting period.

利率風險(續)

2021		Increase/ (decrease) in basis points 基點 上升/(下降)	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
2021年			
Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸		
USD	美元	100	(1,077)
USD	美元	(100)	1,077
SGD	新加坡元	100	(626)
SGD	新加坡元	(100)	626

股本價格風險

股本價格風險為股本指數水平及個別證券價值變動導致股本證券公平值下降之風險。本集團承受被分類為按公平值計入損益之金融資產之上市投資股本價格風險。管理層透過定期審閱價格波幅管理此風險。

價格敏感度

以下敏感度分析以報告期末按公平值計入損益之金融資產價格所承受風險釐定。

31 December 2022	2022年12月31日	Increase/ (decrease) in market price 市價 上升/(下降) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
31 December 2022	2022年12月31日	10 (10)	24,773 (24,773)
31 December 2021	2021年12月31日	10 (10)	42,397 (42,397)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK\$, USD and SGD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

36. 財務風險管理目標及政策(續)

外幣風險

本集團要面對交易貨幣風險。該等風險乃因為經營單位以單位的功能貨幣以外的貨幣進行交易而產生。

下表列示在所有其他可變因素保持不變的情況下，由於港元、美元及新加坡元匯率的合理可能變動對本集團於報告期末的除稅前溢利之敏感度分析(由於貨幣資產及負債之公平值變動所致)。

		Increase/ (decrease) in exchange rate of foreign currency 外匯匯率 上升/(下降) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
2022	2022年		
If the HK\$ strengthens against the USD	倘港元兌美元升值	1	(22,379)
If the HK\$ weakens against the USD	倘港元兌美元貶值	(1)	22,379
If the SGD strengthens against the USD	倘新加坡元兌美元升值	1	(551)
If the SGD weakens against the USD	倘新加坡元兌美元貶值	(1)	551
If the HK\$ strengthens against the SGD	倘港元兌新加坡元升值	1	48
If the HK\$ weakens against the SGD	倘港元兌新加坡元貶值	(1)	(48)
If the HK\$ strengthens against the RMB	倘港元兌人民幣升值	1	19
If the HK\$ weakens against the RMB	倘港元兌人民幣貶值	(1)	(19)
2021	2021年		
If the HK\$ strengthens against the USD	倘港元兌美元升值	1	(31,335)
If the HK\$ weakens against the USD	倘港元兌美元貶值	(1)	31,335
If the SGD strengthens against the USD	倘新加坡元兌美元升值	1	(508)
If the SGD weakens against the USD	倘新加坡元兌美元貶值	(1)	508
If the HK\$ strengthens against the SGD	倘港元兌新加坡元升值	1	39
If the HK\$ weakens against the SGD	倘港元兌新加坡元貶值	(1)	(39)
If the HK\$ strengthens against the RMB	倘港元兌人民幣升值	1	1
If the HK\$ weakens against the RMB	倘港元兌人民幣貶值	(1)	(1)

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

36. 財務風險管理目標及政策(續)

信貸風險

本集團僅與獲認可及信譽良好之第三方進行交易。按照本集團的政策，所有擬按信貸條款進行交易的客戶均須接受信貸核實程序。此外，本集團會持續監察應收款項結餘情況，而本集團之壞賬風險並不重大。

最高風險及年終階段

下表列示基於本集團信貸政策的信貸質素及最大信貸風險敞口，主要基於過往逾期資料(惟其他資料毋須過多成本或努力即可得)及於12月31日之年終階段分類。

所呈列金額為金融資產總賬面值。

於2022年12月31日

	12-month ECLs 12個月預期 信貸虧損	Lifetime ECLs			Total 總計 RMB'000 人民幣千元	
		全期預期信貸虧損				
	Stage 1 第1階段 RMB'000 人民幣千元	Stage 2 第2階段 RMB'000 人民幣千元	Stage 3 第3階段 RMB'000 人民幣千元	Simplified approach 簡化方法 RMB'000 人民幣千元		
Accounts receivable* Accounts receivable – Normal**	應收賬款* 應收賬款 – 正常**	– 10,586	– –	– –	5,960 –	5,960 10,586
Financial assets included in other receivables and other assets – Normal** – Doubtful**	計入其他應收款項及 其他資產之金融資產 – 正常** – 存疑**	747,072 –	– –	– 650	– –	747,072 650
Pledged deposits – Not yet past due	已抵押按金 – 未逾期	137,515	–	–	–	137,515
Restricted bank balances – Not yet past due	受限制銀行結餘 – 未逾期	1,372,596	–	–	–	1,372,596
Cash and cash equivalents – Not yet past due	現金及現金等值項目 – 未逾期	493,365	–	–	–	493,365
		2,761,134	–	650	5,960	2,767,744

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

36. 財務風險管理目標及政策(續)

信貸風險(續)

最高風險及年終階段(續)

於2021年12月31日

		12-month ECLs		Lifetime ECLs		Total
		12個月預期 信貸虧損		全期預期信貸虧損		
		Stage 1	Stage 2	Stage 3	Simplified approach	
		第1階段	第2階段	第3階段	簡化方法	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Accounts receivable*	應收賬款*	-	-	-	2,127	2,127
Accounts receivable	應收賬款					
- Normal**	- 正常**	10,083	-	-	-	10,083
Financial assets included in other receivables and other assets	計入其他應收款項及其他資產之金融資產					
- Normal**	- 正常**	148,256	-	-	-	148,256
- Doubtful**	- 存疑**	-	-	650	-	650
Pledged deposits	已抵押按金					
- Not yet past due	- 未逾期	215,876	-	-	-	215,876
Restricted bank balances	受限制銀行結餘					
- Not yet past due	- 未逾期	1,457,690	-	-	-	1,457,690
Cash and cash equivalents	現金及現金等值項目					
- Not yet past due	- 未逾期	1,838,967	-	-	-	1,838,967
		3,670,872	-	650	2,127	3,673,649

* For accounts receivable to which the Group applies the simplified approach for impairment as detailed in note 23 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in accounts receivable, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

* 就本集團應用財務報表附註23所詳述減值簡化方法的應收賬款而言，本集團並無任何重大集中信貸風險。

** 當計入應收賬款、其他應收款項及其他資產之金融資產未逾期，且並無資料顯示金融資產的信貸風險自初始確認以來顯著增加時，金融資產的信貸質素被視為「正常」。

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings and loans from a related company. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2022

	On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts and bills payable 應付賬款及應付票據	209,544	-	-	-	209,544
Financial liabilities included in other deposits received and accruals 計入其他已收按金及應計費用之金融負債	6,825,988	-	-	-	6,825,988
Amounts due to related companies 應付關連公司款項	1,038,106	-	-	-	1,038,106
Loans from a related company - Non-interest-bearing 來自一間關連公司之貸款 - 免息	7,243,579	-	-	-	7,243,579
Bank and other borrowings 銀行及其他借貸	5,197,840	3,072,140	949,849	-	9,219,829
	20,515,057	3,072,140	949,849	-	24,537,046
Financial guarantee contracts (Note) 財務擔保合約(附註)	19,274,110	-	-	-	19,274,110

36. 財務風險管理目標及政策(續)

流動資金風險

本集團之目標為透過利用銀行及其他借貸以及來自一間關連公司之貸款，維持資金持續供應及靈活性之平衡。本集團持續密切監察現金流量。

於報告期末，本集團金融負債根據合約未貼現付款作出的到期分析如下：

於2022年12月31日

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

As at 31 December 2021

		On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts and bills payable	應付賬款及應付票據	221,514	–	–	–	221,514
Financial liabilities included in other deposits received and accruals	計入其他已收按金及 應計費用之金融負債	6,036,957	–	–	–	6,036,957
Amounts due to related companies	應付關連公司款項	1,976,226	–	–	–	1,976,226
Loans from a related company – Non-interest-bearing	來自一間關連公司之貸款 – 免息	8,204,904	–	–	–	8,204,904
Bank and other borrowings	銀行及其他借貸	6,767,672	3,938,893	2,457,713	6,998	13,171,276
		23,207,273	3,938,893	2,457,713	6,998	29,610,877
Financial guarantee contracts (Note)	財務擔保合約(附註)	18,002,298	–	–	–	18,002,298

Note: The amounts included above for financial guarantee contracts are the maximum amounts 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. Based on the 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. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

流動資金風險(續)

於2021年12月31日

附註：上述財務擔保合約款項為擔保對手方索取相關款項時，本集團根據安排可能須結付全數擔保款額之最高金額。基於報告期間結算日之預期，本集團認為須根據相關安排支付相關款項之可能性不大。然而，該估計視乎對手方根據擔保索償之可能性而有變，惟此可能性須視乎對手方所持擔保財務應收款項會否蒙受信貸虧損而定。

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財務報表附註

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS 37. 綜合現金流量表附註

(a) Changes in liabilities arising from financing activities

(a) 融資活動之負債變動

		Amounts due to related companies 應付關連 公司款項 RMB'000 人民幣千元	Loans from a related company 來自一間 關連公司貸款 RMB'000 人民幣千元	Accrued interest* 累計利息* RMB'000 人民幣千元	Bank and other borrowings 銀行及 其他借貸 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2022	於2022年1月1日	1,976,226	8,204,904	116,863	11,795,330	22,093,323
Changes from financing cash flows (Note i)	融資現金流量變動 (附註i)	(938,120)	(961,325)	(749,418)	(4,109,579)	(6,758,442)
Interest expenses	利息開支	-	-	719,716	-	719,716
Foreign exchange translation	外匯換算	-	-	-	198,126	198,126
Non-cash transitions (Note ii)	非現金交易(附註ii)	-	-	-	315,506	315,506
At 31 December 2022	於2022年12月31日	1,038,106	7,243,579	87,161	8,199,383	16,568,229

		Amounts due to related companies 應付關連 公司款項 RMB'000 人民幣千元	Loans from a related company 來自一間 關連公司貸款 RMB'000 人民幣千元	Accrued interest* 累計利息* RMB'000 人民幣千元	Bank and other borrowings 銀行及 其他借貸 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2021	於2021年1月1日	4,100,961	8,374,973	140,321	15,135,925	27,752,180
Changes from financing cash flows (Note i)	融資現金流量變動 (附註i)	(2,124,735)	(170,069)	(1,346,699)	(3,238,674)	(6,880,177)
Interest expenses	利息開支	-	-	1,323,241	-	1,323,241
Foreign exchange translation	外匯換算	-	-	-	(101,921)	(101,921)
At 31 December 2021	於2021年12月31日	1,976,226	8,204,904	116,863	11,795,330	22,093,323

Note:

附註：

(i) The financing cash flows are made up of the net amounts of new bank and other borrowings raised, repayment of bank and other borrowings, interest paid, advance from/repayment to related companies, loans received from/repaid to a related company in the consolidated statement of cash flows.

(i) 融資現金流量為綜合現金流量表內之新籌銀行及其他借貸、償還銀行及其他借貸、已付利息、關連公司墊款／還款、已收／償還一間關連公司貸款之淨額。

(ii) During the year, certain newly raised bank and other borrowings were directly paid to the suppliers by the lender of the borrowings, so that to settle the construction payables due to the suppliers, leading to the non-cash transitions of RMB315,506,000 (2021: Nil).

(ii) 於年內，若干新籌銀行及其他借貸由借貸之貸款人直接支付予供應商，以結算應付供應商之工程應付款項，導致非現金轉移人民幣315,506,000元(2021年：無)。

* Included in accounts payable, deposits received and accruals.

* 計入應付賬款、已收按金及應計費用。

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Within operating activities	368	1,483

38. PLEDGE OF ASSETS

The following assets are pledged to certain of the Group's bank and other borrowings granted to the Group and mortgage loan facilities granted to certain property buyers of the Group's properties at the end of the reporting period:

	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Property under development	14,600,959	14,325,413
Completed properties held for sale	134,950	813,795
Investment properties	495,852	444,765
Pledged deposits	137,515	215,876
	15,369,276	15,799,849

In addition, shares of certain subsidiaries were pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2022 and 2021.

37. 綜合現金流量表附註(續)

(b) 租賃現金流出總額

現金流量表所載租賃現金流出總額如下：

38. 資產抵押

於報告期末，以下資產已抵押予若干本集團獲授之本集團銀行及其他借貸及本集團物業之若干物業買家獲授按揭融資之質押：

此外，於2022年及2021年12月31日，已抵押若干附屬公司之股份，以作為本集團獲授若干銀行融資之抵押。

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39. COMMITMENTS

- (a) The Group had the following capital commitments at the end of the reporting period:

	就下列各項已訂約但未撥備
Contracted for, but not provided, in respect of	收購土地使用權
Acquisitions of land use rights	物業發展開支
Property development expenditures	

- (b) The Group has no lease contracts that have not yet commenced as at 31 December 2022.

40. CONTINGENT LIABILITIES

As at 31 December 2022, the Group had contingent liabilities relating to guarantees amounting to approximately RMB19,274,110,000 (2021: RMB18,002,298,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2022 (2021: Nil) as in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

39. 承擔

- (a) 於報告期間結算日，本集團之資本承擔如下：

	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
	-	210,540
	10,041,812	10,656,821
	10,041,812	10,867,361

- (b) 於2022年12月31日，本集團並無任何未開始的租賃合約。

40. 或然負債

於2022年12月31日，本集團就有關本集團物業之物業買家訂立之按揭貸款而由若干銀行提供之按揭貸款融資之擔保擁有或然負債約人民幣19,274,110,000元（2021年：人民幣18,002,298,000元）。根據擔保條款，倘該等物業買家拖欠按揭款項，本集團須負責償還失責買家欠付銀行的未償還按揭本金連同累計利息及任何罰款。本集團將有權接管相關物業的法定業權及擁有權。該等擔保將於以下較早者發生時解除：(i)物業買家償還按揭貸款；及(ii)就按揭物業發出物業所有權證並完成按揭的取消登記。本公司董事認為，由於倘付款出現違約，則相關物業之可變現淨值可涵蓋未償還本金連同累計利息及罰金，故並無就擔保合約於截至2022年12月31日止年度（2021年：無）之綜合財務報表確認撥備。

41. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

Related companies (Note (i)) 關連公司(附註(i))	Transactions (Note (ii)) 交易(附註(ii))	2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
Relevant members of Ever Diamond Global Company Limited ("Ever Diamond") together with its subsidiaries (collectively, the "Ever Diamond Group")	永鑽環球有限公司(「永鑽」)之有關成員公司連同其附屬公司(統稱「永鑽集團」)	Project management services fee income 項目管理服務費收入	61,571
Relevant members of Henan Zensun Corporate Development Company Limited ("Zensun Development") together with its subsidiaries (collectively, the "Zensun Development Group")	河南正商企業發展有限責任公司(「正商發展」)之有關成員公司連同其附屬公司(統稱「正商發展集團」)	Construction costs (capitalised in properties under development) 建築成本(於發展中物業資本化)	2,434,403
Relevant members of Xingye Wulian Service Company Limited ("Xingye Wulian") together with its subsidiaries (collectively, the "Xingye Wulian Group")	興業物聯服務集團有限公司(「興業物聯」)之有關成員公司連同其附屬公司(統稱「興業物聯集團」)	Property engineering costs (capitalised in properties under development) and property management and value-added services fee 項目工程成本(於發展中物業資本化)以及物業管理及增值服務費	45,982

Notes:

- (i) Ever Diamond Group are entities controlled by the Ms. Huang. Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by Ms. Huang's daughter, Ms. Zhang.
- (ii) These transactions were based on terms mutually agreed by both parties. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

As at 31 December 2022, the Group's senior notes and bank and other borrowings amounting to approximately RMB4,284,452,000 (31 December 2021: approximately RMB6,922,774,000) were guaranteed by related companies which are controlled by Ms. Huang, and her daughter, Ms. Zhang. No asset of the Group was pledged to these related companies in respect of these guarantees.

The Group is licensed by Zensun Real Estate to use the trademark of "Zensun" and "正商" on a royalty-free basis until July 2025.

41. 關連人士交易

- (a) 除該等財務報表其他部分詳述之交易外，本集團於報告期內與關連人士進行下列交易：

2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
-	61,571
1,601,402	2,434,403
45,884	45,982

附註：

- (i) 永鑽集團為由Huang女士控制之實體。正商發展集團及興業物聯集團為由Huang女士之女兒張女士最終控制之實體。
- (ii) 該等交易乃基於雙方共同協定之條款釐定，並構成上市規則第14A章項下定義之持續關連交易。

於2022年12月31日，本集團之優先票據以及銀行及其他借貸約人民幣4,284,452,000元(2021年12月31日：約人民幣6,922,774,000元)之銀行及其他借貸已由Huang女士及其女兒張女士控制之關連公司擔保。概無就該等擔保向該等關連公司抵押本集團資產。

本集團獲正商置業許可按免專利費基準使用「Zensun」及「正商」商標至2025年7月。

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41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 25, 27 and 28 to the financial statements.

(c) Compensation of key management personnel of the Group:

Short term employee benefits	短期僱員福利
Post-employment benefits	離職後福利
Total compensation paid to key management personnel	向主要管理人員支付的薪酬總額

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

Save as disclosed above, no transaction has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being key management personnel compensation) (2021: Nil).

42. SHARE OPTION SCHEME

On 28 August 2013, a new share option scheme (the "Share Option Scheme") was adopted by the Company. The purpose of the Share Option Scheme is to motivate eligible persons who contribute to the success of the Group's operations. The Share Option Scheme remains in force for 10 years from that date, unless otherwise cancelled or amended. Eligible persons of the Share Option Scheme include (i) a director or proposed director (including an independent non-executive director) of any member of the Group; (ii) a direct or indirect shareholder of any member of the Group; (iii) a supplier of goods or services to any member of the Group; (iv) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (v) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to any member of the Group; and (vi) a landlord or tenant (including a sub-tenant) of any member of the Group. Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any option to any eligible person as the Board may in its absolute discretion select and the basis of eligibility shall be determined by the Board from time to time.

41. 關連人士交易(續)

(b) 與關連人士之未償還結餘：

於報告期末，本集團與關連人士之結餘詳情載於財務報表附註25、27及28。

(c) 本集團主要管理人員薪酬：

2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
1,995	1,946
122	85
2,117	2,031

董事及主要行政人員酬金之進一步詳情載於財務報表附註9。

除上文所披露者外，於年內並無與本公司董事(即主要管理人員)進行任何交易，惟向彼等支付作為主要管理人員報酬之酬金除外(2021年：無)。

42. 購股權計劃

於2013年8月28日，本公司採納新購股權計劃(「購股權計劃」)。購股權計劃旨在激勵對本集團業務成就有所貢獻之合資格人士。除非另經註銷或修訂，否則購股權計劃由該日起一直有效十年。購股權計劃之合資格人士包括(i)本集團任何成員公司之董事或候任董事(包括獨立非執行董事)；(ii)本集團任何成員公司之直接或間接股東；(iii)本集團任何成員公司之貨品或服務供應商；(iv)本集團任何成員公司之客戶、諮詢顧問、業務或合營企業夥伴、特許經營人、承包商、代理或代表；(v)向本集團任何成員公司提供研發或其他技術支持或任何顧問、諮詢顧問、專業服務之人士或實體；及(vi)本集團任何成員公司之業主或租戶(包括分租戶)。根據購股權計劃之條款，於購股權計劃有效期內任何時間，董事會有權向其全權酌情選擇之任何合資格人士提呈授出購股權，而合資格基準不時由董事會釐定。

42. SHARE OPTION SCHEME (CONTINUED)

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which options may be granted is such number of shares which, when aggregated with shares subject to any other share option scheme(s), must not exceed 10% of the issued share capital of the Company as at the date of the annual general meeting approving the Share Option Scheme on 28 August 2013. The maximum number of shares issuable under share options to each eligible person in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5,000,000, within any 12-month period, are subject to the shareholders' approval in a general meeting.

The amount payable upon the acceptance of an option is HK\$1.00. The period within which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be more than 10 years commencing on the date of grant of an option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the grant; and (iii) the nominal value of the Company's shares.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date the annual meeting approving the Share Option Scheme on 28 August 2013, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options vested immediately and may be exercised at any time not exceeding a period of 5 years from the date on which the share options are accepted.

During the years ended 31 December 2022 and 2021, no options have been granted under the above-mentioned scheme.

42. 購股權計劃(續)

根據購股權計劃，可能授出之購股權涉及之股份數目上限，與任何其他購股權計劃涉及之股份相加，最多不得超過本公司於2013年8月28日(批准購股權計劃的股東週年大會日期)已發行股本之10%。於任何十二個月期間根據購股權可向購股權計劃各合資格人士發行之股份數目上限，以本公司任何時間已發行股份1%為限。任何進一步授出超逾該限額之購股權須待股東於股東大會批准後，方可實行。

向本公司董事、主要行政人員或主要股東或彼等各自之任何聯繫人士授出購股權，均須取得獨立非執行董事(為購股權承授人之任何獨立非執行董事除外)之事先批准。此外，在任何十二個月期間，倘向任何主要股東或獨立非執行董事或彼等各自之任何聯繫人士授出任何超過本公司於任何時間已發行股份0.1%及總值超過5,000,000港元(根據本公司股份於授出日期之價格計算)之購股權，則須待股東於股東大會批准後，方可實行。

購股權獲接納時應付金額1.00港元。購股權之必須行使期限由董事會於授出購股權時全權酌情釐定，惟有關期限自購股權授出日期起計不得超過十年。

購股權之行使價由董事會釐定，惟不得低於以下各項之最高者：(i)本公司股份於提呈授出日期(必須為交易日)於聯交所每日報價表所報收市價；(ii)本公司股份於緊接提呈授出日期前五個交易日於聯交所每日報價表所報平均收市價；及(iii)本公司股份面值。

與根據購股權計劃可能授予之購股權有關之股份總數在未經本公司股東事先批准前，不允許超過本公司於2013年8月28日(批准購股權計劃的股東週年大會日期)已發行股份10%。與於任何一年內授予或可能授予任何人士之購股權有關之已發行及將予發行股份數目在未經本公司股東事先批准前，不允許超過本公司於任何時間點已發行股份1%。購股權自購股權獲接納之日起不超過五年期間內任何時間即時歸屬並可能獲行使。

於截至2022年及2021年12月31日止年度，概無購股權根據上述計劃獲授出。

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財務報表附註

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

43. 本公司財務狀況報表

本公司於報告期末之財務狀況報表資料如下：

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產		
Property, plant and equipment	物業、廠房及設備	58	60
Investments in subsidiaries	於附屬公司之投資	324,181	324,181
Total non-current assets	非流動資產總額	324,239	324,241
CURRENT ASSETS	流動資產		
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	4,221	4,697
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	247,639	423,889
Amounts due from subsidiaries	應收附屬公司款項	8,243,220	8,426,995
Cash and cash equivalents	現金及現金等值項目	5,002	14,555
Total current assets	流動資產總額	8,500,082	8,870,136
CURRENT LIABILITIES	流動負債		
Other payables and accruals	其他應付款項及應計費用	78,745	119,205
Bank and other borrowings	銀行及其他借貸	1,369,088	1,265,028
Amounts due to subsidiaries	結欠附屬公司款項	1,511,379	197,169
Total current liabilities	流動負債總額	2,959,212	1,581,402
NET CURRENT ASSETS	流動資產淨值	5,540,870	7,288,734
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債	5,865,109	7,612,975
NON-CURRENT LIABILITIES	非流動負債		
Bank and other borrowings	銀行及其他借貸	1,092,026	2,274,113
Total non-current liabilities	非流動負債總額	1,092,026	2,274,113
Net assets	資產淨值	4,773,083	5,338,862
EQUITY	權益		
Share capital	股本	5,326,923	5,326,923
Reserves (Note)	儲備(附註)	(553,840)	11,939
Total equity	權益總額	4,773,083	5,338,862

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

		Capital reduction reserves 資本削減 儲備賬 RMB'000 人民幣千元	Exchange reserve 外匯儲備 RMB'000 人民幣千元	Other reserve 其他儲備 RMB'000 人民幣千元	Retained earnings 保留盈餘 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2021	於2021年1月1日	119,330	(146,789)	82,674	425,819	481,034
Total comprehensive loss for the year	年內全面虧損總額	-	(170,437)	-	(143,674)	(314,111)
2020 final dividend paid	已付2020年末期股息	-	-	-	(154,984)	(154,984)
At 31 December 2021 and 1 January 2022	於2021年12月31日及 2022年1月1日	119,330	(317,226)	82,674	127,161	11,939
Total comprehensive income/(loss) for the years	年內全面收益/ (虧損)總額	-	465,700	-	(1,031,479)	(565,779)
At 31 December 2022	於2022年12月31日	119,330	148,474	82,674	(904,318)	(553,840)

43. 本公司財務狀況報表(續)

附註：

本公司之儲備概述如下：

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44. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows:

44. 附屬公司概要

於2022年12月31日，本公司主要附屬公司之資料如下：

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
75 Wall Street, LLC	USA 美國	Note (i) 附註(i)	–	100	Property investment 物業投資
American Housing REIT, Inc.	USA 美國	Common stock USD6,256 普通股6,256美元	–	99.8	Property investment 物業投資
AHR First Borrower, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Loan financing and property investment 貸款融資及物業投資
AHR Second Borrower, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Loan financing 貸款融資
American Senior Housing REIT, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment and investment holding 物業投資及投資控股
ASHR McKinney, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment 物業投資
ASHR First, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment 物業投資
China Credit Singapore Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD13,417,282 普通股13,417,282 新加坡元	100	–	Investment holding 投資控股
Expats Residences Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD25,002 普通股25,002 新加坡元	–	100	Property investment 物業投資
Heng Fung Capital Company Limited 恒鋒融資有限公司	Hong Kong 香港	Ordinary shares HK\$2 普通股2港元	100	–	Property investment and securities trading 物業投資及證券買賣
Keng Fong Foreign Investment Co., Ltd.	USA 美國	Common stock USD250,000 普通股250,000美元	–	100	Property investment 物業投資

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

44. 附屬公司概要(續)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Singapore Service Residence Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD1,250,000 普通股1,250,000 新加坡元	–	100	Property investment 物業投資
Xpress Credit Limited 特速信貸有限公司	Hong Kong 香港	Ordinary shares HK\$1,260,000 普通股1,260,000港元	–	100	Securities trading 證券買賣
ZH USA, LLC	USA 美國	Note (i) 附註(i)	100	–	Investment holding 投資控股
Xingcheng Holdings Limited 興城控股有限公司	Hong Kong 香港	Ordinary shares HK\$1 普通股1港元	–	100	Investment holding 投資控股
河南昌輝企業管理諮詢有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB1,000,000 註冊資本 人民幣1,000,000元	–	100	Investment holding 投資控股
新鄭正商興城置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB400,000,000 註冊資本 人民幣400,000,000元	–	100	Property development 物業發展
洛陽正商置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商尚濱置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商經開置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	100	Property development 物業發展
河南興漢正商置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展

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44. PARTICULARS OF THE SUBSIDIARIES
(CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

44. 附屬公司概要(續)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南象湖置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南新築置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南正商華府置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新銘置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新航置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商鄭東置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
北京上築置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
北京上陽置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南正商銘築置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

44. 附屬公司概要(續)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商鄭新房地產有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南啟盛置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商中岳置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商河洛置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南正商雅苑置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商金域置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商瓏水置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南省正商新居置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

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44. PARTICULARS OF THE SUBSIDIARIES
(CONTINUED)

44. 附屬公司概要(續)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商新府置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南沐歌置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南正商新宏置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商致遠置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
新鄉市興漢正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南正商佳居置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南漢輝置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	60	Property development 物業發展
河南正商王村置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南鑫築建設工程有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

44. 附屬公司概要(續)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商鴻雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南東象正商實業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	60	Property development 物業發展
河南嘉瑞昌置業股份有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南林盟置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
武漢豫正置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
滎陽博雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商金銘置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新古置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	90	Property development 物業發展
河南正商佳航置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

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44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

44. 附屬公司概要(續)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商尚策置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南鑫融置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, hotel operations 物業發展、酒店營運
河南悅府置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南悅璽置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南佳悅美置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	70	Property development 物業發展
北京上瑞置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	100	Property development 物業發展
武漢豫商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
鄭州君聯房地產開發有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
鄧州啟正置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB10,000,000 註冊資本 人民幣10,000,000元	–	51	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

44. 附屬公司概要(續)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
衛輝市正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	90	Property development 物業發展
淮濱縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	90	Property development 物業發展
杭州正商實業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Investment holding 投資控股
信陽正商博雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	99.9	Property development 物業發展
河南正商金悅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
汝陽縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南正商宛都置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	100	Property development 物業發展
商丘木華置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
鄧州市漢都置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展

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44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

44. 附屬公司概要(續)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
滑縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
魯山縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
光山縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	100	Property development 物業發展
輝縣市正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
伊川縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
周口市興漢正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB10,000,000 註冊資本 人民幣10,000,000元	–	56	Property development 物業發展
深圳正商實業投資有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Investment holding 投資控股
河南瀾雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南興商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2022 are as follows: (continued)

44. 附屬公司概要(續)

於2022年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊地點 及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔 權益之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商瓏尚置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
商丘興漢置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
漯河正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	41	Property development 物業發展
虞城縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
原陽縣興漢置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
羅山縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南正商溱悅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
商城縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	100	Property development 物業發展
河南正商舜江置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB10,000,000 註冊資本 人民幣10,000,000元	–	100	Property development 物業發展

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44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Notes:

- (i) No capital contribution is required from the member unless otherwise required by law.
- (ii) Entities established in the PRC are limited liability companies with no English names registered or available upon establishment.

45. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2022.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

44. 附屬公司概要(續)

附註：

- (i) 除非法律另行規定，否則並無規定資本貢獻必須來自成員公司。
- (ii) 於中國成立之實體為有限公司，且於成立後，概無登記或採用英文名稱。

45. 報告期後事項

於2022年12月31日後，本集團概無進行任何重大報告期後事項。

46. 批准財務報表

財務報表已於2023年3月30日獲董事會批准及授權刊發。

FINANCIAL SUMMARY

財務概要

For the year ended 31 December 截至12月31日止年度

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Results	業績					
Revenue	收益	9,657,056	13,421,496	8,069,061	8,887,186	601,470
(Loss)/profit for the year	年度(虧損)/溢利	(2,942,527)	385,042	778,373	1,151,458	28,492
Attributable to:	應佔:					
Owners of the Company	本公司擁有人	(2,946,113)	399,470	782,988	1,151,571	29,971
Non-controlling interests	非控股權益	3,586	(14,428)	(4,615)	(113)	(1,479)
(Loss)/profit for the year	年度(虧損)/溢利	(2,942,527)	385,042	778,373	1,151,458	28,492

As at 31 December 於12月31日

		2022 2022年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Assets and liabilities	資產及負債					
Total assets	總資產	61,543,899	68,239,873	67,152,356	51,942,189	39,569,259
Total liabilities	總負債	56,223,654	(60,041,216)	(59,263,541)	(48,205,148)	(38,447,747)
Net assets	淨資產	5,320,245	8,198,657	7,888,815	3,737,041	1,121,512
Non-controlling interests	非控股權益	(4,211)	(185)	(14,885)	3,593	7,053
Equity attributable to owners of the Company	本公司擁有人應佔權益	5,316,034	8,198,472	7,873,930	3,740,634	1,128,565

PARTICULARS OF MAJOR INVESTMENT PROPERTIES

主要投資物業概要

As at 31 December 2022 於2022年12月31日

INVESTMENT PROPERTIES

投資物業

Location 地點	Gross area (approximately) 總面積 (約)	Effective % held 實際擁有權 (%)	Type 類別	Lease term 租約
No.883 North Bridge Road, Shop on 1/F. and 27 Home Office Units on various floors, Southbank, Singapore 198785	28,732 sq.ft. 28,732平方呎	100%	Home Office 家居辦公室	Long-term lease 長期租約
4 Residential Units, Dakota Residences, 34-42 Dakota Crescent, Singapore 399939	7,298 sq.ft. 7,298平方呎	100%	Apartment 寓所	Long-term lease 長期租約
30/F and Carpark No. C8 on 2nd Carparking Floor, Wyndham Place, No.44 Wyndham Street, Central, Hong Kong 香港中環雲咸街44號雲咸商業中心 30樓及2樓停車場C8號車位	3,480 sq.ft. 3,480平方呎	100%	Office premises and Car Parking space 辦公室物業及車位	Long-term lease 長期租約
Glen Carr House, 1433 North Hamilton Drive, Derby, Kansas, 67037, U.S. Glen Carr House 位於美國肯薩斯州德比市 North Hamilton Drive 1433號	29,000 sq.ft. 29,000平方呎	99.8%	Senior house communities 長者住房宿舍	Freehold 永久業權
Oxford Grand McKinney, 2851 Orchid Drive, McKinney, Texas, 75070, U.S. Oxford Grand McKinney 位於美國德薩斯州麥堅尼市 Orchid Drive 2851號	69,700 sq.ft. 69,700平方呎	99.8%	Senior house communities 長者住房宿舍	Freehold 永久業權
Land parcels located at 671-180-012, 013, 014, 015, 016, 017, 018 Desert Hot Springs, County of Riverside, State of California, 92503, U.S. 位於美國加州河濱縣Desert Hot Springs之 地塊671-180-012、013、014、015、 016、017、018	67.5 acres/ 273,200 sq.m./ 2,940,300 sq.ft. 67.5畝/ 273,200平方米/ 2,940,300平方呎	100%	Vacant land 空置土地	Freehold 永久業權

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



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To the members of Zensun Enterprises Limited
(Incorporated in Hong Kong with limited liability)

致：正商實業有限公司全體股東
(於香港註冊成立之有限公司)

OPINION

We have audited the consolidated financial statements of Zensun Enterprises Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 85 to 190, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

意見

我們已審核載於第85頁至190頁正商實業有限公司(「貴公司」)及其附屬公司(「貴集團」)之綜合財務報表，此等財務報表包括於2021年12月31日之綜合財務狀況報表及截至該日止年度之綜合損益賬、綜合全面收益賬、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」)真實公平地反映 貴集團於2021年12月31日之綜合財務狀況及 貴集團截至該日止年度之綜合財務表現和綜合現金流量，並已按照香港公司條例之規定妥為編製。

意見之基礎

我們已根據香港會計師公會頒佈之香港審核準則(「香港審核準則」)進行審核。我們就該等準則承擔之責任在本報告核數師就審核綜合財務報表須承擔之責任一節中進一步闡述。根據香港會計師公會頒佈之專業會計師道德守則(「守則」)，我們獨立於 貴集團，並已履行守則中之其他專業道德責任。我們相信，我們所獲得之審核憑證能充足及適當地為我們的意見提供基礎。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

關鍵審核事項

Valuation of investment properties

投資物業之估值

As at 31 December 2021, investment properties amounted to approximately RMB531,595,000, which was material to the consolidated financial statements. To support management's assessment of the fair value of the properties, it is the Group's policy that property valuations are performed by external appraisers at the end of the reporting period.

Significant judgement is required to determine the fair values of the investment properties, which reflect market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values.

The accounting policies and disclosures of the valuation of investment properties are included in notes 2.4, 3 and 15 to the consolidated financial statements.

於2021年12月31日，投資物業約為人民幣531,595,000元，該數字對綜合財務報表而言屬重大。為支持管理層對物業公平值的評估，貴集團的政策是於報告期間結算日委聘外部估值師進行物業估值。

在釐定投資物業的公平值時需要作出重大判斷，該等公平值反映年末的市況。採用不同的估值技術及假設可能導致公平值出現重大差異。

有關投資物業估值的會計政策及披露載於綜合財務報表附註2.4、3及15。

關鍵審核事項

關鍵審核事項是根據我們的專業判斷，對本期間綜合財務報表之審核最為重要之事項。此等事項在我們審核整體綜合財務報表及出具意見時進行處理，而我們不會對該等事項提供單獨之意見。我們於審核中就下列各事項之處理方法描述載於下文。

我們已履行本報告核數師就審核綜合財務報表須承擔之責任一節所述包括與該等事項有關之責任。相應地，我們之審核工作包括執行旨在回應對綜合財務報表重大錯誤風險評估之程序。我們審核程序之結果，包括為處理以下事項所履行之程序已為我們就隨附之綜合財務報表作出之審核意見提供基礎。

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address valuation of investment properties:

- We evaluated the competency, independence and objectivity of the external valuer, and assessing the valuation approach used by the external valuer;
- We involved our internal valuation experts to assess the reasonableness of the assumptions such as the market rent, term yield and reversion yield used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors;
- We tested the accuracy of the property related data used as inputs for the valuations; and
- We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們已執行以下程序以對投資物業進行評估：

- 我們已評估外部估值師的能力、獨立性及客觀性，並評估外部估值師所使用之估值方法；
- 經考慮兼容性及市場因素後，透過將其與可用行業數據進行對比，我們邀請內部估值專家評估估值所用假設（如市場租金、年期收益率及復歸收益率等）之合理性；
- 我們測試用作估值輸入數據之物業相關數據的正確性；及
- 我們亦已評估 貴集團財務報表附註內的相關披露。

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Assessment of net realisable values of properties under development and completed properties held for sale

評估發展中物業及持作出售之已完工物業之可變現淨值

As at 31 December 2021, the carrying amounts of properties under development (“PUD”) and completed properties held for sale (“PHS”) situated in Mainland China were approximately RMB47,834,930,000 and RMB9,028,002,000, respectively. The Group carried out assessment on the net realisable values at the end of the reporting period and compared them to the costs.

This matter was significant to our audit because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.

The related accounting policies and disclosures are included in notes 2.4, 3, 20 and 21 to the consolidated financial statements.

於2021年12月31日，位於中國內地之發展中物業（「發展中物業」）及持作出售之已完工物業（「持作出售之物業」）之賬面值分別為約人民幣47,834,930,000元及人民幣9,028,002,000元。貴集團於報告期間結算日對可變現淨值進行評估並與成本比較。

由於釐定發展中物業及持作出售之物業之可變現淨值涉及對售價、變動銷售開支及估計發展中物業竣工成本的重大會計估計，故此事項對我們的審核而言乃屬重要。

相關會計政策及披露載於綜合財務報表附註2.4、3、20及21。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address the assessment of the net realisable values of PUD and PHS:

- We understood, evaluated and validated the internal control over the Group’s process in determining the net realisable values of PUD and PHS based on prevailing market conditions;
- We assessed the reasonableness of management’s key estimates:
 - (i) We compared the estimated selling price to the recent market transactions, such as the Group’s selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location;
 - (ii) We compared the estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and
 - (iii) We reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the construction contracts or compared them to the actual costs of similar completed properties of the Group; and
- We also assessed the relevant disclosures in the notes to the Group’s financial statements.

我們已執行以下程序以對發展中物業及持作出售之物業之可變現淨值進行評估：

- 我們根據現行市況，了解、評估及驗證 貴集團釐定發展中物業及持作出售之物業之可變現淨值之內部監控程序；
- 我們評估管理層關鍵估計之合理性：
 - (i) 我們將估計銷售價格與近期市場交易進行比較，如 貴集團在同一項目預售單元之銷售價格或具有類似規模、用途及位置的可比物業之現行市場價格；
 - (ii) 我們將估計比率與 貴集團本年度之實際平均銷售開支佔收益之比率進行比較；及
 - (iii) 我們將預期完工成本核對至管理層批准之預算，並基於抽樣方法檢查至建築合約或將預期完工成本與 貴集團相似類型已完工物業之實際成本進行比較；及
- 我們亦已評估 貴集團財務報表附註內的相關披露。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Provision for land appreciation tax ("LAT")

土地增值稅(「土地增值稅」)撥備

The subsidiaries of the Company that are engaged in property development in Mainland China are subject to LAT. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of each reporting period, the management of the Group estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. For the year ended 31 December 2021, LAT provision of approximately RMB126,325,000 was recorded in the consolidated statement of profit or loss.

The accounting policies and disclosures for the provision for LAT are included in notes 3 and 11 to the consolidated financial statements.

貴公司於中國內地從物業發展之附屬公司須繳納土地增值稅。土地增值稅乃按土地價格增值額30%至60%之累進稅率對所銷售物業進行徵收。於各報告期間結算日，貴集團管理層根據相關稅務法律法規的規定及解釋、估計銷售物業總額減可扣減總費用（包括土地使用權租賃費用、物業開發成本、借貸成本及開發費用）對土地增值稅撥備進行估算。於土地增值稅匯算清繳時，實際應付稅金可能與估計金額存在差異。截至2021年12月31日止年度，土地增值稅撥備約人民幣126,325,000元已於綜合損益賬入賬。

有關土地增值稅撥備的會計政策及披露載於綜合財務報表附註3及11。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address provision for LAT:

- We involved our internal tax specialists to perform a review on the LAT provision, including the review of the estimates and assumptions used by the Group;
- We tested the underlying data used to evaluate LAT provision, including estimated total sales, property development costs, borrowing costs and tax rates;
- We recalculated the tax computation and comparing our calculations with the amounts recorded by the Group; and
- We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們已執行以下程序以處理土地增值稅撥備：

- 我們已邀請內部稅務專家審查土地增值稅撥備，包括審查貴集團所採用之估計及假設；
- 我們測試了用於評估土地增值稅撥備之有關數據，包括估計總銷售額、物業開發成本、借貸成本及稅率；
- 我們重新計算稅項計算結果，並將我們的計算結果與貴集團錄得的金額進行比較；及
- 我們亦已評估貴集團財務報表附註內的相關披露。

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Impairment of goodwill

商譽減值

As at 31 December 2021, the carrying value of goodwill in the consolidated financial statements amounted to RMB424,722,000. In accordance with HKFRSs, the Group is required to perform an impairment test for goodwill at least on an annual basis. The impairment test of goodwill is based on the recoverable amount of the cash-generating unit to which the goodwill is allocated. The recoverable amount of the cash-generating unit is the value in use using cash flow projections based on a financial budget. Management, assisted by an external valuer, evaluated the impairment of goodwill by comparing the recoverable amount and the carrying value of the cash-generating unit. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates.

The related accounting policies and disclosures are included in notes 2.4, 3, and 16 to the consolidated financial statements.

於2021年12月31日，綜合財務報表中商譽的賬面值為人民幣424,722,000元。根據香港財務報告準則，貴集團須至少每年對商譽進行減值測試。商譽減值測試乃基於商譽分配之現金產生單位之可收回金額。現金產生單位之可收回金額是使用基於財務預算之現金流量預測之使用價值。經比較現金產生單位之可收回金額與其賬面值，管理層已在外部估值師的協助下評估商譽減值。由於減值測試過程十分複雜，涉及重大判斷及估計，故此事項對我們的審核而言乃屬重要。

相關會計政策及披露載於綜合財務報表附註2.4、3及16。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address the assessment of impairment of goodwill:

- We obtained an understanding of the process of estimating the future cash flows;
- We assessed the competency, objectivity and independence of the external appraiser used by management;
- We evaluated management's main assumptions including the discount rate and estimated construction completion and pre-sale period;
- We examined the differences between cash flow projections and actual cash flows and checked the cash flow projection by comparing it to the market available data and industry outlook;
- We involved our internal valuation experts to assist us in evaluating the discount rate; and
- We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們已執行以下程序以處理商譽減值評估：

- 我們已了解估計未來現金流量之過程；
- 我們已評估管理層委聘之外部估值師之能力、客觀性及獨立性；
- 我們已評估管理層之主要假設，包括貼現率以及預計竣工期及預售期；
- 我們已審查現金流量預測與實際現金流量之差額，透過與市場可得數據及行業展望比較以檢查現金流量預測；
- 我們已邀請內部估值專業協助我們評估貼現率；及
- 我們亦已評估 貴集團財務報表附註內的相關披露。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

年報所載其他資料

貴公司董事須對其他資料負責。其他資料包括載於年報之資料，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表之意見並不涵蓋其他資料，我們亦不對其他資料發表任何形式之鑒證結論。

結合我們對綜合財務報表的審核，我們的責任是閱讀其他資料，在此過程中，考慮其他資料是否與綜合財務報表或我們在審核過程中所了解的情況存有重大抵觸，或者似乎存在重大錯誤陳述之情況。基於我們已執行之工作，如果我們認為其他資料有重大錯誤陳述，我們須報告該事實。在此方面，我們沒有任何報告。

董事就綜合財務報表須承擔之責任

貴公司董事須負責根據香港會計師公會頒佈之香港財務報告準則以及香港公司條例之規定編製並且真實公平地列報綜合財務報表，並落實董事認為編製綜合財務報表屬必要之內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致之重大錯誤陳述。

在編製綜合財務報表時，貴公司董事負責評估貴集團持續經營之能力，並在適用情況下披露與持續經營有關之事項，以及使用持續經營為會計基礎，除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際之替代方案。

審核委員會協助貴公司董事履行監督貴集團的財務報告過程的責任。

核數師就審核綜合財務報表須承擔之責任

我們之目標，是對整體綜合財務報表是否不存在由於欺詐或錯誤而導致之任何重大錯誤陳述取得合理保證，並出具包括我們意見之核數師報告。我們依據香港公司條例第405條僅向全體股東報告我們之意見，除此之外不作其他目的。我們概不就本報告之內容對任何其他人士負責或承擔責任。

合理保證是高水平之保證，但不能保證按照香港審計準則進行之審核，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關錯誤陳述可被視作重大。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

核數師就審核綜合財務報表須承擔之責任(續)

在根據香港審核準則進行審核之過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對這些風險，以及取得充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部控制，以設計適當的審核程序，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露資料的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所得的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能對貴集團持續經營的能力構成重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者對綜合財務報表中的相關披露資料的關注。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審核憑證。然而，未來事件或情況可能導致貴集團不能繼續持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露資料，以及綜合財務報表是否中肯反映交易和事項。
- 就貴集團中實體或業務活動的財務資料獲取充分、適當的審核憑證，以對綜合財務報表發表意見。我們負責貴集團審核的方向、監督和執行。我們對審核意見承擔全部責任。

我們與審核委員會溝通了(其中包括)計劃的審核範圍、時間安排、重大審核發現等事項，包括我們在審核期間識別出內部控制的任何重大缺陷。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2022

核數師就審核綜合財務報表須承擔之責任(續)

我們亦向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通所有合理地被認為會影響我們獨立性的關係和其他事項，以及在適用的情況下，為減少威脅而採取的行動或適用的防範措施。

從與審核委員會溝通的事項中，我們決定哪些事項對本期間綜合財務報表的審核最為重要，因而構成關鍵審核事項。我們會在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，若有合理預期在我們報告中溝通某事項而造成的負面後果將會超過其產生的公眾利益，我們將不會在此等情況下在報告中溝通該事項。

出具本獨立核數師報告的審核項目合夥人是何兆烽。

安永會計師事務所
執業會計師
香港

2022年3月25日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

綜合損益賬

Year ended 31 December 2021 截至2021年12月31日止年度

		Notes 附註	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
REVENUE	收益	5	13,421,496	8,069,061
Cost of sales	銷售成本		(12,158,760)	(6,322,783)
Gross profit	毛利		1,262,736	1,746,278
Other income	其他收入	5	44,024	27,520
Other gains and losses, net	其他收益及虧損淨額	6	(71,192)	(86,030)
Administrative expenses	行政費用		(237,360)	(205,198)
Sales and marketing expenses	銷售及市場推廣費用		(249,643)	(181,012)
Finance costs	融資成本	7	(89,917)	(79,686)
PROFIT BEFORE TAX	除稅前溢利	8	658,648	1,221,872
Income tax expense	所得稅開支	11	(273,606)	(443,499)
PROFIT FOR THE YEAR	年度溢利		385,042	778,373
Attributable to:	下列各方應佔：			
Owners of the Company	本公司擁有人		399,470	782,988
Non-controlling interests	非控股權益		(14,428)	(4,615)
			385,042	778,373
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	本公司擁有人應佔每股盈利			(Restated) (經重列)
Basic (RMB cents)	基本(人民幣分)	13	20.9	70.4
Diluted	攤薄		N/A	N/A
			不適用	不適用

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益賬

Year ended 31 December 2021 截至2021年12月31日止年度

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
PROFIT FOR THE YEAR	年度溢利	385,042	778,373
OTHER COMPREHENSIVE INCOME	其他全面收益		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:	可能於其後期間重新分類至損益之其他全面收益：		
Exchange difference on translation of foreign operations	換算海外業務而產生之匯兌差額	3,300	4,692
Reclassification adjustments of exchange reserve for subsidiary disposed of	已出售附屬公司匯兌儲備之重新分類調整	-	4,634
		3,300	9,326
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:	於其後期間將不會重新分類至損益之其他全面收益：		
Exchange difference on translation of non-foreign operations	換算非海外業務而產生之匯兌差額	76,484	220,633
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	年內其他全面收益(稅後)	79,784	229,959
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	年內全面收益總額	464,826	1,008,332
Attributable to:	下列各方應佔：		
Owners of the Company	本公司擁有人	479,526	1,012,967
Non-controlling interests	非控股權益	(14,700)	(4,635)
		464,826	1,008,332

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況報表

31 December 2021 2021年12月31日

			31 December 2021 2021年 12月31日 RMB'000 人民幣千元	31 December 2020 2020年 12月31日 RMB'000 人民幣千元	
	Notes 附註				
NON-CURRENT ASSETS					
非流動資產					
Property, plant and equipment		物業、廠房及設備	14	574,628	47,322
Investment properties		投資物業	15	531,595	552,154
Goodwill		商譽	16	424,722	424,722
Intangible assets		無形資產	17	157,105	199,000
Deferred tax assets		遞延稅項資產	30	443,790	324,652
Pledged deposits		已抵押按金	19	4,587	27,935
Total non-current assets		非流動資產總額		2,136,427	1,575,785
CURRENT ASSETS					
流動資產					
Completed properties held for sale		持作出售之已完工物業	20	9,028,002	6,791,108
Properties under development		發展中物業	21	47,834,930	48,446,684
Deposits and prepayments paid for land acquisitions		已付土地收購按金及預付款項	22	1,220,087	2,646,093
Accounts receivable, other receivables and other assets		應收賬款、其他應收款項及其他資產	23	2,683,744	2,113,132
Financial assets at fair value through profit or loss		按公平值計入損益之金融資產	24	423,968	321,590
Prepaid income tax and tax recoverable		預繳所得稅及可收回稅項		1,404,769	1,060,382
Pledged deposits		已抵押按金	19	211,289	330,336
Restricted bank balances		受限制銀行結餘	19	1,457,690	648,635
Cash and cash equivalents		現金及現金等值項目	19	1,838,967	3,218,611
Total current assets		流動資產總額		66,103,446	65,576,571
CURRENT LIABILITIES					
流動負債					
Accounts payable, deposits received and accruals		應付賬款、已收按金及應計費用	25	6,350,361	7,299,395
Contract liabilities		合約負債	26	30,654,098	23,379,862
Amounts due to related companies		應付關連公司款項	27	1,976,226	4,100,961
Loans from a related company		來自一間關連公司之貸款	28	8,204,904	8,374,973
Bank and other borrowings		銀行及其他借貸	29	5,894,516	6,351,627
Tax liabilities		稅項負債		621,477	509,833
Total current liabilities		流動負債總額		53,701,582	50,016,651
NET CURRENT ASSETS		流動資產淨值		12,401,864	15,559,920
TOTAL ASSETS LESS CURRENT LIABILITIES		資產總值減流動負債		14,538,291	17,135,705

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況報表

31 December 2021 2021年12月31日

			31 December 2021 2021年 12月31日 RMB'000 人民幣千元	31 December 2020 2020年 12月31日 RMB'000 人民幣千元
	Notes 附註			
NON-CURRENT LIABILITIES		非流動負債		
Rental deposits received	25	已收租賃按金	6,492	4,866
Bank and other borrowings	29	銀行及其他借貸	5,900,814	8,784,298
Deferred tax liabilities	30	遞延稅項負債	432,328	457,726
Total non-current liabilities		非流動負債總額	6,339,634	9,246,890
Net assets		資產淨值	8,198,657	7,888,815
EQUITY		權益		
Equity attributable to owners of the Company		本公司擁有人應佔權益		
Share capital	31	股本	5,326,923	5,326,923
Reserves	32	儲備	2,871,549	2,547,007
Non-controlling interests		非控股權益	8,198,472	7,873,930
			185	14,885
Total equity		權益總額	8,198,657	7,888,815

Zhang Jingguo
張敬國
Director
董事

Zhang Guoqiang
張國強
Director
董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

Year ended 31 December 2021 截至2021年12月31日止年度

		Attributable to owners of the Company 本公司擁有人應佔								
		Share capital	Capital reduction reserve*	PRC** statutory reserve* 中國** 法定儲備*	Property revaluation reserve* 物業重估儲備*	Exchange reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		股本 RMB'000 人民幣千元 (note 31) (附註31)	資本削減儲備* RMB'000 人民幣千元 (note 31) (附註31)	法定儲備* RMB'000 人民幣千元 (note 32) (附註32)	物業重估儲備* RMB'000 人民幣千元 (note 32) (附註32)	外匯儲備* RMB'000 人民幣千元 (note 32) (附註32)	保留溢利* RMB'000 人民幣千元 (note 32) (附註32)	總計 RMB'000 人民幣千元 (note 32) (附註32)	非控股權益 RMB'000 人民幣千元 (note 32) (附註32)	權益總額 RMB'000 人民幣千元 (note 32) (附註32)
At 1 January 2020	於2020年1月1日	2,014,112	119,330	161,109	13,861	(3,963)	1,436,185	3,740,634	(3,593)	3,737,041
Profit/(loss) for the year	年度溢利/(虧損)	-	-	-	-	-	782,988	782,988	(4,615)	778,373
Other comprehensive income/(loss) for the year:	年內其他全面收益/(虧損):									
Exchange differences on translation	換算之匯兌差額	-	-	-	-	225,345	-	225,345	(20)	225,325
Reclassification adjustments of exchange reserve for subsidiaries disposed of	已出售附屬公司匯兌儲備之重新分類調整	-	-	-	-	4,634	-	4,634	-	4,634
Total comprehensive income/(loss) for the year	年內全面收益/(虧損)總額	-	-	-	-	229,979	782,988	1,012,967	(4,635)	1,008,332
Transfer to PRC statutory reserve	轉撥至中國法定儲備	-	-	100,322	-	-	(100,322)	-	-	-
Transfer of property revaluation reserve	轉撥物業重估儲備	-	-	-	(13,861)	-	13,861	-	-	-
2019 final dividend paid (note 12)	已付2019年末期股息 (附註12)	-	-	-	-	-	(192,474)	(192,474)	-	(192,474)
Dividends paid to non-controlling interests	已付非控股權益之股息	-	-	-	-	-	-	-	(1,044)	(1,044)
Issue of new ordinary shares	發行新普通股	3,322,546	-	-	-	-	-	3,322,546	-	3,322,546
Share issue expenses	股份發行開支	(9,735)	-	-	-	-	-	(9,735)	-	(9,735)
Acquisition of non-controlling interests	收購非控股權益	-	-	-	-	-	(8)	(8)	(5,992)	(6,000)
Capital contribution from non-controlling shareholders	來自非控股股東之供款	-	-	-	-	-	-	-	29,900	29,900
Disposal of a subsidiary	出售一間附屬公司	-	-	-	-	-	-	-	249	249
At 31 December 2020	於2020年12月31日	5,326,923	119,330	261,431	-	226,016	1,940,230	7,873,930	14,885	7,888,815
At 1 January 2021	於2021年1月1日	5,326,923	119,330	261,431	-	226,016	1,940,230	7,873,930	14,885	7,888,815
Profit/(loss) for the year	年度溢利/(虧損)	-	-	-	-	-	399,470	399,470	(14,428)	385,042
Other comprehensive income/(loss) for the year:	年內其他全面收益/(虧損):									
Exchange differences on translation	換算之匯兌差額	-	-	-	-	80,056	-	80,056	(272)	79,784
Total comprehensive income/(loss) for the year	年內全面收益/(虧損)總額	-	-	-	-	80,056	399,470	479,526	(14,700)	464,826
Transfer to PRC statutory reserve	轉撥至中國法定儲備	-	-	42,613	-	-	(42,613)	-	-	-
2020 final dividend paid (note 12)	已付2020年末期股息 (附註12)	-	-	-	-	-	(154,984)	(154,984)	-	(154,984)
At 31 December 2021	於2021年12月31日	5,326,923	119,330	304,044	-	306,072	2,142,103	8,198,472	185	8,198,657

* These reserve accounts comprise the consolidated reserves of RMB2,871,549,000 (2020: RMB2,547,007,000) in the consolidated statement of financial position.

** PRC refers to the People's Republic of China. For the purposes of these financial statements only, except where the context specifies otherwise, references to Mainland China or the PRC exclude Hong Kong, Macau and Taiwan.

* 該等儲備賬包括綜合財務狀況報表內之綜合儲備人民幣2,871,549,000元(2020年: 人民幣2,547,007,000元)。

** 中國指中華人民共和國。僅就該等財務報表而言, 除非文義另有規定外, 指中國內地或除香港、澳門及台灣以外的中國地區。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 December 2021 截至2021年12月31日止年度

	Notes 附註	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
CASH FLOWS FROM OPERATING ACTIVITIES	經營業務所得現金流量		
Profit before tax	除稅前溢利	658,648	1,221,872
Adjustments for:	經下列各項調整：		
Fair value (gain)/loss on financial assets at fair value through profit or loss	按公平值計入損益之金融資產之公平值(收益)/虧損	6 (112,618)	6,669
Fair value loss on investment properties	投資物業公平值虧損	6 104	33,511
Gain on disposal of a subsidiary	出售一間附屬公司之收益	6 -	(99,554)
Depreciation of property, plant and equipment	物業、廠房及設備折舊	8 2,158	2,388
Depreciation of right-of-use assets	使用權資產折舊	8 -	819
Interest income	利息收入	5 (30,793)	(20,438)
Write-down of properties under development and completed properties held for sale to net realisable value	撇減發展中物業及持作出售之已完工物業至可變現淨值	6 166,764	150,000
Finance costs	融資成本	7 89,917	79,686
		774,180	1,374,953
(Increase)/decrease in accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產(增加)/減少	(574,779)	485,471
(Increase)/decrease in restricted bank deposits from pre-sale proceeds of properties	因物業預售所得款項產生之受限制銀行存款(增加)/減少	(809,055)	143,339
Decrease/(increase) in properties under development	發展中物業減少/(增加)	1,882,907	(4,545,460)
Increase in completed properties held for sale	持作出售之已完工物業增加	(2,265,015)	(2,867,364)
Decrease/(increase) in deposits and prepayments paid for land acquisitions	已付土地收購按金及預付款項減少/(增加)	1,426,006	(1,355,754)
(Decrease)/increase in accounts payable, deposits received and accruals	應付賬款、已收按金及應計費用(減少)/增加	(959,585)	3,844,903
Increase in contract liabilities	合約負債增加	6,656,926	5,558,835
Cash from operating activities	經營業務所得現金	6,131,585	2,638,923
Tax paid	已繳稅項	(650,845)	(795,876)
Net cash flows from operating activities	經營業務所得現金流量淨額	5,480,740	1,843,047

	Notes 附註	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動所得現金流量		
Interest received	已收利息	34,960	16,271
Purchases of items of property, plant and equipment	購入物業、廠房及設備項目	(2,806)	(4,567)
Proceeds from disposal of investment properties	出售投資物業所得款項	-	3,220
Net cash inflows of acquisition of a subsidiary	收購一間附屬公司之現金流入淨額	-	534,838
Net cash inflows of disposal of a subsidiary	出售一間附屬公司之現金流入淨額	-	99,758
Net cash flows from investing activities	投資活動所得現金淨額	32,154	649,520
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動所得現金流量		
Release of pledged deposits	解除已抵押按金	298,095	768,672
Placement of pledged deposits	存放已抵押按金	(155,700)	(184,960)
New bank and other borrowings raised	新增銀行及其他借貸	5,240,896	4,839,055
Repayment of bank and other borrowings	償還銀行及其他借貸	(8,479,570)	(7,490,722)
Principal portion of lease payments	租賃付款本金部分	-	(729)
Interest paid	已付利息	(1,346,699)	(1,530,301)
Repayment to related companies	償還關連公司款項	(2,458,150)	(1,185,843)
Advance from related companies	預收關連公司款項	333,415	3,653,053
Loans repaid to a related company	償還一間關連公司貸款	(1,678,518)	(3,846,993)
Loans received from a related company	收取一間關連公司貸款	1,508,449	1,731,238
Proceeds from issue of new ordinary shares	發行新普通股之所得款項	-	966,847
Share issue expenses	股份發行開支	-	(9,735)
Dividends paid	已付股息	(153,486)	(192,474)
Dividends paid to non-controlling shareholders	已付非控股股東之股息	-	(1,044)
Acquisition of non-controlling interests	收購非控股權益	-	(6,000)
Capital contributions from non-controlling shareholders	來自非控股股東之供款	-	29,900
Net cash flows used in financing activities	融資活動所用現金流量淨額	(6,891,268)	(2,460,036)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等值項目 (減少)/增加淨額	(1,378,374)	32,531
Cash and cash equivalents at beginning of year	於年初之現金及現金等值項目	3,218,611	3,200,230
Effect of foreign exchange rate changes, net	外匯匯率變動影響淨額	(1,270)	(14,150)
CASH AND CASH EQUIVALENTS AT END OF YEAR	於年末之現金及現金等值項目	1,838,967	3,218,611
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等值項目結餘分析		
Cash and cash equivalents as stated in the consolidated statement of financial position	綜合財務狀況報表內列賬之現金及現金等值項目	1,838,967	3,218,611

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2021 2021年12月31日

1. CORPORATE INFORMATION

Zensun Enterprises Limited (the “Company”) is a public limited liability company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong. In the opinion of the directors of the Company, the immediate holding company of the Company is Joy Town Inc., a private limited liability company incorporated in the British Virgin Islands (“BVI”). The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, as trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”), a non-executive director of the Company. Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the Chairman and an executive director of the Company, is the spouse of Ms. Huang.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 44. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

1. 公司資料

正商實業有限公司(「本公司」)為在香港註冊成立之上市有限公司，其股份在香港聯合交易所有限公司(「聯交所」)主板上市。本公司之註冊辦事處位於香港中環雲咸街40-44號雲咸商業中心24樓。本公司董事認為，本公司之直接控股公司Joy Town Inc.為於英屬處女群島(「英屬處女群島」)註冊成立之有限私營公司。本公司之最終控股公司為Vistra Trust (Singapore) Pte Limited為於新加坡註冊成立之有限私營公司，作為Huang Yanping女士(「Huang女士」，本公司非執行董事)設立之全權信託之信託人。Huang女士為全權信託之授出人及保護人。本公司主席及執行董事張敬國先生(「張先生」)為Huang女士之配偶。

本公司為一間投資控股公司。其附屬公司主要業務載於附註44。本公司及其附屬公司以下統稱本集團。

2.1 編製基準

該等財務報表乃按照香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」，包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計政策及香港公司條例編製。彼等已根據歷史成本法編製，惟已按公平值計量之投資物業及按公平值計入損益之金融資產除外。除另有說明外，該等財務報表乃以人民幣(「人民幣」)呈列，所有金額均約整至最近接之千位數。

綜合基準

綜合財務報表包括本集團截至2021年12月31日止年度之財務報表。附屬公司為本公司直接或間接控制的實體(包括結構實體)。本集團因參與投資對象而可以或有權獲得不定回報，且可透過對投資對象行使權力改變回報(即本集團運用既有權利現時可以左右投資對象有關業務)時，視為擁有控制權。

如本公司直接或間接擁有投資對象投票權或類似權利不過半數，本集團衡量是否對投資對象有權力時，會考慮所有相關事實及情況，包括：

- (a) 投資對象其他投票權持有人的合約安排；
- (b) 其他合約安排的權利；及
- (c) 本集團的投票權及潛在投票權。

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to HKFRS 16

COVID-19-Related Rent Concessions

2.1 編製基準(續)

綜合基準(續)

附屬公司使用與本公司一致的會計政策編製同一報告期間的財務報表。附屬公司的業績自本集團取得控制權之日起綜合入賬，並持續綜合入賬至有關控制權終止當日為止。

損益及其他全面收益的各組成部分會歸屬於本集團母公司擁有人及非控股權益，即使此舉引致非控股權益結餘為負數。本集團成員公司之所有公司間有關交易之資產及負債、權益、收入、開支及現金流量於綜合賬目時全數抵銷。

倘事實及情況顯示上文所述三項控制因素之一項或多項出現變化，本集團會重新評估其是否控制投資對象。於一間附屬公司之擁有權權益變動，惟並無失去控制權，則以權益交易入賬。

倘本集團失去對一間附屬公司之控制權，則其撤銷確認(i)該附屬公司之資產(包括商譽)及負債；(ii)任何非控股權益之賬面值及(iii)於權益內記錄之累計換算差額；及確認(i)所收代價之公平值、(ii)所保留任何投資之公平值及(iii)損益賬中任何因此產生之盈餘或虧損。先前於其他全面收益表內確認之本集團應佔部份重新分類為損益或保留溢利(視何者屬適當)，基準與倘若本集團直接出售有關資產或負債所需者相同。

2.2 會計政策及披露之變動

本集團已就本年度之財務報表首次採納下列經修訂香港財務報告準則。

香港財務報告準則 利率基準改革 – 第二階段
第9號、香港

會計準則第39號、
香港財務報告準則
第7號、香港財務
報告準則第4號及
香港財務報告準則
第16號修訂本

香港財務報告準則 與COVID-19有關之租金
第16號修訂本 優惠

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2021 2021年12月31日

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments are not expected to have any significant impact on the Group’s financial statements.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

2.2 會計政策及披露之變動(續)

經修訂香港財務報告準則之性質及影響載述如下：

- (a) 香港財務報告準則第9號、香港會計準則第39號、香港財務報告準則第7號、香港財務報告準則第4號及香港財務報告準則第16號修訂本處理先前修訂本未有處理之問題，即當以替代性無風險利率（「無風險利率」）取代現行利率基準時，財務報告會受到影響。修訂本提供一個實際權宜之方法，為釐定金融資產及負債之合約現金流之基準變動入賬時，倘變動為利率基準改革之直接結果，而釐定合約現金流的新基準於經濟上等同緊接變動前之原基準，則允許無須調整金融資產及負債之賬面值而更新實際利率。此外，修訂本允許按利率基準改革之要求變更對沖指定項目及對沖文件，而無須終止對沖關係。因過渡期而產生的任何收益或虧損透過香港財務報告準則第9號的正常規定處理，以計量及確認對沖之無效性。當指定無風險利率為風險部分時，修訂本亦向需符合獨立可識別要求之實體提供暫時性寬免措施。該項寬免允許實體在指定對沖時，假設已符合可獨立識別之要求，惟實體需能合理預期無風險利率風險部分將於未來24個月內成為可獨立識別。此外，修訂本要求實體披露額外信息，使財務報表使用者能夠了解利率基準改革對實體之財務報表及風險管理策略之影響。預期該等修訂不會對本集團之財務報表產生任何重大影響。
- (b) 於2021年4月頒佈的香港財務報告準則第16號之修訂本將承租人選擇不就covid-19疫情直接導致之租金優惠應用租賃修改會計法之可行權宜方法之適用期限延長12個月。因此，該可行權宜方法於符合應用該可行權宜方法之其他條件之情況下適用於僅寬減原到期日為2022年6月30日或之前之租賃付款之租金優惠。該修訂本對2021年4月1日或之後開始之年度期間追溯生效，初始應用該修訂之任何累計影響確認為對當前會計期間期初保留溢利結餘之調整，並允許提前應用。預期該等修訂不會對本集團之財務報表產生任何重大影響。

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{2, 5}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2, 4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ¹
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 已頒佈但尚未生效之香港財務報告準則

本集團並無於財務報表應用下列已頒佈但尚未生效之新訂及經修訂香港財務報告準則：

香港財務報告準則第3號修訂本	<i>提述概念框架</i> ¹
香港財務報告準則第10號及香港會計準則第28號(2011年)修訂本	<i>投資者與其聯營公司或合營企業之間之資產出售或注入</i> ³
香港財務報告準則第17號	<i>保險合約</i> ²
香港財務報告準則第17號修訂本	<i>保險合約</i> ^{2, 5}
香港會計準則第1號修訂本	<i>負債分類為流動或非流動</i> ^{2, 4}
香港會計準則第1號及香港財務報告準則實務報告第2號修訂本	<i>會計政策之披露</i> ²
香港會計準則第8號修訂本	<i>會計估計之定義</i> ²
香港會計準則第12號修訂本	<i>與單一交易產生之資產及負債有關之遞延稅項</i> ²
香港會計準則第16號修訂本	<i>物業、廠房及設備：擬定用途前所得款項</i> ¹
香港會計準則第37號修訂本	<i>虧損性合約－履行合約之成本</i> ¹
香港財務報告準則2018年至2020年之年度改進	香港財務報告準則第1號、香港財務報告準則第9號、香港財務報告準則第16號隨附之說明性示例及香港會計準則第41號修訂本 ¹

¹ 於2022年1月1日或之後開始之年度期間生效

² 於2023年1月1日或之後開始之年度期間生效

³ 並未釐定強制生效日期，但可提早採納

⁴ 由於香港會計準則第1號修訂本，香港詮釋第5號財務報表呈列－*借款人對含有即期還款條款之有期貨款的分類*，於2020年10月修訂，統一相應用詞，惟結論未變

⁵ 由於香港財務報告準則第17號修訂本於2020年10月修訂，香港財務報告準則第4號亦予修訂，將允許承保人採用香港會計準則第39號而非香港財務報告準則第9號之暫時性豁免，展期至2023年1月1日之前開始之年度期間

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

預期將適用於本集團之該等香港財務報告準則之進一步資料於下文載述。

香港財務報告準則第3號修訂本旨在以2018年6月發佈財務報告概念框架之提述取代編製及呈列財務報表之框架之先前提述，而無需重大改變其要求。該等修訂亦為香港財務報告準則第3號增加確認原則之例外，實體可參考概念框架釐定資產或負債之構成要素。該例外情況規定，對於單獨而非於業務合併中承擔且屬於香港會計準則第37號或香港(國際財務報告詮釋委員會)－詮釋第21號的負債及或然負債，採用香港財務報告準則第3號的實體應分別提述香港會計準則第37號或香港(國際財務報告詮釋委員會)－詮釋第21號，而非概念框架。此外，該等修訂澄清或然資產於收購日期不符合確認資格。本集團預期自2022年1月1日起前瞻採用有關修訂。由於該等修訂可能對收購日期為首次採納日期或之後的業務合併前瞻性採納，本集團於過渡日期將不會受到該等修訂的影響。

香港會計準則第1號修訂本負債分類為流動或非流動澄清劃分負債為流動或非流動之規定。該等修訂載明，倘實體推遲清償負債之權利受限於該實體須符合特定條件，則倘該實體符合當日之條件，其有權於報告期間結算日推遲清償負債。負債之分類不受實體行使其權利延遲清償負債之可能性之影響。該等修訂亦澄清被認為清償負債之情況。該等修訂自2023年1月1日或之後開始之年度期間生效，並將追溯應用。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。

香港會計準則第1號修訂本會計政策之披露要求實體披露重要會計政策資料，而非重大會計政策。倘會計政策資料與實體財務報表所載其他資料一併考慮時，可合理預期會影響一般用途財務報表之主要使用者基於該等財務報表作出之決定，則該等資料屬重大。香港財務報告準則實務報告第2號修訂本就如何將重大性概念應用於會計政策披露提供非強制性指引。香港會計準則第1號修訂本自2023年1月1日或之後開始之年度期間生效，允許提早採納。由於香港財務報告準則實務報告第2號修訂本提供的指引屬非強制性，該等修訂的生效日期並無必要。本集團目前正在評估該等修訂對本集團會計政策披露的影響。

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

香港會計準則第8號修訂本澄清會計估計變動與會計政策變動之間的區別。會計估計被界定為存在計量不明朗因素之財務報表之貨幣金額。該等修訂亦闡釋實體如何使用計量技術及輸入數據編製會計估計。該等修訂自2023年1月1日或之後開始之年度報告期間生效，並適用於該期間開始時或之後發生的會計政策變動及會計估計變動。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。

香港會計準則第12號修訂本縮小首次確認例外情況的範圍，使其不再適用於產生相同的應課稅及可扣減暫時差額的交易，如租賃及退役義務。因此，實體須就該等交易產生的暫時差額確認遞延稅款資產及遞延稅款負債。該等修訂自2023年1月1日或之後開始之年度報告期間生效，並將應用於最早呈列的比較期開始時適用於與租賃及退役義務有關的交易，任何累積影響在該日確認為對保留溢利或權益的其他組成部分(如適用)的期初結餘的調整。此外，該等修訂應前瞻性地適用於除租賃及退役義務以外的交易。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。

香港會計準則第16號修訂本禁止實體從物業、廠房及設備項目成本中扣除出售任何使資產達到管理層擬定之營運方式所需之地點與條件時產生之項目之所得款項。相反，實體須於損益中確認出售任何有關項目之所得款項及成本。該等修訂自2022年1月1日或之後開始之年度期間生效，並僅對實體首次應用有關修訂之財務報表呈列之最早期間開始時或之後可供使用的物業、廠房及設備項目追溯應用。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

香港會計準則第37號修訂本澄清，就根據香港會計準則第37號評估合約是否屬虧損性而言，履行合約之成本包括與合約直接相關之成本。與合約直接相關之成本包括履行該合約之增量成本(例如直接勞工及材料)及與履行合約直接相關之其他成本分配(例如分配履行合約所用物業、廠房及設備項目之折舊開支以及合約管理與監督成本)。一般及行政費用與合約並無直接關係，除非合約明確向對手方收費，否則將其排除在外。該等修訂自2022年1月1日或之後開始之年度期間生效，並適用於實體首次應用有關修訂之年度報告期間開始時實體尚未履行其全部責任之合約。允許提早採納。初步應用修訂之任何累積影響應於初始應用日期確認為期初權益之調整，且毋須重列比較資料。預期該等修訂不會對本集團之財務報表產生任何重大影響。

香港財務報告準則2018年至2020年之年度改進 載列香港財務報告準則第1號、香港財務報告準則第9號、香港財務報告準則第16號隨附之說明性示例及香港會計準則第41號修訂本。預計適用於本集團之該等修訂詳情如下：

- 香港財務報告準則第9號 *金融工具*：澄清於實體評估是否新訂或經修改金融負債之條款與原金融負債之條款存在實質差異時所包含之費用。該等費用僅包括借款人與貸款人之間已支付或收取之費用，包括借款人或貸款人代表其他方支付或收取之費用。實體將有關修訂應用於實體首次應用有關修訂之年度報告期間開始或之後修改或交換之金融負債。該等修訂自2022年1月1日或之後開始之年度期間生效。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。
- 香港財務報告準則第16號 *租賃*：刪除香港財務報告準則第16號隨附之說明性示例13中有關租賃物業裝修之出租人付款說明。此舉消除於採用香港財務報告準則第16號有關租賃激勵措施處理方面之潛在困惑。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 主要會計政策概要

業務合併及商譽

業務合併乃以收購法入賬。轉讓代價乃以收購日期的公平值計算，該公平值為本集團所轉讓資產於收購日期之公平值、本集團自收購對象之前擁有人承擔的負債以及本集團發行以換取收購對象控制權之股本權益之總和。於各業務合併中，本集團選擇是否以公平值或收購對象可識別資產淨值的應佔比例，計算於收購對象屬現時擁有人權益的非控股權益，並賦予擁有人權利，於清盤時按比例分佔淨資產。非控股權益之一切其他成分乃按公平值計量。收購相關成本於產生時列為開支。

當所收購的一組活動及資產包括一項投入及一項實質過程，而兩者對創造產出的能力有重大貢獻，則本集團認為其已收購一項業務。

倘本集團收購一項業務，則會根據合約條款、於收購日期的經濟環境及相關條件評估所承接的金融資產及負債，以作出適合的分類及標示，其中包括分開收購對象主合約中的嵌入式衍生工具。

商譽初步按成本計量，即已轉讓代價、非控股權益的確認金額及本集團先前所持於被收購方的任何股本權益的公平值總額超出所收購可識別資產淨值及所承擔負債的差額。倘此代價及其他項目的總和低於所收購資產淨值的公平值，則於重新評估後的差額會於損益確認為議價購買的收益。

初步確認後，商譽按成本減任何累計減值虧損計量。商譽每年進行減值測試，或倘有事件發生或情況變化顯示賬面值可能出現減值跡象，則進行更為頻密的減值測試。本集團於12月31日對商譽進行年度減值測試。就減值測試而言，業務合併中購入的商譽由收購日期起被分配到預期將從合併的協同效應中受益的本集團各現金產生單位或現金產生單位組別，不論本集團的其他資產或負債是否被分配至該等單位或單位組別。

減值透過對與商譽有關的現金產生單位(現金產生單位組別)的可收回金額進行評估釐定。倘現金產生單位(現金產生單位組別)的可收回金額少於其賬面值，則確認減值虧損。就商譽確認的減值虧損不會於其後期間撥回。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash generating unit retained.

Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 主要會計政策概要(續)

業務合併及商譽(續)

倘商譽已被分配到現金產生單位(或現金產生單位組別)而該單位的某部分業務被出售,則於釐定出售的收益或虧損時,與出售業務相關的商譽將計入該業務的賬面值內。在此等情況下出售的商譽將按出售業務及保留的現金產生單位部分相對價值進行計量。

公平值計量

本集團於各報告期間結算日計量按公平值計量投資物業及按公平值計入損益之金融資產。公平值為市場參與者於計量日期在有序交易中出售資產所收取或轉讓負債所支付的價格。公平值計量乃基於假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場的情況下)最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入的市場。資產或負債的公平值乃假設市場參與者以最佳經濟利益行事,按照其於為資產或負債定價時所使用的假設計量。

非金融資產的公平值計量須計及市場參與者自最大限度使用該資產達致最佳用途,或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者,以產生的經濟效益的能力。

本集團採用適用於當時情況且具備充分數據以供計量公平值的估值方法,以盡量使用相關可觀察輸入數據及盡量減少使用不可觀察輸入數據。

所有公平值於本財務報表計量或披露的資產及負債乃基於對公平值計量整體而言屬重大的最低層級輸入數據按以下公平值層級分類:

- 第一級 – 基於相同資產或負債於活躍市場的報價(未經調整)
- 第二級 – 基於對公平值計量而言屬重大的最低層級輸入數據可觀察(直接或間接)的估值方法
- 第三級 – 基於對公平值計量而言屬重大的最低層級輸入數據不可觀察的估值方法

就按經常性基準於本財務報表確認的資產及負債而言,本集團透過於各報告期間結算日重新評估分類(基於對公平值計量整體而言屬重大的最低層輸入數據)確定是否發生不同層級轉移。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 主要會計政策概要(續)

非金融資產減值

倘有跡象顯示出現減值或需就資產(不包括存貨、遞延稅項資產、金融資產及投資物業)進行年度減值測試,則會估計該資產之可收回金額。資產之可收回金額為該資產或現金產生單位之使用價值及其公平值減銷售成本(以較高者為準),並就個別資產而確定,除非有關資產並無產生在頗大程度上獨立於其他資產或資產類別之現金流入,在此情況下,可收回金額就資產所屬之現金產生單位而確定。於對現金產生單位進行減值測試時,倘公司資產(如總部大樓)賬面值的一部分能夠按合理一致基準進行分配,則其將分配至個別現金產生單位,否則將分配至最小的現金產生單位組別。

減值虧損僅於資產之賬面值超逾其可收回金額時確認。於評估使用價值時,估計未來現金流量按可反映現時市場評估之貨幣時間價值及資產特定風險之稅前貼現率貼現至現值。減值虧損於產生期間內在損益賬中與已減值資產功能一致之支出類別內扣除。

於各報告期末須評估有否跡象顯示過往確認減值虧損不再存在或已減少。如有該跡象存在,則會估計可收回金額。過往確認之資產(商譽除外)減值虧損,僅會於用以釐定該資產可收回金額之估計改變時撥回,惟撥回後之金額不得高於假設過往年度並無就資產確認減值虧損而釐定之賬面值(扣除任何折舊/攤銷)。該項減值虧損的回撥於發生時計入損益賬,惟倘若資產按重估值列賬,則按照該重估資產之相關會計政策處理減值虧損的回撥。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 主要會計政策概要(續)

關連人士

任何人士倘符合以下情況即被認為屬本集團之關連人士：

- (a) 該方為一名人士或該名人士之近親，而該名人士：
- (i) 於本集團擁有控制權或共同控制權；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司之高級管理人員之一；

或

- (b) 該方為一個實體並符合以下任何一項條件：
- (i) 該實體及本集團為同一集團之成員公司；
 - (ii) 一個實體為另一實體(或該另一實體之母公司、附屬公司或同系附屬公司)之聯營公司或合營企業；
 - (iii) 該實體及本集團為同一第三方之合營企業；
 - (iv) 一個實體為一名第三方實體之合營企業，而另一實體為該第三方實體之聯營公司；
 - (v) 該實體乃為本集團或與本集團有關連之實體之僱員福利而設之離職後福利計劃；
 - (vi) 該實體由(a)所界定之人士控制或共同控制；
 - (vii) 於(a)(i)所界定之人士對該實體有重大影響力或為該實體(或該實體之母公司)之高級管理人員之一；及
 - (viii) 該實體，或其所屬集團之任何成員公司，向本集團或本集團之母公司提供主要管理人員服務。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings and a hotel	Over the shorter of the lease terms and 2%
Leasehold improvement	Over the shorter of the lease terms and 6.67% to 20%
Furniture, office equipment and motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 主要會計政策概要(續)

物業、廠房及設備以及折舊

物業、廠房及設備乃按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目成本包括其購買價及將資產達至營運狀況及地點以作擬定用途之任何直接應佔成本。

物業、廠房及設備項目開始運作後產生之支出，如維修及保養費用等，一般於產生期間在損益賬中扣除。倘符合確認標準，主要檢查之開支於資產賬面值中資本化為重置成本。倘物業、廠房及設備之重要部份須不時更換，則本集團將該等部份確認為具有特定使用年期之個別資產及作出相應折舊。

折舊乃以直線法按每項物業、廠房及設備項目之估計可使用年期撇銷其成本至其剩餘價值計算。就此採用之主要年率如下：

土地及樓宇以及酒店	租賃年期與2%之較短者
租賃物業裝修	租賃年期與6.67%至20%之較短者
傢俬、辦公設備及汽車	20%至25%

倘物業、廠房及設備項目各部份之可使用年期不同，則該項目的成本按合理基準於各部份之間分配，而各部份乃分別折舊。剩餘價值、可使用年期及折舊方法至少於各財政年度末予以檢討，並適時作出調整。

初始確認的物業、廠房及設備項目(包括任何重大部分)於出售或預期使用或出售不會再產生未來經濟利益時終止確認。於資產終止確認年度在損益內確認的任何出售或報廢產生的收益或虧損，乃有關資產出售所得款項淨額與其賬面值的差額。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

2.4 主要會計政策概要(續)

投資物業

投資物業指持作賺取租金收入及／或資本增值的土地及樓宇權益(包括符合投資物業定義的持作使用權資產的租賃物業)，但不包括用作生產或作供應貨品或提供服務或作行政管理用途或持作日常業務過程中出售的土地及樓宇權益。該等物業初步按成本(包括交易成本)計量。初始確認後，投資物業按公平值列賬，以反映報告期間結算日的市況。

投資物業公平值變動產生的收益或虧損計入其產生年度的損益賬。

報廢或出售投資物業產生的任何收益或虧損於報廢或出售年度的損益賬確認。

就投資物業轉移至業主自用物業而言，在後續會計處理上，物業成本會被視作其於改變用途當日的公平值。倘本集團作業主自用物業的物業成為投資物業，則本集團根據自用物業的「物業、廠房及設備以及折舊」所述政策及／或根據持作使用權資產之物業的「使用權資產」所述政策，直至改變用途當日為該物業入賬，並根據上文「物業、廠房及設備以及折舊」所述政策，賬面值與物業公平值於該日的任何差額按重新估價入賬。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Contract benefit is recognised as intangible assets and amortised on the straight-line basis over the following estimated useful economic lives:

Contracts benefit	38 months
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The useful life of contract benefit is assessed based on the remaining period of the property development.

Contract benefit

Contract benefit acquired in a business combination is recognised at fair value at the acquisition date, which is related to the future acquisition of the land use right. Before completing the acquisition of the land use right, contract benefit is tested for impairment annually and is not amortised. And after completing the acquisition of the land use right, contract benefit is subsequently carried at cost less accumulated amortisation and impairment losses. The useful life of contract benefit is assessed based on the remaining period of the property development. Amortisation is calculated using the straight-line method over the period of the property development.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets except those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

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

2.4 主要會計政策概要(續)

無形資產(商譽除外)

分開收購的無形資產於初步確認時按成本計量。經業務合併收購的無形資產成本為收購當日的公平值。無形資產的可使用年期可評定為有限期或無限期。有限期無形資產其後於可使用經濟年期攤銷，並於無形資產可能出現減值跡象時評估減值。有限可使用年期無形資產的攤銷期間及攤銷方法至少須於各財政年度末進行檢討。

合約利益確認為無形資產，並於下列估計可使用經濟年期內按直線法攤銷：

合約利益	38個月
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合約利益的可使用年期以物業發展的剩餘年限為基準進行評估。

合約利益

於業務合併中收購的合約利益於收購當日按公平值確認，其與未來收購土地使用權有關。於收購土地使用權完成前，合約利益每年進行減值測試，不進行攤銷。於收購土地使用權完成後，合約利益其後按成本減累計攤銷及減值虧損計量。合約利益的可使用年期以物業發展的剩餘年限為基準進行評估。攤銷於物業發展期間使用直線法計算。

發展中物業

發展中物業擬持作竣工後出售。

發展中物業按成本及可變現淨值的較低者列賬，成本包括土地成本、建築成本、借貸成本、專業費用與於發展期內產生與該等物業直接相關的其他成本。

除非發展中物業不會於正常營運周期內變現，否則其分類為流動資產。物業於竣工時轉至持作出售之已完工物業。

持作出售之已完工物業

持作出售之已完工物業乃按成本與可變現淨值的較低者列賬。成本乃按未出售物業應佔土地及樓宇總成本的分攤比例釐定。可變現淨值計及最終預期將變現的價格減去銷售該物業時將產生的估計成本。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 主要會計政策概要(續)

租賃

本集團於合約開始時評估合約是否為或包含租賃。倘合約為換取代價而給予在一段時間內控制已識別資產使用的權利，則合約為或包含租賃。

本集團作為承租人

本集團對辦公室及汽車短期租賃(即自開始日期起租期為12個月或以下且不含購買選擇權的租賃)應用短期租賃確認豁免。

短期租賃的租賃付款以直線法按租期確認為開支。

本集團作為出租人

當本集團作為出租人行事時，其自租賃開始時(或存在租賃修改時)將租賃分類為經營租賃或融資租賃。

所有本集團並未轉讓資產所有權所附帶的絕大部分風險及回報的租賃歸類為經營租賃。倘合約包含租賃及非租賃部分，本集團按相關單獨售價基準將合約代價分配至各部分。租金收入於租期內按直線法列賬，由於其經營性質而計入損益賬之收益。於磋商及安排經營租賃時產生的初始直接成本乃計入租賃資產的賬面值，並於租期內按相同方法確認為租金收入。

所有向承租人轉讓相關資產所有權所附帶的絕大部分風險及回報的租賃列賬為融資租賃。

投資及其他金融資產

初始確認及計量

於初始確認時，金融資產以按公平值計入損益之方式進行分類，其後則按攤銷成本計量。

金融資產於初始確認時之分類取決於取決於金融資產之合約現金流量特徵及本集團管理金融資產之業務模式。若不計及應收賬款(並不包含重大融資部分或本集團就此應用不調整重大融資部分的影響的切實權益法)，本集團初步按公平值加交易成本(倘金融資產並非按公平值計入損益)計量金融資產。根據下文「收益確認」所載之政策，應收賬款(並不包含重大融資部分或本集團就此應用切實權益法)乃按根據香港財務報告準則第15號釐定之交易價格計量。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 主要會計政策概要(續)

投資及其他金融資產(續)

初始確認及計量(續)

為使金融資產按攤銷成本或按公平值計入其他全面收益進行分類及計量，須就未償還本金產生純粹為支付本金及利息（「純粹為支付本金及利息」）的現金流量。現金流量並非純粹為支付本金及利息的金融資產，不論其業務模式如何，均按公平值計入損益進行分類及計量。

本集團管理金融資產之業務模式指本集團管理其金融資產以產生現金流量之方法。該業務模式釐定現金流量是否將因收取合約現金流量、出售金融資產或兩者產生。按攤銷成本進行分類及計量的金融資產乃於旨在持有金融資產以收取合約現金流量的業務模式中持有，而按公平值計入其他全面收益進行分類及計量的金融資產則於以收取合約現金流量及出售金融資產的業務模式中持有。並無於上述業務模式中持有的金融資產按公平值計入損益進行分類及計量。

所有常規買賣之金融資產概於交易日（即本集團承諾購買或出售該資產之日期）予以確認。常規買賣乃指按照一般市場規定或慣例在一定期間內交付資產之金融資產買賣。

後續計量

金融資產按其分類之後續計量如下：

按攤銷成本計量之金融資產(債務工具)

按攤銷成本列賬之金融資產其後使用實際利率法計量，並可能受減值影響。當終止確認、修訂或減值時，收益及虧損於損益中確認。

按公平值計入損益之金融資產

按公平值計入損益之金融資產按公平值於財務狀況報表列賬，而公平值變動則於損益賬中確認。

此類別包括本集團並無不可撤銷地選擇按公平值計入其他全面收益之方式進行分類之股權投資。分類為按公平值計入損益之金融資產之股權投資股息亦於支付權利確立時在損益賬中確認為其他收入。與股息相關之經濟利益可能將流入本集團及股息金額能夠可靠計量。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 主要會計政策概要(續)

終止確認金融資產

金融資產或(如適用)一項金融資產的一部分或一組同類金融資產的一部分主要在下列情況將終止確認(即自本集團綜合財務狀況報表移除):

- 收取該項資產所得現金流量的權利已屆滿;或
- 本集團已轉讓收取該項資產所得現金流量的權利,或已透過一項「轉付」安排,承擔在未有嚴重延誤的情況下,向一名第三方支付所有已收現金流量的責任;及(a)本集團已轉讓該項資產的絕大部分風險及回報,或(b)本集團並無轉讓或保留該項資產絕大部分風險及回報,但已轉讓該項資產的控制權。

倘本集團已轉讓其從一項資產收取現金流量之權利或已訂立一項轉付安排,其將評估是否保留資產擁有權之風險及回報及保留程度。倘其並無轉讓或保留該項資產的絕大部份風險及回報,且並無轉讓該項資產的控制權,本集團將繼續確認該已轉讓資產,惟以本集團持續參與者為限。於該情況下,本集團亦確認一項相關負債。已轉讓之資產及相關負債乃按反映本集團已保留權利及責任之基準計量。

本公司就已轉讓資產作出保證之持續參與,乃以該項資產之原賬面值及本集團或須償還之代價數額上限(以較低者為準)計算。

金融資產減值

本集團就所有並非以按公平值計入損益之方式持有之債務工具確認預期信貸虧損(「預期信貸虧損」)撥備。預期信貸虧損乃按根據合約到期之合約現金流量與本集團預期將收取之所有現金流量之間之差額計算,並按原有實際利率之約數進行折現。預期現金流量將包括出售所持抵押品或其他信貸提升措施(屬於合約條款之一部分)所產生之現金流量。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 主要會計政策概要(續)

金融資產減值(續)

通用方法

預期信貸虧損分兩個階段確認。就初始確認以來信貸風險並無大幅增加的信貸敞口而言，會為未來十二個月(十二個月預期信貸虧損)可能發生的違約事件所產生之信貸虧損計提預期信貸虧損撥備。就初始確認以來信貸風險大幅增加之信貸敞口而言，須就預期於敞口之餘下年期產生之信貸虧損計提減值撥備，不論違約的時間(全期預期信貸虧損)。

於各報告日期，本集團會評估金融工具的信貸風險自初始確認以來是否大幅增加。於作出評估時，本集團會比較金融工具於報告日期之違約風險與金融工具於初始確認日期之違約風險，並會考慮毋須耗費不當成本或精力即可獲得之合理及有據資料(包括過往及前瞻性資料)。

於合約付款逾期90天時，本集團視金融資產出現違約。然而，於若干情況下，在計及本集團持有之任何信貸措施前，倘內外部資料顯示本集團不大可能悉數收回尚未收回合約款項，則本集團亦可視金融資產出現違約。倘合理預期不會收回合約現金流量，則會撇銷金融資產。

按攤銷成本計量之金融資產須根據通用方法計量減值，其亦於計量預期信貸虧損之下列階段內進行分類，惟應用簡化方法(如下文詳述)之應收賬款除外：

- 第1階段 – 自初始確認以來，信貸風險並無顯著增加，且其虧損撥備按相當於十二個月預期信貸虧損之金額計量之金融工具
- 第2階段 – 自初始確認以來，信貸風險顯著增加，但並非屬信貸減值金融資產且其虧損撥備按相當於全期預期信貸虧損之金額計量之金融工具
- 第3階段 – 於報告日期出現信貸減值(但未購買或產生信貸減值)且其虧損撥備按相當於全期預期信貸虧損之金額計量之金融資產

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables, amounts due to related companies, loans from a related company, bank and other borrowings, and financial liabilities in other payables, deposits and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, banks and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 主要會計政策概要(續)

金融資產減值(續)

簡化方法

就並不包含重大融資部分或本集團就此應用不調整重大融資部分的影響的切實權宜法，本集團會應用簡化方法計算預期信貸虧損。根據簡化方法，本集團並不追蹤信貸風險之變動，而是在每個報告日確認基於全期預期信貸虧損之減值虧損。本集團已建立基於過往信貸虧損經驗之撥備矩陣，並就應收賬款及經濟環境特定之前瞻性因素作出調整。

對於含有重大融資部分及應收租賃之應收賬款，本集團會選擇採用簡化方法計算具有上述政策之預期信用損失作為其會計政策。

金融負債

初始確認及計量

金融負債於初始確認時分類為貸款及借款或應付款項(如適用)。

初始確認時，所有金融負債均按公平值確認，而貸款及借款以及應付款項則扣除直接應佔交易成本確認。

本集團金融負債包括應付賬款、應付關連公司款項、來自一間關連公司之貸款、銀行及其他借款以及其他應付款項、按金及應計費用中的金融負債。

後續計量

金融負債的後續計量如下：

按攤銷成本計算之金融負債(貸款和借款)

初始確認後，銀行及其他借款其後以實際利率法按攤銷成本計量，惟倘貼現之影響並不重大，於此情況下，則按成本列賬。倘負債被終止確認，則盈虧在損益中透過實際利率法攤銷程式確認。

攤銷成本計算時會考慮任何收購折讓或溢價以及構成實際利率整體部份的費用或成本。實際利率法攤銷包括在損益內的財務費用。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 主要會計政策概要(續)

金融負債(續)

後續計量(續)

財務擔保合約

本集團發出的財務擔保合約為要求付款以彌償擔保持有人因指定債務人未能按照債務工具條款於到期時付款而招致的損失的合約。財務擔保合約初始按公平值確認為負債，並就直接歸屬於發出該擔保的交易成本作出調整。初始確認後，本集團按以下兩者中的較高者計量財務擔保合約：(i)根據「金融資產減值」所載政策釐定之預期信貸虧損撥備；及(ii)初始確認的金額減(若適用)累計已確認收入金額。

終止確認金融負債

倘金融負債下的義務被解除、取消或到期，則本集團終止確認負債。

當現有金融負債被來自同一放債人的另一項條款迥異的金融負債取代，或現有負債的條款大部分被修訂時，該項交換或修訂會視作終止確認原有負債及確認新負債，各自的賬面金額差額於損益賬確認。

抵銷金融工具

倘現時存在一項可在法律上強制執行的權利，可抵銷已確認金額，且有意以淨額結算或同時變現資產及償付債務，則金融資產與金融負債可予抵銷，並將淨金額列入綜合財務狀況報表。

現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，以及可隨時兌換為已知數額現金、價值變動風險不大、一般於收購後三個月內到期的短期高度流通投資(須按要求償還並構成本集團現金管理重要部分)。

就綜合財務狀況報表而言，現金及等同現金項目包括用途不受限制的手頭現金及銀行存款(包括定期存款以及現金類似性質資產)。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 主要會計政策概要(續)

撥備

當因過往發生的事件而產生目前的債務(法定或推定), 並可能導致日後須流出資源以清償債務時, 本集團會確認撥備, 惟債務的金額須能夠可靠地估計。

當貼現的影響重大時, 本集團會就撥備確認的金額為預期清償債務所需的未來開支於報告期末的現值。因時間流逝而產生的已貼現現值金額增加計入損益賬的融資成本。

所得稅

所得稅包括即期及遞延稅項。有關損益外確認項目的所得稅會於損益外確認, 即於其他全面收益或直接於權益確認。

即期稅項資產及負債乃根據於報告期末已頒佈或實質上已頒佈的稅率(及稅法), 並考慮本集團業務所在國家的現有詮釋及慣例, 按預期自課稅機關退回或支付予課稅機關的金額計量。

遞延稅項就於報告期末資產與負債的稅基及作財務申報用途的賬面金額兩者間的所有暫時差額以負債法計提撥備。

遞延稅項負債乃就所有應課稅暫時差額確認, 惟:

- 遞延稅項負債乃因一項交易(並非業務合併)中最初確認商譽或資產或負債而產生, 且於交易時並無對會計溢利或應課稅溢利或虧損構成影響除外; 及
- 就與於附屬公司、聯營公司及合營企業的投資有關的應課稅暫時差額而言, 暫時差額的撥回時間可以控制及暫時差額有可能不會於可預見未來撥回除外。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 主要會計政策概要(續)

所得稅(續)

遞延稅項資產就所有可扣減暫時差額及未被動用稅項抵免與任何未被動用稅項虧損的結轉確認。遞延稅項資產僅在可能有未來應課稅溢利以動用可扣減暫時差額及結轉的未被動用稅項抵免及未被動用稅項虧損時，方可確認，惟：

- 遞延稅項資產與於一項交易(並非業務合併)中最初確認資產或負債時產生而於交易時並無對會計溢利或應課稅溢利或虧損構成影響的可扣減暫時差額有關除外；及
- 就與於附屬公司的投資有關的可扣減暫時差額而言，遞延稅項資產僅以暫時差額有可能於可預見未來撥回及可能有未來應課稅溢利以動用暫時差額為限確認。

本集團於各報告期末檢討遞延稅項資產的賬面金額，並於不再可能會有足夠應課稅溢利動用全部或部分資產時作調減。未確認的遞延稅項資產會於各報告期末重新評估，並於可能會有足夠應課稅溢利收回全部或部分遞延稅項資產時確認。

遞延稅項資產與負債以變現資產或清還負債的期間的預期適用稅率，按於報告期末已頒佈或實質上已頒佈的稅率(及稅法)計量。

倘及僅倘本集團有在法律上可強制執行的權利抵銷即期稅項資產與即期稅項負債，且遞延稅項資產及遞延稅項負債涉及同一課稅機關就同一應課稅實體徵收的所得稅，或涉及就有意於各個預期清償大額遞延稅項負債或收回大額遞延稅項資產的未來期間以淨額基準結算即期稅項負債與資產或同時變現資產及清償負債的不同應課稅實體徵收的所得稅，則遞延稅項資產及遞延稅項負債會作抵銷。

政府補助

政府補助於能合理確定將能收取補助及將符合所有附帶條件時按公平值確認。當補助與支出項目有關時，會於補助擬補償的成本支銷的期間內按有系統基準確認為收入。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

(a) *Sale of properties*

Revenue from the sale of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

(b) *Project management services*

Revenue from the provision of project management services is recognised over time based on the scheduled period of the contracts.

(c) *Property management services*

Revenue from the provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 主要會計政策概要(續)

收益確認

客戶合約收益

來自客戶合約的收益乃於商品或服務的控制權轉讓予客戶時確認，該金額能反映本集團預期就交換該等商品或服務有權獲得的代價。

當合約中的代價包含可變金額時，代價金額於本集團向客戶轉讓商品或服務而有權獲得交換時估計。可變代價於合約開始時估計並受到約束，直至與可變代價相關的不確定因素其後得到解決時，確認的累積收益金額極有可能不會發生重大收益回撥。

當合約中包含融資成分，該融資成分為客戶提供超過一年的商品或服務轉讓融資的重大利益時，收益按應收款項的現值計量，使用貼現率折現，該貼現率將反映在本集團與客戶在合同開始時的單獨融資交易中。當合約中包含融資部分，該融資部分為本集團提供了一年以上的重大財務利益時，合約項下確認的收益包括按實際利息法在合約負債上累計的利息。就客戶付款至轉讓承諾商品或者服務的期限為一年或者更短的合約而言，交易價格採用香港務報告準則第15號中實際權宜之計，不會對重大融資部分的影響作出調整。

就於本集團日常業務過程中出售物業及提供服務而言，收益按已收或應收代價之公平值計量。收益於扣除稅項後列賬。

(a) *物業銷售*

就於日常業務過程中出售物業而言，收益於買方獲得竣工物業的實際所有權或法定業權、本集團現時擁有要求付款權及代價有可能收回時確認。

(b) *項目管理服務*

就提供項目管理服務而言，收益根據合約的計劃期間隨時間確認。

(c) *物業管理服務*

就提供物業管理服務而言，收益按直線基準於計劃期間確認，原因是客戶同時間收取及消費本集團提供的利益。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 主要會計政策概要(續)

收益確認(續)

其他來源收益

租金收入於租期內按時間比例基準確認。

股息收入於股東收取派付的權利獲確定、與股息有關的經濟利益可能流向本集團及股息金額能可靠計量時確認。

其他收入

利息收入按累計基準使用實際利息法確認，當中採用將金融工具預期年期或更短期間(如適用)內的估計未來現金收入準確貼現至金融資產賬面淨額的利率。

合約負債

倘本集團轉讓有關貨品或服務前自客戶收取付款或付款到期時(以較早者為準)，則確認合約負債。合約負債於本集團履行合約時確認為收益(即將有關貨品或服務的控制權轉讓予客戶)。

合約成本

除資本化為存貨、物業、廠房及設備以及無形資產的成本外，倘符合下列全部標準，履行客戶合約產生的成本資本化為資產：

- (a) 有關成本與實體可明確識別之合約或預期合約有直接關係。
- (b) 有關成本令實體將用於履行(或持續履行)日後履約責任之資源得以產生或有所增加。
- (c) 有關成本預期可收回。

資本化合約成本按與向客戶轉讓與該資產相關的商品或服務一致的基準系統化地攤銷並於損益賬扣除。其他合約成本於產生時支銷。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Retirement benefit scheme and pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operates in Mainland China are required to participate in a pension scheme (the “Pension Scheme”) operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme. All contributions to the Pension Scheme vest immediately and there are no forfeited contributions under the Pension Scheme which may be used by the Group to reduce its existing level of contributions or contributions payable in future years.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company’s functional currency is the Hong Kong dollar. These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 主要會計政策概要(續)

其他僱員福利

退休福利計劃及退休金計劃

本集團根據強制性公積金計劃條例為其全體僱員提供界定供款強制性公積金退休福利計劃(「強積金計劃」)。供款乃按照僱員基本薪資之百分比作出，並於供款根據強積金計劃規則變為應付時於損益賬扣除。強積金計劃資產與本集團資產分開持有，於獨立管理基金持有。本集團僱員供款於繳納入強積金計劃時悉數歸僱員所有。

本集團於中國內地經營的附屬公司的僱員被要求參與地方市政府營辦的退休金計劃(「退休金計劃」)。附屬公司須將其一定比例的薪金成本向該退休金計劃供款。根據退休金計劃規則須支付的供款於損益賬列賬。退休金計劃的所有供款即時歸屬，且退休金計劃項下概無任何可由本集團用以降低其現有供款水平或未來年度應付供款的已沒收供款。

借貸成本

與收購、建造或生產需要長時間方能達致擬定用途或銷售之合資格資產直接有關之借貸成本，均資本化為該等資產成本的一部分，直至該等資產可大致上作擬定用途或銷售為止。將特定借貸用以支付合資格資產前就該等借貸所作暫時投資賺取之投資收入，從資本化借貸成本中扣除。所有其他借貸成本於其產生期間支銷。借貸成本包括利息及實體產生之有關資金借貸的其他成本。

股息

末期股息於股東在股東大會上批准時確認為負債。建議末期股息於財務報表附註披露。

外幣

本公司的功能貨幣為港元。該等財務報表以人民幣呈列。本集團各實體釐定其各自之功能貨幣，各實體財務報表所載項目使用功能貨幣計量。本集團實體所列外幣交易初步使用交易日期其各自的功能貨幣匯率入賬。以外幣計值的貨幣資產及負債按於報告期末的外幣匯率進行換算。貨幣項目結算或換算產生的差額於損益賬確認。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than the RMB, including the Hong Kong dollar (HK\$), United States dollar ("USD") and Singapore dollar ("SGD"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.4 主要會計政策概要(續)

外幣(續)

貨幣項目結算或換算產生的差額於損益賬確認，惟就指定作為對沖本集團的海外業務投資淨額一部分的貨幣項目則除外。該等貨幣項目於其他全面收益確認，直至投資淨額已出售，此時累算金額乃重新分類至損益賬。就該等貨幣項目匯兌差額應佔的稅項支出及抵免亦計入其他全面收益內。

按外幣歷史成本計量的非貨幣項目按首次交易日期的匯率換算。按外幣公平值計量之非貨幣項目採用計量公平值當日之匯率換算。兌換非貨幣項目產生及按公平值計量之損益之處理方式與確認該項目公平值變動產生之損益相符。

於終止確認涉及預付代價的非貨幣資產或非貨幣負債時，為了確定相關資產、開支或收入於初始確認時的匯率，初始交易日期為本集團初始確認預付代價產生的非貨幣資產或非貨幣負債的日期。倘支付或收受多項預付代價，則本集團就支付或收受每項預付代價確定交易日期。

若干香港及海外附屬公司之功能貨幣為人民幣以外之貨幣，包括港元(「港元」)、美元(「美元」)、新加坡元(「新加坡元」)及日圓(「日圓」)。於報告期末，該等實體之資產與負債，按報告期末之匯率換算為人民幣，其損益賬則按本年度之加權平均匯率換算為人民幣。

因此而產生之匯兌差額於其他全面收益確認，並於外匯變動儲備中累計。出售外國業務時，就該項外國業務確認之其他全面收益部份，會在損益賬中確認。

任何因收購外國業務引起之商譽及任何由於收購所得之資產及負債面值金額之公平值調整均視為外國業務之資產及負債及以收市價換算。

就綜合現金流量表而言，海外附屬公司之現金流量乃以現金流動日之匯率換算為人民幣。於年內產生之海外附屬公司經常性現金流量乃以年內之加權平均匯率換算為人民幣。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2021 2021年12月31日

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties – senior housing communities located in the United States of America (the "USA") – are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in Hong Kong and Singapore are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties of senior housing communities but is not rebutted for properties located in Hong Kong and Singapore. The Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong and Singapore as the Group is not subject to any income taxes on disposal of these investment properties.

Deferred tax on withholding taxes

Deferred tax liabilities are recognised for withholding corporate income taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries established in the PRC for the year ended 31 December 2021 was RMB60,247,000 (31 December 2020: RMB75,745,000). Further details are contained in note 30 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. 重大會計判斷及估計

編製本集團之財務報表時，管理層須作出會影響收益、開支、資產及負債之呈報金額，及其隨附披露以及或然負債披露之判斷、估計及假設。然而，有關該等假設及估計之不確定因素可導致於日後須對受影響之資產或負債賬面值作出重大調整。

判斷

於應用本集團會計政策之過程中，除涉及估計之判斷外，管理層亦作出以下對於財務報表中確認之金額構成最重大影響之判斷：

於投資物業之遞延稅項

就以公平值模型計量之投資物業產生之遞延稅項而言，本公司董事已審閱本集團之投資物業組合，總結為本集團位於美利堅合眾國（「美國」）之投資物業－長者住房院舍以商業模式（其目標是隨時間而非透過銷售消耗投資物業所包含之絕大部分經濟利益）持有，而該等位於香港及新加坡之投資物業則並非以該商業模式持有。因此，就長者住房院舍之物業而言，透過出售全部回收投資物業賬面值之假定被推翻，惟就位於香港及新加坡之物業而言，假定則不被推翻。由於本集團出售該等位於香港及新加坡之投資物業時毋須繳納任何所得稅，故本集團並無就該等投資物業之公平值變動確認任何遞延稅項。

於預扣稅之遞延稅項

就本集團於中國成立之附屬公司須繳納預扣稅的未匯出盈利應付的預扣企業所得稅確認遞延稅項負債。管理層須基於該等附屬公司於可見未來可能分派有關盈利之水平作出重大判斷，以釐定遞延稅項負債金額。於截至2021年12月31日止年度，與於中國成立之附屬公司的投資相關之預扣稅產生之遞延稅項負債金額為人民幣60,247,000元（2020年12月31日：人民幣75,745,000元）。進一步詳情載於財務報表附註30。

估計不明朗因素

有關未來之主要假設及於報告期間結算日估計不明朗因素（會導致下個財政年度內之資產及負債賬面值出現大幅調整之重大風險）之其他主要來源載述如下。

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB424,722,000 (2020: RMB424,722,000). Further details are given in note 16 to the financial statements.

Provision for expected credit losses on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and other receivables is disclosed in note 23 to the financial statements.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

商譽減值

集團至少每年釐定商譽是否減值。其要求估計獲分配商譽的現金產生單位的使用價值。估計使用價值要求本集團對現金產生單位的預期未來現金流量作出估計，並須選擇合適的貼現率計算該等現金流量的現值。於2021年12月31日商譽的賬面值為人民幣424,722,000元(2020年：人民幣424,722,000元)。進一步詳情載於財務報表附註16。

應收賬款及其他應收款項之預期信貸虧損撥備

本集團使用撥備矩陣計算應收賬款及其他應收款項之預期信貸虧損。撥備率乃基於具有類似虧損模式之多個客戶分部組別(即地理位置、產品類別、客戶類別及評級)之逾期天數釐定。

預期虧損率初步基於本集團之過往觀察所得違約率。本集團將調整矩陣，藉以按前瞻性資料調整過往信貸虧損經驗。例如，倘預測經濟狀況(即國內生產總值)預期將在未來一年內惡化，可能導致製造業之違約次數增加，則會調整過往違約率。於各報告日期，過往觀察所得違約率會予以更新，並分析前瞻性估計之變動。

過往觀察所得違約率、經濟狀況預測及預期信貸虧損之間的相關性評估為一個重要估計。預期信貸虧損金額對環境及經濟狀況預測之變動極為敏感。本集團之過往信貸虧損經驗及經濟狀況預測亦或不能代表客戶未來的實際違約。有關本集團應收賬款及其他應收款項之預期信貸虧損之資料於財務報表附註23中披露。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2021 2021年12月31日

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2021 was RMB531,595,000 (2020: RMB552,154,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. An intangible asset not yet available for use is tested for impairment annually and at other times when such an indicator exists. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was RMB159,300,000 (2020: RMB125,658,000). The amount of unrecognised tax losses at 31 December 2021 was RMB554,526,000 (2020: RMB532,018,000). Further details are contained in note 30 to the financial statements.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

投資物業公平值之估計

當活躍市場上缺乏相似物業之現價時，本集團會參考不同資料來源，包括：

- 在活躍市場上不同性質、條件或地點之物業現價，並作出調整以反映該等差異；
- 在較為不活躍市場上相似物業之現價，並作出調整以反映該等價格自交易日以來經濟狀況任何變動對該等價格之影響；及
- 基於未來現金流量之可靠估計之貼現現金流量預測，並根據任何現有租約及其他合約之條款，以及(如可能)外部證據，例如同一地點及狀況的類似物業的現行市場租金，並使用貼現率反映現時市場對現金流量之金額及時間之不確定性評估。

於2021年12月31日，投資物業賬面值為人民幣531,595,000元(2020年：人民幣552,154,000元)。進一步詳情(包括計量公平值採用之主要假設及敏感度分析)載於財務報表附註15。

非金融資產減值(商譽除外)

本集團於各報告期間結算日評估所有非金融資產有否任何減值跡象。尚未達至使用狀態的無形資產每年進行減值測試，並於存在減值跡象的其他時間進行測試。非金融資產會於有跡象顯示可能無法收回賬面值時進行減值測試。當資產或現金產生單位之賬面值超出其可收回金額(即其公平值減銷售成本及其使用價值的較高者)時，則存在減值。公平值減出售成本乃基於同類資產按公平協商基準進行的具約束力的銷售交易的可用數據，或可觀察市價減出售資產之遞增成本而計算。計算使用價值時，管理層須估計資產或現金產生單位之預計未來現金流量，並選用合適的貼現率以計算該等現金流量之現值。

遞延稅項資產

遞延稅項資產就未動用稅項虧損予以確認，惟以可能出現應課稅溢利將可用以抵銷有關可動用之虧損為限。在釐定可予以確認之遞延稅項資產金額時，須根據日後應課稅溢利可能出現之時間及水平以及未來稅項規劃策略作出重大管理判斷。於2021年12月31日，有關已確認稅項虧損之遞延稅項資產賬面值為人民幣159,300,000元(2020年：人民幣125,658,000元)。於2021年12月31日，未確認稅項虧損為人民幣554,526,000元(2020年：人民幣532,018,000元)。進一步詳情載於財務報表附註30。

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Net realisable value assessment of properties under development and completed properties held for sale

The Group carried out assessment on net realisable value of properties under development and completed properties held for sale at the end of each reporting period and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Group's pre-sale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Groups' completed projects, adjusted by certain current market data, the legal and regulating framework and general market conditions. The Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the consolidated statement of financial position and notes 20 and 21 to the financial statements. At 31 December 2021, the carrying amounts of properties under development and completed properties held for sale were approximately RMB47,834,930,000 (2020: RMB48,446,684,000) and RMB9,028,002,000 (2020: RMB6,791,108,000), respectively, which are expected to be recovered through future sales and stated at the lower of cost and net realisable value. The Group carried out assessment on net realisable value at the end of the reporting period and recognised RMB75,073,000 (2020: RMB150,000,000) and RMB91,691,000 (2020: nil) of the write-down for properties under development and completed properties held for sale, respectively, for the year end 31 December 2021. When there is any decrease in the net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the consolidated statement of profit or loss.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

中國土地增值稅(「土地增值稅」)

本集團須繳納中國土地增值稅。土地增值稅撥備根據管理層對中國相關稅務法律及法規所載規定的理解所作之最佳估計而計提。實際土地增值稅負債須待物業發展項目竣工後由稅務機關釐定。本集團尚未就其全部物業發展項目與稅務機關落實其土地增值稅之計算及付款。最終結果可能與初步入賬之金額不同，而差額將會影響差額變現期間之土地增值稅開支及相關撥備。

發展中物業及持作出售之已完工物業之可變現淨值評估

本集團於各報告期間結算日對發展中物業及持作出售之已完工物業之可變現淨值進行評估並對比成本與其可變現淨值。可變現淨值乃按估計未來售價減估計完成成本或出售所需之估計成本(如有)計算。估計未來售價乃由管理層經參考本集團之預售價及於附近或相關地點之類似物業之近期售價後估計得出。管理層亦已參考本集團竣工項目所需的實際銷售開支對未來銷售開支及預期完工成本進行估計，有關實際銷售開支已根據若干現有市場數據、法律及監管體制以及整體市況作出調整。本集團之發展中物業及持作出售之已完工物業均位於中國，其詳情載於綜合財務狀況報表以及財務報表附註20及21。於2021年12月31日，發展中物業及持作出售之已完工物業之賬面值分別約人民幣47,834,930,000元(2020年：人民幣48,446,684,000元)及人民幣9,028,002,000元(2020年：人民幣6,791,108,000元)預期可透過未來銷售予以收回，並按成本及可變現淨值兩者之較低者列賬。截至2021年12月31日止年度，本集團於報告期間結算日對可變現淨值進行評估並分別就發展中物業及持作出售之已完工物業確認撇減人民幣75,073,000元(2020年：人民幣150,000,000元)及人民幣91,691,000元(2020年：無)。倘物業之可變現淨值出現任何減少並低於物業之成本，則將就發展中物業及持作出售之已完工物業於綜合損益賬確認虧損。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Contingent liabilities

As at 31 December 2021, the Group had contingent liabilities relating to guarantees amounting to approximately RMB18,002,298,000 (2020: RMB13,559,922,000) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interests thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2021 as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interests and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

或然負債

於2021年12月31日，本集團就有關本集團物業之物業買家訂立之按揭貸款而由若干銀行提供之按揭融資之擔保擁有或然負債約人民幣18,002,298,000元(2020年：人民幣13,559,922,000元)。根據擔保條款，倘該等物業買家拖欠按揭款項，本集團須負責支付失責買家欠付銀行的未償還按揭本金連同累計利息及任何罰款。本集團將有權接管相關物業的法定業權及擁有權。該等擔保將於以下較早者發生時解除：(i)物業買家償還按揭貸款；及(ii)就按揭物業發出物業所有權證並完成按揭的取消登記。本公司董事認為，由於違約風險不大及倘付款出現違約，相關物業之可變現淨值可涵蓋未償還本金連同累計利息及罰款，故並無就擔保合約於截至2021年12月31日止年度之綜合財務報表作出撥備。倘實際結果與預期不同，則將於綜合財務報表確認虧損撥備。

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Project management services in the PRC
- (c) Property investment and management in the United States of America ("USA" or "US") in American Housing REIT, Inc. ("AHR") and property management in the USA provided to Global Medical REIT, Inc. ("GMR")
- (d) Property investment other than AHR
- (e) Securities trading and investment

Following the disposal of a subsidiary engaging in the property management business in the USA in July 2020, the Group no longer provided property management services to and received management fee income from GMR.

The Group has property investment and/or management businesses in Hong Kong, the USA and Singapore. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management previously and up to 31 December 2021. Following to the termination of the property management services as a result of the sale of the Group's subsidiary, the Group continued to operate and manage AHR's property investment through internal resources and will evaluate and assess the Group's property investment businesses in Hong Kong, the USA and Singapore as a whole to integrate as one single operating segment in the future.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. 經營分部資料

為進行管理，本集團根據其產品及服務成立業務分部，其五個可報告經營分部如下：

- (a) 於中國之物業發展
- (b) 於中國之項目管理服務
- (c) 於美國對美洲房地產投資信託（「AHR」）進行之物業投資及管理以及向國際醫療房地產投資信託（「GMR」）提供之物業管理
- (d) AHR以外之物業投資
- (e) 證券買賣及投資

於2020年7月出售於美國從事物業管理業務之附屬公司後，本集團其後不再向GMR提供物業管理服務及收取管理費收入。

本集團於香港、美國及新加坡擁有物業投資及／或管理業務。除於美國經營的AHR外，之前及截至2021年12月31日的其他地區物業投資業務乃由管理層一併估值，並作為一個經營分部予以評估。在因出售本集團附屬公司而終止物業管理服務後，本集團繼續透過內部資源運營及管理AHR的物業投資，並將對本集團位於香港、美國及新加坡的物業投資業務進行整體評估，以於未來將其整合為一個單一經營分部。

管理層個別監控本集團之經營分部之業績，以便作出有關資源分配及表現評估之決定。評估分部表現乃根據可報告之分部溢利／（虧損）（除稅前經調整溢利／（虧損）之計量）。除稅前經調整溢利／（虧損）乃貫徹本集團之除稅前溢利／（虧損）計量，惟若干其他收益及虧損、公司及未分配收入及支出（包括未分配融資成本）除外。

分部資產不包括遞延稅項資產、總部及公司未分配資產，因該等資產是以集團基準管理。

分部負債不包括遞延稅項負債、稅項負債以及總部及公司未分配負債，因該等負債是以集團基準管理。

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

4. 經營分部資料(續)

Segment revenue and segment results

分部收益及分部業績

		Segment revenue		Segment results	
		分部收益		分部業績	
		2021	2020	2021	2020
		2021年	2020年	2021年	2020年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Property development in the PRC	於中國之物業發展	13,321,003	7,877,160	492,287	1,033,298
Project management services in the PRC	於中國之項目管理服務	61,825	123,516	58,734	117,614
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	14,441	44,070	9,912	111,556
Property investment other than AHR	AHR以外之物業投資	9,493	9,711	2,038	(27,291)
Securities trading and investment	證券買賣及投資	14,734	14,604	127,351	7,934
		13,421,496	8,069,061	690,322	1,243,111
Unallocated corporate income	未分配公司收入			326	738
Other gains and losses	其他收益及虧損			(16,942)	1,047
Unallocated corporate expenses	未分配公司開支			(15,058)	(23,024)
Profit before tax	除稅前溢利			658,648	1,221,872

4. OPERATING SEGMENT INFORMATION (CONTINUED)

4. 經營分部資料(續)

Segment revenue and segment results (continued)

分部收益及分部業績(續)

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
<i>Segment assets</i>	<i>分部資產</i>		
Property development in the PRC	於中國之物業發展	66,687,630	65,699,030
Project management services in the PRC	於中國之項目管理服務	62,444	125,026
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	202,296	210,755
Property investment other than AHR	AHR以外之物業投資	357,273	375,026
Securities trading and investment	證券買賣及投資	427,489	325,098
Segment assets	分部資產	67,737,132	66,734,935
Unallocated assets	未分配資產	502,741	417,421
Total assets	總資產	68,239,873	67,152,356
<i>Segment liabilities</i>	<i>分部負債</i>		
Property development in the PRC	於中國之物業發展	58,804,650	58,081,282
Project management services in the PRC	於中國之項目管理服務	1,676	2,395
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	63,024	82,514
Property investment other than AHR	AHR以外之物業投資	115,475	126,071
Segment liabilities	分部負債	58,984,825	58,292,262
Unallocated liabilities	未分配負債	1,056,391	971,279
Total liabilities	總負債	60,041,216	59,263,541

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

4. 經營分部資料(續)

Other segment information

For the year ended 31 December 2021

其他分部資料

截至2021年12月31日止年度

	Property development in the PRC	Project management services in the PRC	Property management provided to GMR in the USA	Property investment other than AHR	Securities trading and investment	Segment total	Unallocated	Total
	於中國之物業發展	於中國之項目管理服務	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	AHR以外之物業投資	證券買賣及投資	分部總額	未分配	總計
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Additions to investment properties and property, plant and equipment	532,305	-	-	-	-	532,305	12	532,317
Depreciation of property, plant and equipment	2,551	58	6	-	-	2,615	1,133	3,748
Amortisation of intangible assets	41,895	-	-	-	-	41,895	-	41,895
Fair value gain/(loss) on investment properties	-	-	129	(233)	-	(104)	-	(104)
Fair value gain on financial assets at fair value through profit or loss	-	-	-	-	112,618	112,618	-	112,618
Write-down of properties on properties under development and completed properties held for sale to net realisable value	166,764	-	-	-	-	166,764	-	166,764

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)

For the year ended 31 December 2020

4. 經營分部資料(續)

其他分部資料(續)

截至2020年12月31日止年度

	Property development in the PRC	Project and sales services in the PRC	Property investment and management on AHR and property management provided to GMR in the USA	Property investment other than AHR	Securities trading and investment	Segment total	Unallocated	Total
	於中國之物業發展	於中國之項目管理及銷售服務	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	AHR以外之物業投資	證券買賣及投資	分部總額	未分配	總計
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Additions to investment properties and property, plant and equipment	3,527	-	434	-	-	3,961	606	4,567
Depreciation of property, plant and equipment	2,042	128	258	10	-	2,438	1,240	3,678
Depreciation of right-of-use assets	-	-	819	-	-	819	-	819
Gain on disposal of a subsidiary	-	-	99,554	-	-	99,554	-	99,554
Fair value loss on investment properties	-	-	4,578	28,933	-	33,511	-	33,511
Fair value loss on financial assets at fair value through profit or loss	-	-	-	-	6,669	6,669	-	6,669
Write-down of properties on properties under development to net realisable value	150,000	-	-	-	-	150,000	-	150,000

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

4. 經營分部資料(續)

Geographical information

地區資料

		Revenue from external customers 來自外部客戶收益		Non-current assets 非流動資產	
		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
The PRC	中國	13,383,569	8,001,725	1,118,698	630,897
The USA	美國	29,633	52,053	200,562	207,856
Singapore	新加坡	6,740	13,633	267,549	281,537
Hong Kong	香港	1,554	1,650	101,241	102,908
		13,421,496	8,069,061	1,688,050	1,223,198

The geographical information of revenue from external customers is based on the geographical markets of the customers, and the locations of properties and investments. The geographical information of the non-current assets, excluding deferred tax assets and financial instruments, is based on the locations of the assets.

來自外部客戶收益之地區資料乃基於客戶地區市場、物業及投資之所在地而釐定。非流動資產(遞延稅項資產及金融工具除外)之地區資料乃基於有關資產之區域而釐定。

Information about major customers

During the years ended 31 December 2021 and 2020, no single customer has contributed 10% or more of the Group's total revenue.

有關主要客戶之資料

截至2021年及2020年12月31日止年度，概無單一客戶貢獻本集團總收益10%或以上。

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
<i>Revenue from contracts with customers</i>			
Sales of properties in the PRC	客戶合約收益 於中國出售物業	13,321,003	7,877,160
Project management services in the PRC	於中國之項目管理服務	61,825	123,516
Property management services	物業管理服務	-	27,742
		13,382,828	8,028,418
<i>Revenue from other sources</i>			
Gross rental income from investment properties	其他收益來源 投資物業租金收入總額	23,934	26,039
Dividend income from financial assets at fair value through profit or loss	按公平值計入損益之金融資產之 股息收入	14,734	14,604
		13,421,496	8,069,061

5. 收益及其他收入

收益分析如下：

Revenue from contracts with customers

(i) *Disaggregated revenue information*
For the year ended 31 December 2021

客戶合約收益

(i) *收益分拆資料*
截至2021年12月31日止年度

Segments	分部	Sales of properties in the PRC 於中國 出售物業 RMB'000 人民幣千元	Project management services in the PRC 於中國之 項目管理服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Types of goods or services and geographical markets	商品或服務之類別及 區域市場			
Sale of properties in the PRC	於中國出售物業	13,321,003	-	13,321,003
Project management services in the PRC	於中國之項目管理服務	-	61,285	61,285
Total revenue from contracts with external customers	外部客戶合約收益總額	13,321,003	61,285	13,382,828
Timing of revenue recognition	收益確認時間			
Goods transferred at a point in time	於某一時間點轉讓貨物	13,321,003	-	13,321,003
Services transferred over time	隨時間轉讓服務	-	61,285	61,285
Total revenue from contracts with external customers	外部客戶合約收益總額	13,321,003	61,285	13,382,828

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5. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

(i) *Disaggregated revenue information (continued)*

For the year ended 31 December 2020

5. 收益及其他收入(續)

客戶合約收益(續)

(i) *收益分拆資料(續)*

截至2020年12月31日止年度

Segments	分部	Sales of properties in the PRC 於中國出售物業 RMB'000 人民幣千元	Project management services in the PRC 於中國之項目管理及銷售服務 RMB'000 人民幣千元	Property management services 物業管理服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Types of goods or services and geographical markets	商品或服務之類別及區域市場				
Sale of properties in the PRC	於中國出售物業	7,877,160	–	–	7,877,160
Project management services in the PRC	於中國之項目管理服務	–	123,516	–	123,516
Property management services in the USA	於美國之物業管理服務	–	–	27,742	27,742
Total revenue from contracts with customers	客戶合約收益總額	7,877,160	123,516	27,742	8,028,418
Timing of revenue recognition	收益確認時間				
Goods transferred at a point in time	於某一時間點轉讓貨物	7,877,160	–	–	7,877,160
Services transferred over time	隨時間轉讓服務	–	123,516	27,742	151,258
Total revenue from contracts with customers	客戶合約收益總額	7,877,160	123,516	27,742	8,028,418

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

於本報告期間確認並計入報告期初之合約負債之收益如下：

	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Sale of properties in the PRC	10,125,280	6,575,432

5. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advance payments are required pursuant to the terms of sale and purchase agreements.

Rendering of services (project management services and property management services)

The performance obligation is satisfied over time as services are rendered and bills are issued when services are rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 are as follows:

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Within one year	一年內	12,103,855	14,871,578
After one year	一年後	21,878,848	11,937,280
		33,982,703	26,808,858

An analysis of other income is as follows:

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Interest income	利息收入	30,793	20,438
Government grants	政府資助	2,914	820
Others	其他	10,317	6,262
		44,024	27,520

5. 收益及其他收入(續)

客戶合約收益(續)

(ii) 履約責任

有關本集團履約責任之資料概述如下：

物業銷售

履約責任乃於交付物業後獲履行，且須根據買賣協議條款預付款項。

提供服務(項目管理服務以及物業管理服務)

履約責任乃於已提供服務並在提供服務後獲出具賬單時隨時間履行。

於2021年及2020年12月31日，分配至餘下履約責任(未履行或部分未履行)之交易價格如下：

	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Within one year	12,103,855	14,871,578
After one year	21,878,848	11,937,280
	33,982,703	26,808,858

其他收入之分析如下：

	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Interest income	30,793	20,438
Government grants	2,914	820
Others	10,317	6,262
	44,024	27,520

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6. OTHER GAINS AND LOSSES, NET

6. 其他收益及虧損淨額

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Fair value loss on investment properties (note 15)	投資物業之公平值虧損(附註15)	(104)	(33,511)
Fair value gain/(loss) on financial assets at fair value through profit or loss	按公平值計入損益之金融資產之公平值收益/(虧損)	112,618	(6,669)
Exchange (loss)/gain, net	匯兌(虧損)/收益淨額	(16,942)	4,596
Write-down of properties under development and completed properties held for sale to net realisable value	撇減發展中物業及持作出售之已完工物業至可變現淨值	(166,764)	(150,000)
Gain on disposal of a subsidiary	出售一間附屬公司之收益	-	99,554
		(71,192)	(86,030)

7. FINANCE COSTS

7. 融資成本

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Interests on:	以下各項之利息：		
Bank and other borrowings	銀行及其他借貸	1,323,241	1,563,416
Interest arising from revenue contracts	合約收益產生之利息	1,525,514	944,468
Interest arising from lease liabilities	租賃負債之利息	-	190
Less: Capitalised in properties under development	減：於發展中物業資本化	(2,758,838)	(2,428,388)
		89,917	79,686

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.95% to 12.80% (2020: 4.568% to 12.80%) per annum.

來自銀行及其他借貸之借貸成本已按介乎4.95厘至12.80厘(2020年：4.568厘至12.80厘)之年利率予以資本化。

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

8. 除稅前溢利

本集團之除稅前溢利已扣除下列各項：

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Cost of properties sold	已售物業成本	12,152,459	6,313,705
Cost of services	服務成本	3,091	5,902
Total employee benefit expenses:	僱員福利開支總額：		
Directors' emoluments (note 9)	董事薪酬(附註9)	1,023	1,052
Other staff:	其他員工：		
Salaries and other benefits	薪金及其他福利	122,661	86,410
Retirement benefit scheme contributions	退休福利計劃供款	9,168	9,610
		132,852	97,072
Less: Capitalised in properties under development	減：於發展中物業資本化	(27,144)	(19,592)
		105,708	77,480
Auditor's remuneration	核數師薪酬	2,380	1,700
Depreciation of property, plant and equipment	物業、廠房及設備折舊	2,158	2,388
Depreciation of right-of-use assets	使用權資產折舊	-	819
Lease payments not included in the measurement of lease liabilities	並未計入租賃負債計量的租賃付款	1,483	5,866
The Group's profit before tax is arrived at after crediting:	本集團之除稅前溢利已計入下列各項：		
Interest income	利息收入	30,793	20,438
Gross rental income from investment properties	投資物業租金收入總額	23,934	26,039
Less: Direct operating expenses incurred for:	減：所產生之直接經營開支：		
- investment properties generating rental income	- 產生租金收入之投資物業	(3,068)	(2,890)
- investment properties not generating rental income	- 並無產生租金收入之投資物業	(142)	(286)
		(3,210)	(3,176)
		20,724	22,863

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

9. 董事及主要行政人員薪酬

根據上市規則、香港公司條例第383(1)(a)、(b)、(c)及(f)條以及公司(披露董事利益資料)規例第2部披露之年內董事及主要行政人員薪酬如下：

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Fees	袍金	597	639
Other emoluments:	其他薪酬：		
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	381	368
Retirement benefit scheme contributions	退休福利計劃供款	45	45
		1,023	1,052

For the year ended 31 December 2021

截至2021年12月31日止年度

		Fees 袍金 RMB'000 人民幣千元	Salaries, allowances and benefits in kind 薪金、津貼 及實物福利 RMB'000 人民幣千元	Retirement benefit scheme contributions 退休福利 計劃供款 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>				
Mr. Zhang*	張先生*	-	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	381	45	426
<i>Non-executive director:</i>	<i>非執行董事：</i>				
Ms. Huang	Huang女士	-	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>				
Mr. Liu Da	劉達先生	199	-	-	199
Dr. Liu Qiao**	劉俏博士**	159	-	-	159
Mr. Ma Yuntao	馬運弢先生	199	-	-	199
Dr. Li Huiqun***	李惠群博士***	40	-	-	40
		597	381	45	1,023

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

For the year ended 31 December 2020

		Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
		袍金	薪金、津貼 及實物福利	退休福利 計劃供款	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>				
Mr. Zhang*	張先生*	-	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	368	45	413
<i>Non-executive director:</i>	<i>非執行董事：</i>				
Ms. Huang	Huang女士	-	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>				
Mr. Liu Da	劉達先生	213	-	-	213
Dr. Liu Qiao**	劉俏博士**	213	-	-	213
Mr. Ma Yuntao***	馬運弢先生***	213	-	-	213
		639	368	45	1,052

* Mr. Zhang is also the chief executive of the Company.

** Dr. Liu Qiao was resigned as an independent non-executive director of the Company on 18 October 2021.

*** Dr. Li Huiqun was appointed as an independent non-executive director of the Company on 18 October 2021.

There was no arrangement under which the directors waived or agreed to waive any remuneration during the reporting period (2020: Nil).

9. 董事及主要行政人員薪酬(續)

截至2020年12月31日止年度

		Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
		袍金	薪金、津貼 及實物福利	退休福利 計劃供款	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>				
Mr. Zhang*	張先生*	-	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	368	45	413
<i>Non-executive director:</i>	<i>非執行董事：</i>				
Ms. Huang	Huang女士	-	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>				
Mr. Liu Da	劉達先生	213	-	-	213
Dr. Liu Qiao**	劉俏博士**	213	-	-	213
Mr. Ma Yuntao***	馬運弢先生***	213	-	-	213
		639	368	45	1,052

* 張先生亦為本公司行政總裁。

** 劉俏博士於2021年10月18日辭任本公司獨立非執行董事。

*** 李惠群博士於2021年10月18日獲委任為本公司獨立非執行董事。

報告期間內概無董事據此豁免或同意豁免任何薪酬的安排(2020年：無)。

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year were neither a director nor chief executive of the Company (2020: Nil), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five (2020: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	4,377	8,854

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

		2021 2021年	2020 2020年
HK\$500,001 to HK\$1,000,000	500,001港元至1,000,000港元	3	–
HK\$1,000,001 to HK\$1,500,000	1,000,001港元至1,500,000港元	1	2
HK\$1,500,001 to HK\$2,000,000	1,500,001港元至2,000,000港元	1	2
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	–	–
HK\$2,500,001 to HK\$3,000,000	2,500,001港元至3,000,000港元	–	–
HK\$3,000,001 to HK\$3,500,000	3,000,001港元至3,500,000港元	–	1
		5	5

10. 五名最高薪人士

年內五名最高薪人士並非本公司董事亦非主要行政人員(2020年：無)，有關彼等薪酬之詳情載於上文附註9。有關年內五(2020年：五)名最高薪人士(並非本公司董事亦非主要行政人員)薪酬之詳情如下：

酬金介乎下列組別之最高薪人士(非董事及非主要行政人員)之人數如下：

11. INCOME TAX EXPENSE

11. 所得稅開支

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Current tax – charge for the year	本期稅項 – 一年內開支		
– Hong Kong Profits Tax	– 香港利得稅	–	–
– PRC CIT	– 中國企業所得稅	291,669	425,139
– PRC LAT	– 中國土地增值稅	126,325	185,488
– Overseas Corporate Income Tax	– 海外企業所得稅	118	273
(Over)/under provision in prior years	過往年度(超額撥備)/撥備不足	(10)	2,607
		418,102	613,507
Deferred tax (note 30)	遞延稅(附註30)	(144,496)	(170,008)
Total tax charge for the year	年內稅項開支總額	273,606	443,499

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for both years.

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years. In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiaries in the USA are generally subject to Federal Income Tax at a rate of 21% (2020: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the year ended 31 December 2021. Certain of these subsidiaries retained with undistributed income are also subjected to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

由於本集團於兩個年度內均無於香港產生應課稅溢利，因此並無於綜合財務報表就香港利得稅作出撥備。

中國企業所得稅兩個年度按應課稅溢利之25%適用所得稅率計算。根據中國企業所得稅法，在中國成立的外資企業向外國投資者宣派的股息將被徵收10%預扣所得稅。因此，本集團須就於中國成立的附屬公司自2008年1月1日以來賺取的盈利所派付的股息繳付預扣稅。

中國土地增值稅乃按土地價格增值額30%至60%之累進稅率徵收，增值額為銷售物業所得款項減除土地使用權費用及所有物業發展開支等應扣除開支的餘額。

截至2021年12月31日止年度，於美國之附屬公司一般均需就應課稅收入按21%(2020年：21%)之聯邦所得稅稅率支付稅項並需遵守不同司法權區州所得稅之法定規例。預留未分派收入之若干該等附屬公司亦需就應課稅收入之20%支付個人控股公司附加稅。若干附屬公司屬有限公司，本身不被視為實體(即視為控股公司之分部)，將就聯邦稅而言當作控股公司一部分計算稅項。

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11. INCOME TAX EXPENSE (CONTINUED)

Income tax expense for the year is reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Profit before tax	除稅前溢利	658,648	1,221,872
Tax at the statutory tax rate of 25% (2020: 25%)	按法定稅率25%(2020年: 25%) 計算之稅項	164,662	305,468
Effect of different tax rates on operations in other jurisdictions	在其他司法權區營運稅率不同 之影響	(168)	(187)
Tax effect of expenses not deductible for tax purpose	不可扣稅支出之稅務影響	12,857	14,060
Tax effect of income not taxable for tax purpose	毋須課稅收入之稅務影響	(31,838)	(30,636)
PRC LAT	中國土地增值稅	126,325	185,488
Tax effect of PRC LAT	中國土地增值稅之稅務影響	(31,581)	(46,372)
Tax effect of temporary differences not recognised	未確認暫時差額之稅務影響	18,306	77
Tax effect of tax losses not recognised	未確認之稅項虧損之稅務影響	16,027	13,614
Utilisation of tax losses previously not recognised (Over)/under provision in prior years	動用過往未確認之稅項虧損 過往年度(超額撥備)/撥備不足	(974)	(620)
		(10)	2,607
Income tax expenses for the year	年內所得稅開支	273,606	443,499

12. DIVIDENDS

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Proposed final – RMB0.81 cents per ordinary share	建議末期股息每股普通股份 人民幣0.81分	-	154,984

The directors of the Company did not recommend the payment of a dividend in respect of the year ended 31 December 2021 (2020: RMB154,984,000).

The final dividend in respect of the year ended 31 December 2020 of RMB0.81 cents per ordinary share was declared and approved at the annual general meeting of the Company held on 8 June 2021. The 2020 final dividend amounting to approximately RMB154,984,000 has been distributed out of the Company's retained earnings and paid in July 2021.

11. 所得稅開支(續)

年內所得稅開支與綜合損益賬所示除稅前溢利對賬如下：

12. 股息

本公司董事並不建議派付截至2021年12月31日止年度之股息(2020年：人民幣154,984,000元)。

截至2020年12月31日止年度之末期股息每股普通股份人民幣0.81分已於2021年6月8日舉行之本公司股東週年大會上獲宣派及批准。2020年末期股息約人民幣154,984,000元已於2021年7月從本公司保留盈餘中分派及支付。

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Earnings	盈利		
Profit attributable to owners of the Company used in the basic earnings per share calculation	本公司擁有人應佔溢利，用於計算每股基本盈利	399,470	782,988
		2021 2021年 '000 千股	2020 2020年 '000 千股 (Restated) (重列)
Shares	股份		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note)	年內已發行普通股加權平均數，用於計算每股基本盈利(附註)	1,913,387	1,112,548

Note: The weighted average number of ordinary shares in issue for both current and prior years used in the basic earnings per share calculation has been adjusted for the share consolidation of every ten ordinary shares into one consolidated ordinary share (as detailed in note 31) which became effective on 9 August 2021.

No diluted earnings per share amounts were presented for the years ended 31 December 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these years.

13. 本公司擁有人應佔每股盈利

每股基本盈利乃按以下資料計算：

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Earnings	盈利		
Profit attributable to owners of the Company used in the basic earnings per share calculation	本公司擁有人應佔溢利，用於計算每股基本盈利	399,470	782,988
		2021 2021年 '000 千股	2020 2020年 '000 千股 (Restated) (重列)
Shares	股份		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note)	年內已發行普通股加權平均數，用於計算每股基本盈利(附註)	1,913,387	1,112,548

附註：用於計算每股基本盈利的本年度及過往年度已發行普通股的加權平均數已就2021年8月9日生效的股份合併進行調整，基準為每十股普通股合併為一股合併普通股(詳情見附註31)。

由於本集團於截至2021年及2020年12月31日止年度並無潛在攤薄已發行普通股，故該兩個年度概無呈列每股攤薄盈利。

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14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Land and buildings	Hotel	Leasehold improvement	Furniture, office equipment and motor vehicles	Total
		土地及樓宇	酒店	租賃物業裝修	傢俬、辦公室設備及汽車	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
31 December 2021	2021年12月31日					
Cost:	成本：					
At 1 January 2021	於2021年1月1日	44,554	-	2,382	20,664	67,600
Additions	添置	391,030	138,481	-	2,806	532,317
Disposals	出售	-	-	-	(1,183)	(1,183)
Exchange realignment	匯兌調整	(1,407)	-	(101)	(64)	(1,572)
At 31 December 2021	於2021年12月31日	434,177	138,481	2,281	22,223	597,162
Accumulated depreciation:	累計折舊：					
At 1 January 2021	於2021年1月1日	5,129	-	1,732	13,417	20,278
Depreciation provided	折舊撥備	1,030	-	89	2,629	3,748
Disposals	出售	-	-	-	(1,183)	(1,183)
Exchange realignment	匯兌調整	(177)	-	(70)	(62)	(309)
At 31 December 2021	於2021年12月31日	5,982	-	1,751	14,801	22,534
Net carrying amount:	賬面淨值：					
At 1 January 2021	於2021年1月1日	39,425	-	650	7,247	47,322
At 31 December 2021	於2021年12月31日	428,195	138,481	530	7,422	574,628

14. PROPERTY, PLANT AND EQUIPMENT
(CONTINUED)

14. 物業、廠房及設備(續)

		Land and buildings	Leasehold improvement	Furniture, office equipment and motor vehicles	Total
		土地及樓宇 RMB'000 人民幣千元	租賃物業裝修 RMB'000 人民幣千元	傢俬、辦公室 設備及汽車 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
31 December 2020	2020年12月31日				
Cost:	成本：				
At 1 January 2020	於2020年1月1日	13,938	1,916	18,540	34,394
Additions	添置	-	596	3,971	4,567
Acquisition of a subsidiary	收購一間附屬公司	-	-	1,831	1,831
Transfer from investment property	轉撥自投資物業	33,376	-	-	33,376
Disposals	出售	-	-	(386)	(386)
Disposals of a subsidiary	出售一間附屬公司	-	-	(2,985)	(2,985)
Exchange realignment	匯兌調整	(2,760)	(130)	(307)	(3,197)
At 31 December 2020	於2020年12月31日	44,554	2,382	20,664	67,600
Accumulated depreciation:	累計折舊：				
At 1 January 2020	於2020年1月1日	4,334	1,706	10,643	16,683
Depreciation provided	折舊撥備	1,105	119	2,454	3,678
Acquisition of a subsidiary	收購一間附屬公司	-	-	1,562	1,562
Disposals	出售	-	-	(386)	(386)
Disposals of a subsidiary	出售一間附屬公司	-	-	(704)	(704)
Exchange realignment	匯兌調整	(310)	(93)	(152)	(555)
At 31 December 2020	於2020年12月31日	5,129	1,732	13,417	20,278
Net carrying amount:	賬面淨值：				
At 1 January 2020	於2020年1月1日	9,604	210	7,897	17,711
At 31 December 2020	於2020年12月31日	39,425	650	7,247	47,322

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15. INVESTMENT PROPERTIES

15. 投資物業

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Carrying amount at 1 January	於1月1日之賬面值	552,154	654,244
Disposals	出售	-	(3,220)
Transfer to owner-occupied property	轉撥至擁有人用物業	-	(33,376)
Net loss from a fair value adjustment	調整公平值之虧損淨額	(104)	(33,511)
Exchange realignment	匯兌調整	(20,455)	(31,983)
		531,595	552,154
Carrying amount at 31 December	於12月31日之賬面值		

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties with an aggregate fair value of RMB444,765,000 (2020: RMB463,392,000) have been pledged to secure the Group's borrowings (note 29).

The fair values of the investment properties situated in Hong Kong, Singapore and the USA as at 31 December 2021 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited ("APAC"). APAC is the member of the Hong Kong Institute of Surveyors and Valuers and an independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 18 to the financial statements.

本集團所有以經營租賃持有以賺取租金或作資本升值之物業權益皆按公平值模式計量，並分類為投資物業入賬。公平值合共人民幣444,765,000元(2020年：人民幣463,392,000元)之投資物業已抵押以取得本集團之借貸(附註29)。

位於香港、新加坡及美國之投資物業於2021年12月31日之公平值乃基於亞太資產評估及顧問有限公司(「亞太」)所進行估值釐定。亞太為Hong Kong Institute of Surveyors and Valuers會員且與本集團並無關連之獨立合資格專業估值師。

估計投資物業公平值時，投資物業最常用及最佳用途為現時用途。投資物業公平值自收入淨額資本化法得出，並為復歸收入作出適當撥備。

於報告期間結算日，本集團管理層與估值師合作，就第三級公平值計量建立和決定適當之估值技術及輸入數據。倘資產之公平值有重大改動，其波動原因將向本公司董事報告。

投資物業根據經營租賃出租予第三方，其進一步詳情概要載於財務報表附註18。

15. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

		31 December 2021 2021年 12月31日 RMB'000 人民幣千元	31 December 2020 2020年 12月31日 RMB'000 人民幣千元
<i>Fair value measurement using significant unobservable inputs (Level 3)</i>	採用重大不可觀察輸入數據之公平值計量(第三級)		
Recurring fair value measurement for investment properties located in	就位於下列地區之投資物業之經常性公平值計量		
– Hong Kong	– 香港	63,485	65,049
– Singapore	– 新加坡	267,548	281,530
– USA	– 美國	200,562	205,575
		531,595	552,154

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

15. 投資物業(續)

公平值層級

下表列示本集團投資物業之公平值計量層級：

年內，第一級與第二級之間並無發生任何公平值計量轉移之情況，且並無發生轉入或轉出第三級之情況(2020年：無)。

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15. INVESTMENT PROPERTIES (CONTINUED)

Set out below is a summary of the valuation technique used and the key inputs to the valuation of the Group's significant investment properties categorised into Level 3:

15. 投資物業(續)

下文載列本集團分類為第三級之主要投資物業估值所使用之估值技術及主要輸入數據之概要：

Properties 物業	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察輸入數據	Range or weighted average 範圍或加權平均數	
			2021 2021年	2020 2020年
Offices located in Hong Kong with a carrying value of RMB63,485,000 (2020: RMB65,049,000) 位於香港賬面值人民幣63,485,000元(2020年：人民幣65,049,000元)之辦公室	Income capitalisation approach 收入資本化法	Monthly market rent (HK\$ per sq.ft.) 每月市場租金(每平方呎港元)	48.6	46
		Term yield (per annum) 年期收益率(每年)	2.0%	1.9%
		Reversion yield (per annum) 復歸收益率(每年)	2.2%	2.1%
Commercial and residential units located in Singapore with a carrying value of RMB267,548,000 (2020: RMB281,530,000) 位於新加坡賬面值人民幣267,548,000元(2020年：人民幣281,530,000元)之商用及住宅單位	Income capitalisation approach 收入資本化法	Monthly market rent (SGD per sq.ft.) 每月市場租金(每平方呎新加坡元)	3.7-7.5	3.6-7.6
		Term yield (per annum) 年期收益率(每年)	2.6%-2.8%	2.5%-2.8%
		Reversion yield (per annum) 復歸收益率(每年)	2.8%-3.0%	2.7%-3.0%
Senior housing communities located in the USA with a carrying value of RMB177,217,000 (2020: RMB181,862,000) 位於美國賬面值人民幣177,217,000元(2020年：人民幣181,862,000元)之長者住房院舍	Income capitalisation approach 收入資本化法	Annual market rent (USD per sq.ft.) 每年市場租金(每平方呎美元)	22.0-24.4	21.7-23.5
		Term yield (per annum) 年期收益率(每年)	7.5%-8.5%	7.3%-8.5%
		Reversion yield (per annum) 復歸收益率(每年)	8.0%-9.0%	7.8%-9.0%

A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and reversion yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

There has been no change from the valuation technique used in the prior years.

市場租金單獨大幅增加(減少)會導致投資物業公平值大幅增加(減少)。年期收益率及復歸收益率單獨大幅增加(減少)會導致投資物業公平值大幅減少(增加)。

所用估值技術與過往年度相同。

16. GOODWILL

		RMB'000 人民幣千元
Cost and net carrying amount at 1 January 2020	於2020年1月1日之成本及賬面淨值	-
Acquisition of a subsidiary	收購一間附屬公司	424,722
Cost and net carrying amount at 31 December 2020 and 31 December 2021	於2020年12月31日及2021年12月31日之成本及賬面淨值	424,722
At 31 December 2020 and 31 December 2021:	於2020年12月31日及2021年12月31日：	
Cost	成本	424,722
Accumulated impairment	累計減值	-
Net carrying amount	賬面淨值	424,722

Impairment testing of goodwill

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 29.68% (2020: 29.74%).

Assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2021. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Selling price – Management determined the selling price based on the selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location.

Costs to completion – Management determined the costs to completion based on the budgets approved by management, which is estimated according to the past project construction experience and its knowledge of expected market prices of land and construction cost.

The value assigned to the key assumptions is consistent with external information sources.

The following table illustrates the breakeven point of the key variable, with all other variables held constant, where the recoverable amount of the cash-generating unit would have been approximately equal to the carrying amount.

16. 商譽

商譽減值測試

現金產生單位之可收回金額乃根據使用價值計算釐定，該計算使用的現金流量預測基於高級管理層所批准之涵蓋五年期間之財務預算。現金流量預測適用之貼現率為29.68% (2020年：29.74%)。

計算2021年12月31日之現金產生單位使用價值已使用假設。管理層基於其現金流量預測對商譽進行減值測試之關鍵假設描述如下：

貼現率 – 所採用貼現率為除稅前貼現率，反映與相關單位有關之特定風險。

售價 – 管理層根據同一項目預售單位之售價或具相若規模、用途及位置之可比較物業之現行市價釐定售價。

完工成本 – 管理層根據管理層批准之預算釐定完工成本，預算乃根據過往項目建設經驗及其對土地及建築成本預期市價之了解估計。

賦予關鍵假設之各項數值與外部資料來源一致。

下表闡述主要變量之平衡點，即在所有其他變量維持不變之情況下，現金產生單位之可收回金額與賬面值大致相等。

		2021 2021年	2020 2020年
Discount rate	貼現率	30.75%	30.14%

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17. INTANGIBLE ASSETS

17. 無形資產

		Contract benefit 合約效益 RMB'000 人民幣千元
Cost and net carrying amount at 1 January 2020	於2020年1月1日之成本及賬面淨值	–
Acquisition of a subsidiary	收購一間附屬公司	199,000
Cost and net carrying amount at 31 December 2020 and 1 January 2021	於2020年12月31日及2021年1月1日之成本及賬面淨值	199,000
Accumulated amortisation	累計攤銷	(41,895)
Cost and net carrying amount at 31 December 2021	於2021年12月31日之成本及賬面淨值	157,105

The amortisation is recorded into the property under development and transferred to the profit or loss together with the revenue is recognised.

攤銷計入發展中物業並在確認收益時一併轉入損益。

18. LEASES

18. 租賃

The Group as a lessee

The Group had lease contracts of offices used in its operations. Leases of offices were generally with lease terms from 2 to 5 years. Generally, the Group was restricted from assigning and subleasing the leased assets outside the Group. There was no lease contracts that include extension and termination options and variable lease payments. Both right-of-use assets and lease liabilities were terminated upon the disposal of a subsidiary in 2020.

本集團作為承租人

本集團有用於其營運的辦公室租賃合約。辦公室租賃的租期通常為二至五年。一般而言，本集團不得將租賃資產轉讓或轉租給本集團以外的公司。概無包括續期及終止選擇權以及可變租賃付款的租賃合約。使用權資產及租賃負債均已於2020年出售一間附屬公司時終止。

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

(a) 使用權資產

年內本集團使用權資產的賬面值及變動如下：

		Offices 辦公室 RMB'000 人民幣千元
As at 1 January 2020	於2020年1月1日	5,246
Depreciation charge (note 8)	折舊開支(附註8)	(819)
Disposal of a subsidiary	出售一間附屬公司	(4,142)
Exchange realignment	匯兌調整	(285)
As at 31 December 2020, 1 January 2021 and 31 December 2021	於2020年12月31日、2021年1月1日及2021年12月31日	–

18. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

		RMB'000 人民幣千元
As at 1 January 2020	於2020年1月1日	5,566
Accretion of interest recognised during the year (note 7)	上調年內確認的利息(附註7)	190
Payments	付款	(919)
Disposal of a subsidiary	出售一間附屬公司	(4,526)
Exchange realignment	匯兌調整	(311)
As at 31 December 2020, 1 January 2021 and 31 December 2021	於2020年12月31日、2021年1月1日及2021年12月31日	-

The Group as a lessor

The Group leases its investment properties (note 15) consisting of offices, commercial and residential units, senior housing communities located in Hong Kong, Singapore and the USA under operating lease arrangements. The terms of the leases generally require the tenants to pay the security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB23,934,000 (2020: RMB26,039,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

Within one year	一年內
After one year but within two years	一年以上但兩年以內
After two years but within three years	兩年以上但三年以內
After three years but within four years	三年以上但四年以內
After four years but within five years	四年以上但五年以內
After five years	超過五年

18. 租賃(續)

本集團作為承租人(續)

(b) 租賃負債

年內租賃負債的賬面值及變動如下：

本集團作為出租人

本集團根據經營租賃安排出租其位於香港、新加坡及美國的投資物業(附註15)，包括辦公、商用及住宅單位、長者住房院舍。租賃條款通常要求租戶支付抵押按金，並根據當時現行市況定期調整租金。本集團年內確認的租金收入為人民幣23,934,000元(2020年：人民幣26,039,000元)，其詳情載於財務報表附註5。

於2021年12月31日，日後本集團根據與其租戶之不可撤銷經營租賃的應收未貼現租賃款項如下：

2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
22,810	22,703
17,764	18,470
16,191	16,200
16,440	16,512
16,810	16,883
40,667	59,026
130,682	149,794

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19. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

19. 已抵押按金、受限制銀行結餘以及現金及現金等值項目

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Pledged deposits	已抵押按金		
– Current	– 即期	211,289	330,336
– Non-current	– 非即期	4,587	27,935
		215,876	358,271
Restricted bank balances	受限制銀行結餘	1,457,690	648,635
Cash and cash equivalents	現金及現金等值項目	1,838,967	3,218,611

Pledged deposits represent bank deposits of RMB 198,421,000 (2020: RMB 301,844,000) and deposits held with financial institutions of RMB17,455,000 (2020: RMB56,427,000) pledged to banks and financial institutions to secure the facilities granted to the Group and the mortgage loan facilities granted by certain banks to certain property buyers of the Group's properties. The pledged deposits will be released upon the settlement of the relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers. Bank deposits and deposits held with financial institutions amounting to RMB4,587,000 (2020: RMB27,935,000) have been pledged to secure the Group's non-current borrowings and are therefore classified as non-current assets.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties be placed as guarantee deposits in designated bank accounts for the construction of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB3,488,635,000 (2020: RMB4,157,035,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

已抵押按金指已抵押予銀行及金融機構之銀行存款人民幣 198,421,000 元 (2020 年：人民幣 301,844,000 元) 及金融機構所持存款人民幣 17,455,000 元 (2020 年：人民幣 56,427,000 元)，以取得授予本集團之融資及若干銀行授予本集團物業之若干物業買家之按揭貸款融資。已抵押按金將於相關借貸償還後及提供予物業買家之按揭擔保到期後解除。銀行存款及金融機構所持存款人民幣 4,587,000 元 (2020 年：人民幣 27,935,000 元) 已抵押，以獲得本集團非即期貸款，因此分類為非流動資產。

受限制銀行結餘指根據中國相關規例，須將物業預售所得款項之若干金額存入指定銀行戶口作為相關物業建築工程之保證金之款項。經批准後，有關保證金方可用於支付相關物業之建築成本。

銀行現金根據日常銀行存款利率按浮動或固定利率賺取利息。銀行結餘已存入近期並無欠款記錄且信用良好之銀行。現金及現金等值項目之賬面值與其公平值相若。

於報告期間結算日，本集團以人民幣計值之現金及銀行結餘為人民幣 3,488,635,000 元 (2020 年：人民幣 4,157,035,000 元)。人民幣不能自由兌換為其他貨幣。然而，根據中國內地之《外匯管理條例》及《結匯、售匯以及付匯管理規定》，本集團獲准透過獲授權進行外匯業務的銀行將人民幣兌換作其他貨幣。

20. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB91,691,000 (2020: Nil) of write-down for completed properties held for sale as at 31 December 2021.

21. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB225,073,000 (2020: RMB150,000,000) of write-down for properties under development as at 31 December 2021.

22. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be converted into properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

Accounts receivable	應收賬款	
Less: Impairment	減：減值	
Prepaid value-added taxes and other taxes	預付增值稅及其他稅項	
Deposits and prepayments	按金及預付款項	
Costs of obtaining contracts	取得合約之成本	
Other receivables	其他應收款項	
Less: Impairment	減：減值	

Accounts receivable represent receivables from sales of properties, dividend receivables and rental receivables.

Receivables arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. All accounts receivable were aged less than 3 months as at the end of the reporting period (2020: less than 3 months), based on the revenue recognition date or invoice date.

20. 持作出售之已完工物業

持作出售之已完工物業全部位於中國。本集團於報告期間結算日對可變現淨值進行評估，於2021年12月31日確認撇減持作出售之已完工物業人民幣91,691,000元(2020年：零)。

21. 發展中物業

發展中物業全部位於中國。本集團於報告期間結算日對可變現淨值進行評估，於2021年12月31日確認撇減發展中物業人民幣225,073,000元(2020年：人民幣150,000,000元)。

22. 已付土地收購按金及預付款

有關金額指於中國收購土地使用權而產生之已付土地收購按金及預付款項。該等按金將於土地收購程序完成後轉換為發展中物業，倘收購並未成功，則悉數退回。

23. 應收賬款、其他應收款項及其他資產

	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
	12,210	14,204
	-	-
	12,210	14,204
	1,993,816	1,566,028
	243,054	220,941
	286,408	203,346
	148,906	109,263
	2,672,184	2,099,578
	(650)	(650)
	2,671,534	2,098,928
	2,683,744	2,113,132

應收賬款指物業銷售、股息及租賃應收款項。

來自物業銷售之應收款項乃根據各買賣協議之條款到期結算。應收租金及應收物業管理費之結算條款為出示繳款通知書時結算。於報告期末，所有應收賬款按收益確認日期或發票日期計之賬齡低於3個月(2020年：低於3個月)。

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23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

No provision for impairment of accounts receivable was provided for as at 31 December 2021 and 2020 as the directors of the Company consider the expected credit loss is insignificant. Set out below is the information about the credit risk exposure on the Group's financial assets included in other receivables and other assets using a provision matrix:

		Current 即期	Past due within 1 year 逾期一年以內	Total 總計
As at 31 December 2021	於2021年12月31日			
Expected credit loss rate	預期信貸虧損率	0%	0.5% – 5%	0.43%
Gross carrying amount (RMB'000)	賬面總值(人民幣千元)	134,506	14,400	148,906
Expected credit losses (RMB'000)	預期信貸虧損(人民幣千元)	-	650	650
		Current 即期	Past due within 1 year 逾期一年以內	Total 總計
As at 31 December 2020	於2020年12月31日			
Expected credit loss rate	預期信貸虧損率	0%	0.5% – 5%	0.60%
Gross carrying amount (RMB'000)	賬面總值(人民幣千元)	36,451	72,812	109,263
Expected credit losses (RMB'000)	預期信貸虧損(人民幣千元)	-	650	650

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Equity securities listed in Hong Kong	於香港上市之股本證券	-	28
Equity securities listed outside Hong Kong	於香港境外上市之股本證券	4,444	4,570
REIT securities listed in the USA	於美國上市之房地產投資信託證券	4,444	4,598
		419,524	316,992
		423,968	321,590

23. 應收賬款、其他應收款項及其他資產(續)

減值分析乃於各報告日期使用撥備矩陣進行，以計量預期信貸虧損。撥備率乃基於多個具有類似虧損模式的客戶分部組別的逾期天數釐定。該計算反映或然率加權結果、貨幣時間價值以及於報告日期可得有關過往事件、當前狀況及未來經濟狀況預測的合理及可靠資料。

由於本公司董事認為預期信貸虧損並不重大，故於2021年及2020年12月31日並無就應收賬款作出減值撥備。下文載列使用撥備矩陣得出本集團計入其他應收款項及其他資產之金融資產面臨的信貸風險的資料：

24. 按公平值計入損益之金融資產

25. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Accounts and bills payable	應付賬款及票據	221,514	494,346
Accrued construction costs (Note)	應計建築成本(附註)	5,428,927	6,221,656
Rental deposits received	已收租賃按金	8,330	5,749
Retention deposits and payable	保留金及應付款項	262,011	109,498
Real estate and other taxes payable	應付房產稅及其他稅項	82,324	47,428
Other payables and accruals	其他應付款項及應計費用	353,747	425,584
		6,356,853	7,304,261
Less: Rental deposits received – non-current	減：已收租賃按金－非流動	(6,492)	(4,866)
		6,350,361	7,299,395

The average credit period of accounts payable ranges from 30 to 90 days (2020: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang"), of approximately RMB523,479,000 (2020: RMB1,227,889,000) for its construction work.

26. CONTRACT LIABILITIES

The amounts represented advance payments from customers based on schedules as established in the property sale contracts. The increase in contract liabilities as at 31 December 2021 was due to more property projects having started pre-sale during the current year.

27. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms. Zhang, have the controlling interests over these related companies.

28. LOANS FROM A RELATED COMPANY

The Group has entered into loan agreements with a related company, Henan Zensun Real Estate Co., Ltd. ("Zensun Real Estate"), which is ultimately controlled by Ms. Huang, pursuant to which Zensun Real Estate will provide unsecured loans to the Group.

The amounts are unsecured, interest-free and repayable on demand. Those amounts were shown under the current liabilities as Zensun Real Estate had the discretionary rights to demand immediate repayment.

In the opinion of the directors of the Company, the carrying amounts of the loans approximated their fair values at initial recognition.

25. 應付賬款、已收按金及應計費用

	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Accounts and bills payable	221,514	494,346
Accrued construction costs (Note)	5,428,927	6,221,656
Rental deposits received	8,330	5,749
Retention deposits and payable	262,011	109,498
Real estate and other taxes payable	82,324	47,428
Other payables and accruals	353,747	425,584
	6,356,853	7,304,261
Less: Rental deposits received – non-current	(6,492)	(4,866)
	6,350,361	7,299,395

應付賬款之平均信貸期介乎30日至90日(2020年：30日至90日)。根據發票日期，全部應付賬款賬齡為一年內。

附註：應計建築成本內的約人民幣523,479,000元(2020年：人民幣1,227,889,000元)為就其建築工程而應付一間關連公司(由Huang女士之女兒張惠琪女士(「張女士」)控制)之款項

26. 合約負債

該等金額指根據物業銷售合約制定的時間表自客戶收取的預付款項。於2021年12月31日合約負債增加乃由於更多物業項目於本年度開始預售所致。

27. 應付關連公司款項

應付關連公司款項為無抵押、免息並按要求償還。Huang女士連同其配偶張先生及其女兒張女士對該等關連公司擁有控股權益。

28. 來自一間關連公司之貸款

本集團與關連公司河南正商置業有限公司(「正商置業」，由Huang女士最終控制之公司)簽訂貸款協議，據此，正商置業將提供無抵押貸款予本集團。

該等金額為無抵押、免息及須按要求償還。由於正商置業有酌情權可要求即時還款，故該等款項已列作流動負債。

本公司董事認為，該等貸款之賬面值與彼等於初始確認時之公平值相若。

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29. BANK AND OTHER BORROWINGS

29. 銀行及其他借貸

		2021 2021年			2020 2020年		
		Effective interest rate per annum (%) 實際 年利率(%)	Maturity 到期日	RMB'000 人民幣千元	Effective interest rate per annum (%) 實際 年利率(%)	Maturity 到期日	RMB'000 人民幣千元
Current	即期						
Bank loans – secured	銀行貸款－有抵押	2.20-8.30	2022 2022年	2,908,958	2.16-9.98	2021 2021年	2,505,742
Other loans – secured	其他貸款－有抵押	5.21-11.00	2022 2022年	1,720,530	5.64-11.00	2021 2021年	1,650,953
Senior notes – unsecured (a)(b)	優先票據－無抵押(a)(b)	12.50	2022 2022年	1,265,028	12.80	2021 2021年	2,194,932
				5,894,516			6,351,627
Non-current	非即期						
Bank loans – secured	銀行貸款－有抵押	1.61-9.98	2023-2030 2023年至 2030年	3,015,551	2.25-9.98	2022-2030 2022年至 2030年	5,223,614
Senior notes – unsecured (b)(c)(d)	優先票據－無抵押(b)(c)(d)	12.50	2023-2024 2023年至 2024年	2,274,113	12.50	2022 2022年	1,291,284
Other loans – secured	其他貸款－有抵押	10.10-10.50	2023 2023年	611,150	8.50-11.00	2022 2022年	2,269,400
				5,900,814			8,784,298
				11,795,330			15,135,925

Analysed into:

Bank and other borrowings repayable:

Within one year
In the second year
In the third to fifth years, inclusive
Beyond five years

分析為：

於下列日期償還之銀行及
其他借貸：

一年內
第二年
第三至第五年(包括首尾兩年)
超過五年

2021
2021年
RMB'000
人民幣千元

2020
2020年
RMB'000
人民幣千元

5,894,516 6,351,627
3,529,949 7,117,249
2,364,150 1,658,083
6,715 8,966

11,795,330 15,135,925

29. BANK AND OTHER BORROWINGS (CONTINUED)

The carrying amounts of bank and other borrowings at the end of the reporting period were denominated in the following currencies.

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
SGD	新加坡元	62,646	70,363
USD	美元	3,646,840	3,616,228
RMB	人民幣	8,085,844	11,449,334
		11,795,330	15,135,925

Notes:

- (a) On 3 October 2019, the Company issued senior notes at a principal amount of US\$220 million carrying interest of 12.8% per annum due on 3 October 2021 in accordance with the terms and conditions of the subscription agreement (the "2019 Original Notes"). Subsequently on 20 December 2019, the Company issued additional senior notes at a principal amount of US\$120 million under the same terms and conditions of the subscription agreement of the 2019 Original Notes. The additional senior notes are consolidated with the 2019 Original Notes and form a single series at an aggregate principal amount of US\$340 million carrying interest of 12.8% per annum due on 3 October 2021 ("2019 Notes"). The 2019 Notes was listed and traded on the Stock Exchange of Hong Kong.

In September 2021, US\$142,420,000 of the 2019 Notes, representing approximately 42.01% of the total aggregate principal amount of the outstanding 2019 Notes, have been validly tendered for exchange and accepted pursuant to the terms and conditions of the exchange offer in exchange for the new notes to be issued, and the remaining outstanding amount of US\$196,580,000 were repaid upon maturity. Such amount of US\$142,420,000 were in exchanged for the new notes issued on 13 September 2021 (as detailed in note c below). Details of the exchange offer are set out in the Company's announcement dated 8 September 2021.

- (b) On 13 March 2020, the Company issued senior notes at a principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 September 2022. The US\$200 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes. Details of the assurance of the senior notes are set out in the Company's announcements dated 13 March 2020.

29. 銀行及其他借貸(續)

於報告期間結算日，銀行及其他借貸之賬面值乃以下列貨幣列值。

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
SGD	新加坡元	62,646	70,363
USD	美元	3,646,840	3,616,228
RMB	人民幣	8,085,844	11,449,334
		11,795,330	15,135,925

附註：

- (a) 於2019年10月3日，本公司根據認購協議之條款與條件發行於2021年10月3日到期之本金額220,000,000美元年息12.8厘優先票據（「2019年原始票據」）。其後於2019年12月20日，本公司根據2019年原始票據認購協議之相同條款與條件額外發行本金額120,000,000美元優先票據。額外優先票據與2019年原始票據合併為一個系列，即於2021年10月3日到期之本金總額340,000,000美元年息12.8厘優先票據（「2019年票據」）。2019年票據於香港聯交所上市及買賣。

於2021年9月，2019年票據142,420,000美元（佔未償還2019年票據本金總額約42.01%）已根據交換要約的條款及條件有效提交作交換並已獲接納，以交換將予發行的新票據，而餘下未償還金額196,580,000美元已於到期時償還。該142,420,000美元已交換於2021年9月13日發行的新票據（如下文附註c所詳述）。交換要約的詳情載於本公司日期為2021年9月8日的公告。

- (b) 於2020年3月13日，本公司發行於2022年9月13日到期之本金額200,000,000美元年息12.5厘優先票據。該200,000,000美元優先票據於香港聯交所上市及買賣。優先票據所得款項淨額擬用作現有債務再融資、項目發展以及一般企業用途。有關優先票據發行的詳情載於本公司日期為2020年3月13日的公告。

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29. BANK AND OTHER BORROWINGS (CONTINUED) 29. 銀行及其他借貸(續)

Notes: (continued)

- (c) On 13 September 2021, the Company issued senior notes at a principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 September 2023. The US\$200 million senior notes are listed and traded on the Stock Exchange of Hong Kong. An amount of US\$142,420,000 were issued in exchange for the 2019 Notes due on 3 October 2021 (as detailed in note a above), and the remaining amount of US\$57,580,000 were issued in new money, where the proceeds were intended to refinance existing indebtedness. Details of the issuance of the senior notes are set out in the Company's announcements dated 14 September 2021.
- (d) On 24 September 2021, the Company issued senior notes at a principal amount of US\$160 million carrying interest of 12.5% per annum due on 23 April 2024. The US\$160 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness. Details of the issuance of the senior notes are set out in the Company's announcements dated 24 September 2021.

Certain of the Group's bank and other borrowings are secured by the Group's pledged deposits, investment properties, completed properties held for sale and properties under development with the total carrying amount of RMB15,799,849,000 (2020: RMB17,443,890,000). In addition, shares of certain subsidiaries were pledged as securities to obtain certain bank and other borrowings granted to the Group as at 31 December 2021 and 2020. Details of pledged assets are disclosed in note 38 to the financial statements.

In additions, as at 31 December 2021, the Group's senior notes and bank and other borrowings were guaranteed by related companies. Details of the guarantees are disclosed in note 41 to the financial statements

附註：(續)

- (c) 於2021年9月13日，本公司發行於2023年9月13日到期之本金額200,000,000美元年息12.5厘優先票據。該200,000,000美元優先票據於香港聯交所上市及買賣。142,420,000美元獲發行以交換於2021年10月3日到期之2019年票據(如上文附註a所詳述)，餘下57,580,000美元以新貨幣發行，所得款項擬用作現有債務再融資。有關優先票據發行的詳情載於本公司日期為2021年9月14日的公告。
- (d) 於2021年9月24日，本公司發行於2024年4月23日到期之本金額160,000,000美元年息12.5厘優先票據。該160,000,000美元優先票據於香港聯交所上市及買賣。優先票據所得款項淨額擬用作現有債務再融資。有關優先票據發行的詳情載於本公司日期為2021年9月24日的公告。

本集團若干銀行及其他借貸乃由本集團賬面總值人民幣15,799,849,000元(2020年：人民幣17,443,890,000元)之已抵押按金、投資物業、持作出售之已完工物業及發展中物業作抵押。此外，於2021年及2020年12月31日，若干附屬公司之股份已作抵押，以取得本集團所獲授之若干銀行及其他借貸，有關已抵押資產之詳情於財務報表附註38披露。

此外，於2021年12月31日，本集團之優先票據以及銀行及其他借貸由關連公司擔保。有關擔保之詳情於財務報表附註41披露。

30. DEFERRED TAX

The movements in deferred tax assets and liabilities arising from temporary differences are as follows:

Deferred tax assets

		Tax loss	Provision for LAT	Accrued expenses for tax purpose	Write-down of properties under development	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2020	於2020年1月1日	63,198	38,347	92,609	–	194,154
Acquisition of a subsidiary	收購一間附屬公司	25,246	–	9,577	–	34,823
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	37,214	3,734	17,227	37,500	95,675
Deferred tax assets at 31 December 2020 and 1 January 2021	於2020年12月31日及2021年1月1日之遞延稅項資產	125,658	42,081	119,413	37,500	324,652
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	33,642	9,744	52,367	23,385	119,138
Deferred tax assets at 31 December 2021	於2021年12月31日之遞延稅項資產	159,300	51,825	171,780	60,885	443,790

During the year ended 31 December 2021, deferred tax assets were recognised for unused tax losses to the extent that it is probable that relevant future taxable profits will be available against for utilisation. These unused tax losses were in respect of certain PRC subsidiaries carried forward at the end of 2021 and the directors of the Company are of the opinion that these certain PRC subsidiaries will generate sufficient future taxable profits.

At 31 December 2021, the Group had total unrecognised unused tax losses of RMB554,526,000 (2020: RMB532,018,000) and unrecognised temporary differences of RMB73,224,000 (2020: Nil) which were subject to agreement with the respective tax authorities, available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses incurred in the PRC amounting to RMB147,584,000 (2020: RMB107,356,000) will expire within five years since the date of carryforward, these unrecognised unused tax losses can be carried forward indefinitely, subject to fulfilment of certain conditions or rules.

30. 遞延稅項

暫時差額產生之遞延稅項資產及負債之變動如下：

遞延稅項資產

		Tax loss	Provision for LAT	Accrued expenses for tax purpose	Write-down of properties under development	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2020	於2020年1月1日	63,198	38,347	92,609	–	194,154
Acquisition of a subsidiary	收購一間附屬公司	25,246	–	9,577	–	34,823
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	37,214	3,734	17,227	37,500	95,675
Deferred tax assets at 31 December 2020 and 1 January 2021	於2020年12月31日及2021年1月1日之遞延稅項資產	125,658	42,081	119,413	37,500	324,652
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	33,642	9,744	52,367	23,385	119,138
Deferred tax assets at 31 December 2021	於2021年12月31日之遞延稅項資產	159,300	51,825	171,780	60,885	443,790

截至2021年12月31日止年度，倘可能具有有關未來應課稅溢利可供抵銷，則會就未動用稅項虧損確認遞延稅項資產。該等未動用稅項虧損乃為若干中國附屬公司於2021年底結轉款項，及本公司董事認為，該等若干中國附屬公司將產生足夠之未來應課稅溢利。

於2021年12月31日，本集團未確認未動用稅項虧損總額為人民幣554,526,000元(2020年：人民幣532,018,000元)及未確認暫時差額人民幣73,224,000元(2020年：無)，與有關稅務機構訂立之協議，可用作抵扣未來利潤。由於稅項虧損乃由已虧損一段時間之附屬公司及本公司產生及不大可能有應課稅溢利可用以抵銷稅項虧損，故並無就該等未動用稅項虧損確認遞延稅項資產。除於中國產生之稅項虧損人民幣147,584,000元(2020年：人民幣107,356,000元)將自結轉日期起五年內屆滿外，該等未確認未動用稅項虧損可無限期結轉，惟須符合若干條件或規則。

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30. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

		Accelerated tax depreciation	Revaluation of investment properties	Revaluation of properties acquired under business combination	Withholding tax on distributable profits of the Group's PRC subsidiaries	Total
		加速稅項 折舊 RMB'000 人民幣千元	投資物業 重估 RMB'000 人民幣千元	業務合併 項下收購之 物業重估 RMB'000 人民幣千元	本集團中國 附屬公司 可分派收益 之預扣稅 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
At 1 January 2020	於2020年1月1日	(59)	(2,001)	(2,090)	(95,000)	(99,150)
Acquisition of a subsidiary	收購一間附屬公司	-	-	(433,037)	-	(433,037)
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	-	-	55,078	19,255	74,333
Exchange realignment	匯兌調整	4	124	-	-	128
Deferred tax liabilities at 31 December 2020 and 1 January 2021	於2020年12月31日及 2021年1月1日之 遞延稅項負債	(55)	(1,877)	(380,049)	(75,745)	(457,726)
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	-	-	9,860	15,498	25,358
Exchange realignment	匯兌調整	(9)	49	-	-	40
Deferred tax liabilities at 31 December 2021	於2021年12月31日之 遞延稅項負債	(64)	(1,828)	(370,189)	(60,247)	(432,328)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes at applicable rate of 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB902,453,000 (31 December 2020: RMB538,949,000). In the opinion of the directors, it is not probable to distribute these earnings in the foreseeable future.

30. 遞延稅項(續)

遞延稅項負債

根據中國企業所得稅法，於中國內地成立之海外投資企業分派股息予海外投資者時，須徵收股息10%之預扣稅。該規定於2008年1月1日起生效及適用於2007年12月31日之後的盈利。如中國內地與外國投資者所在司法權區訂有稅收協定，則適用於較低預扣稅率。因此，本集團須就中國內地成立之附屬公司就於2008年1月1日之後產生的盈利派付的股息按適用稅率10%繳納預扣稅。

於2021年12月31日，與於並無確認遞延稅項負債的中國內地附屬公司的投資相關之暫時差異總額約人民幣902,453,000元(2020年12月31日：人民幣538,949,000元)。董事認為，於可見未來可能不會分派該等盈利。

31. SHARE CAPITAL

31. 股本

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Issued and fully paid:	已發行及繳足：		
1,913,386,669 (2020: 19,133,866,698) ordinary shares	1,913,386,669股(2020年： 19,133,866,698股)普通股	5,326,923	5,326,923

A summary of movements in the Company's share capital is as follows:

本公司股本變動概要載列如下：

		Number of ordinary shares in issue 已發行 普通股數目	Share capital 股本 RMB'000 人民幣千元
At 1 January 2020	於2020年1月1日	10,294,699,948	2,014,112
Issue of new ordinary shares	發行新普通股	8,839,166,750	3,322,546
Share issue expenses	股份發行開支	-	(9,735)
At 31 December 2020 and 1 January 2021	於2020年12月31日及2021年1月1日	19,133,866,698	5,326,923
Share Consolidation (Note)	股份合併(附註)	(17,220,480,029)	-
At 31 December 2021	於2021年12月31日	1,913,386,669	5,326,923

Note:

Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company held on 5 August 2021, the share consolidation on the basis that every ten issued ordinary shares in the share capital of the Company be consolidated into one ordinary share in the share capital of the Company became effective on 9 August 2021 (the "Share Consolidation").

All the shares issued during the year rank pari passu with other shares in issue in all respects.

附註：

根據股東於2021年8月5日舉行的本公司特別股東大會上通過的普通決議案，根據本公司股本中每十股已發行普通股合併為本公司股本中一股普通股進行的股份合併已於2021年8月9日生效(「股份合併」)。

本年度發行的所有股份在所有方面與其他已發行股份享有同等地位。

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32. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2021 are presented in the consolidated statement of changes in equity.

(a) PRC statutory reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, these entities are required to appropriate 10% of their net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserves may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Property revaluation reserve

Property revaluation reserve represents the gain on revaluation of the property, plant and equipment upon transfer to investment properties.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from banks, financial institutions, bonds, senior notes and its related companies in which Ms. Huang has beneficial interests and continued to look for other external financing sources. The Group's overall strategy remains unchanged from the prior year.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

32. 儲備

本集團之儲備金額及其於截至2021年12月31日止年度之變動呈列於綜合權益變動表內。

(a) 中國法定儲備

根據中國公司法及於中國成立的附屬公司的組織章程細則，該等實體須按稅後溢利淨額之10%提取法定盈餘儲備，此乃根據中國會計準則釐定，直至儲備餘額達到其註冊資本50%為止。受相關中國法規及實體組織章程細則所載若干限制之規限，法定盈餘儲備可用於抵銷虧損或轉換為增加股本，但轉換後儲備餘額不得少於本集團註冊資本之25%。儲備不得用作其設立目的以外的其他用途，亦不得作為現金股息分派。

(b) 物業重估儲備

物業重估儲備指物業、廠房及設備轉撥至投資物業之重估收益。

(c) 外匯儲備

外匯儲備包括換算集團實體財務報表所產生的所有外匯差額，有關儲備根據附註2.4所載會計政策處理。

33. 資本風險管理

本集團管理資本乃為確保本集團實體能夠持續經營，同時透過優化債務與權益平衡為股東帶來最大回報。鑒於本集團之擴建策略，本集團由銀行、金融機構、債券、優先票據及Huang女士擁有實益權益之關連公司籌集資金來源及繼續尋求其他外部融資渠道。本集團整體策略與過往年度保持不變。

本公司董事每年均會審閱資本架構。為配合該項審閱，本公司董事認為資本成本及風險與股本相關。根據本公司董事建議，本集團將透過支付股息、發行新股份、籌集新借貸或贖回債務，平衡其整體資本架構。

33. CAPITAL RISK MANAGEMENT (CONTINUED)

The capital structure of the Group consists of net debt, which includes bank and other borrowings, amounts due to related companies and loans from a related company, net of cash and cash equivalents, restricted bank balances and pledged deposits. The gearing ratio as at the end of the reporting period was as follows:

33. 資本風險管理(續)

本集團資本架構包括負債淨額，即包括銀行及其他借貸、應付關連公司款項及來自一間關連公司貸款，減現金及現金等值項目、受限制銀行結餘及已抵押按金。於報告期末之資產負債比率如下：

		2021	2020
		2021年	2020年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Amounts due to related companies	應付關連公司款項	1,976,226	4,100,961
Loans from a related company	來自一間關連公司之貸款	8,204,904	8,374,973
Bank and other borrowings (current and non-current)	銀行及其他借貸(流動及非流動)	11,795,330	15,135,925
Less: Cash and cash equivalents	減：現金及現金等值項目	(1,838,967)	(3,218,611)
Restricted bank balances	受限制銀行結餘	(1,457,690)	(648,635)
Pledged deposits (current and non-current)	已抵押按金(流動及非流動)	(215,876)	(358,271)
Net debt	負債淨額	18,463,927	23,386,342
Total assets	總資產	68,223,815	67,152,356
Gearing ratio	資產負債比率	27%	35%

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34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

		2021 2021年		2020 2020年	
		Financial assets at fair value through profit or loss 按公平值計入 損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本 計算之金融資產 RMB'000 人民幣千元	Financial assets at fair value through profit or loss 按公平值計入 損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本 計算之金融資產 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	423,968	-	321,590	-
Accounts receivable	應收賬款	-	12,210	-	14,204
Financial assets included in other receivables and other assets	計入其他應收款項及其他資產之金融資產	-	148,256	-	108,613
Pledged deposits	已抵押按金	-	215,876	-	358,271
Restricted bank balances	受限制銀行結餘	-	1,457,690	-	648,635
Cash and cash equivalents	現金及現金等值項目	-	1,838,967	-	3,218,611
		423,968	3,672,999	321,590	4,348,334

Financial liabilities

		2021 2021年		2020 2020年	
		Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元
Accounts and bills payables	應付賬款及應付票據	221,514		494,346	
Financial liabilities included in other payables, deposits and accruals	計入其他應付款項、按金及應計費用之金融負債	6,036,957		6,762,487	
Amounts due to related companies	應付關連公司款項	1,976,226		4,100,961	
Loans from a related company	來自一間關連公司之貸款	8,204,904		8,374,973	
Bank and other borrowings	銀行及其他借貸	11,795,330		15,135,925	
		28,234,931		34,868,692	

34. 按類別劃分之金融工具

於報告期末，各類金融工具之賬面值如下：

2021年 金融資產

		2021 2021年		2020 2020年	
		Financial assets at fair value through profit or loss 按公平值計入 損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本 計算之金融資產 RMB'000 人民幣千元	Financial assets at fair value through profit or loss 按公平值計入 損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本 計算之金融資產 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	423,968	-	321,590	-
Accounts receivable	應收賬款	-	12,210	-	14,204
Financial assets included in other receivables and other assets	計入其他應收款項及其他資產之金融資產	-	148,256	-	108,613
Pledged deposits	已抵押按金	-	215,876	-	358,271
Restricted bank balances	受限制銀行結餘	-	1,457,690	-	648,635
Cash and cash equivalents	現金及現金等值項目	-	1,838,967	-	3,218,611
		423,968	3,672,999	321,590	4,348,334

金融負債

		2021 2021年		2020 2020年	
		Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元
Accounts and bills payables	應付賬款及應付票據	221,514		494,346	
Financial liabilities included in other payables, deposits and accruals	計入其他應付款項、按金及應計費用之金融負債	6,036,957		6,762,487	
Amounts due to related companies	應付關連公司款項	1,976,226		4,100,961	
Loans from a related company	來自一間關連公司之貸款	8,204,904		8,374,973	
Bank and other borrowings	銀行及其他借貸	11,795,330		15,135,925	
		28,234,931		34,868,692	

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

		Carrying amounts		Fair values	
		賬面值		公平值	
		2021	2020	2021	2020
		2021年	2020年	2021年	2020年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Financial assets	金融資產				
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	423,968	321,590	423,968	321,590
Financial liabilities	金融負債				
Bank and other borrowings	銀行及其他借貸	11,795,330	15,135,925	11,591,687	14,888,014

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivable, financial assets included in other receivables and other assets, accounts payable, financial liabilities included in other payables and accruals, amounts due to related companies and loans from a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

The fair values of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2021 were assessed to be insignificant.

35. 金融工具之公平值及公平值層級

於報告期末，各類金融工具之賬面值如下：

管理層已評估現金及現金等值項目、受限制銀行結餘、已抵押按金、應收賬款、計入其他應收款項及其他資產之金融資產、應付賬款、計入其他應付款項及應計費用之金融負債、應付關連公司款項及來自一間關連公司之貸款公平值與其賬面值大致相若，乃由於該等工具到期日較短所致。

本集團由財務經理主管的財務部，負責確定金融工具公平值計量之政策及程序。財務經理直接向首席財務官報告。於各報告日期，財務部分析金融工具的價值變動並確定估值中所應用之主要輸入值。估值由首席財務官審閱及批准。

金融資產及負債的公平值乃包含於可由自願各方現時交易兌換工具之金額，強迫或清盤出售之金融資產及負債除外。

已上市股本投資之公平值按市場報價計算。

銀行及其他借貸之公平值乃通過將預期未來現金流量按現時可用於具類似條款、信貸風險及餘下到期時間之工具之利率進行貼現計算。於2021年12月31日，本集團有關銀行及其他借貸的不履約風險導致的公平值變動屬微不足道。

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

35. 金融工具之公平值及公平值層級 (續)

公平值層級

下表列示本集團金融工具之公平值計量層級：

按公平值計量之資產：

於2021年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
	Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元	
Financial assets at fair value through profit or loss	按公平值計入損益之 金融資產	423,968	-	-	423,968

As at 31 December 2020

於2020年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
	Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元	
Financial assets at fair value through profit or loss	按公平值計入損益之 金融資產	321,590	-	-	321,590

The Group had no financial liabilities measured at fair value as at 31 December 2021 (2020: Nil).

於2021年12月31日，本集團並無任何按公平值計量之金融負債(2020年：無)。

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

年內，金融資產及金融負債第一級與第二級之間並無公平值計量之轉撥，亦無轉撥至或轉撥自第三級(2020年：無)。

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2021

35. 金融工具之公平值及公平值層級 (續)

公平值層級(續)

披露公平值之負債：

於2021年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Bank and other borrowings	銀行及其他借貸	-	11,591,687	-	11,591,687

As at 31 December 2020

於2020年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Bank and other borrowings	銀行及其他借貸	-	14,888,014	-	14,888,014

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, accounts receivable, other receivables, accounts payable, other payables and accruals and amounts due to related companies, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits, financial assets at fair value through profit or loss, bank and other borrowings, lease liabilities and loans from a related company. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rate set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

2021

2021年

Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸
USD	美元
USD	美元
SGD	新加坡元
SGD	新加坡元

36. 財務風險管理目標及政策

本集團的主要金融工具主要包括現金及現金等值項目、受限制銀行結餘、應收賬款、其他應收款項、應付賬款、其他應付款項及應計費用及應付關連公司款項，該等金融工具因其經營而直接產生。本集團擁有其他金融資產及負債，如已抵押按金、按公平值計入損益之金融資產、銀行及其他借貸、租賃負債及來自一間關連公司之貸款。該等金融工具的主要目的在於為本集團之運營融資。

本集團金融工具產生的主要風險為利率風險、股本價格風險、外匯風險、信貸風險及流動資金風險。一般而言，本集團對其風險管理採取保守策略。本集團未持有或發行可供交易的衍生金融工具。董事會檢討並同意該等風險管理政策，其概述如下。

利率風險

本集團面臨的市場利率變動風險主要與附註29所載本集團浮息銀行及其他借貸有關。本集團並無使用衍生金融工具對沖利率風險。本集團使用定息及浮息借貸管理其利息成本。

下表列示在所有其他可變因素保持不變的情況下，利率的合理可能變動敏感度分析對本集團除稅前溢利之影響。

	Increase/ (decrease) in basis points 基點上升/ (下降)	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸	
USD	美元	100 (1,077)
USD	美元	(100) 1,077
SGD	新加坡元	100 (626)
SGD	新加坡元	(100) 626

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

2020
2020年

Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸		
USD	美元	100	(1,300)
USD	美元	(100)	1,300
SGD	新加坡元	100	(704)
SGD	新加坡元	(100)	704

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed investments classified as financial assets at fair value through profit or loss. The management manages this exposure by regular review of price fluctuation.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of financial assets at fair value through profit or loss at the end of the reporting period.

36. 財務風險管理目標及政策(續)

利率風險(續)

Increase/ (decrease) in basis points 基點上升/ (下降)	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
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股本價格風險

股本價格風險為股本指數水平及個別證券價值變動導致股本證券公平值下降之風險。本集團承受被分類為按公平值計入損益之金融資產之上市投資股本價格風險。管理層透過定期審閱價格波幅管理此風險。

價格敏感度

以下敏感度分析以報告期末按公平值計入損益之金融資產價格所承受風險釐定。

		Increase/ (decrease) in market price 市價上升/ (下降) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
31 December 2021	2021年12月31日	10 (10)	42,397 (42,397)
31 December 2020	2020年12月31日	10 (10)	32,159 (32,159)

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK\$, USD and SGD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

36. 財務風險管理目標及政策(續)

外幣風險

本集團要面對交易貨幣風險。該等風險乃因為經營單位以單位的功能貨幣以外的貨幣進行交易而產生。

下表列示在所有其他可變因素保持不變的情況下，由於港元、美元及新加坡元匯率的合理可能變動對本集團於報告期末的除稅前溢利之敏感度分析(由於貨幣資產及負債之公平值變動所致)。

		Increase/ (decrease) in exchange rate of foreign currency 外匯匯率 上升/(下降) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
2021	2021年		
If the HK\$ strengthens against the USD	倘港元兌美元升值	1	(31,335)
If the HK\$ weakens against the USD	倘港元兌美元貶值	(1)	31,335
If the SGD strengthens against the USD	倘新加坡元兌美元升值	1	(508)
If the SGD weakens against the USD	倘新加坡元兌美元貶值	(1)	508
If the HK\$ strengthens against the SGD	倘港元兌新加坡元升值	1	39
If the HK\$ weakens against the SGD	倘港元兌新加坡元貶值	(1)	(39)
If the HK\$ strengthens against the RMB	倘港元兌人民幣升值	1	1
If the HK\$ weakens against the RMB	倘港元兌人民幣貶值	(1)	(1)
2020	2020年		
If the HK\$ strengthens against the USD	倘港元兌美元升值	1	(31,697)
If the HK\$ weakens against the USD	倘港元兌美元貶值	(1)	31,697
If the SGD strengthens against the USD	倘新加坡元兌美元升值	1	(522)
If the SGD weakens against the USD	倘新加坡元兌美元貶值	(1)	522
If the HK\$ strengthens against the SGD	倘港元兌新加坡元升值	1	43
If the HK\$ weakens against the SGD	倘港元兌新加坡元貶值	(1)	(43)
If the HK\$ strengthens against the RMB	倘港元兌人民幣升值	1	4
If the HK\$ weakens against the RMB	倘港元兌人民幣貶值	(1)	(4)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

36. 財務風險管理目標及政策(續)

信貸風險

本集團僅與獲認可及信譽良好之第三方進行交易。按照本集團的政策，所有擬按信貸條款進行交易的客戶均須接受信貸核實程序。此外，本集團會持續監察應收款項結餘情況，而本集團之壞賬風險並不重大。

最高風險及年終階段

下表列示基於本集團信貸政策的信貸質素及最大信貸風險敞口，主要基於過往逾期資料(惟其他資料毋須過多成本或努力即可得)及於12月31日之年終階段分類。

所呈列金額為金融資產總賬面值。

於2021年12月31日

		12-month ECLs 12個月 預期信貸虧損	Lifetime ECLs 全期預期信貸虧損			
		Stage 1 第1階段 RMB'000 人民幣千元	Stage 2 第2階段 RMB'000 人民幣千元	Stage 3 第3階段 RMB'000 人民幣千元	Simplified approach 簡化方法 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts receivable*	應收賬款*	-	-	-	2,127	2,127
Accounts receivable - Normal**	應收賬款 - 正常**	10,083	-	-	-	10,083
Financial assets included in other receivables and other assets - Normal**	計入其他應收款項及 其他資產之金融資產 - 正常**	148,256	-	-	-	148,256
- Doubtful**	- 存疑**	-	-	650	-	650
Pledged deposits - Not yet past due	已抵押按金 - 未逾期	215,876	-	-	-	215,876
Restricted bank balances - Not yet past due	受限制銀行結餘 - 未逾期	1,457,690	-	-	-	1,457,690
Cash and cash equivalents - Not yet past due	現金及現金等值項目 - 未逾期	1,838,967	-	-	-	1,838,967
		3,670,872	-	650	2,127	3,673,649

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

36. 財務風險管理目標及政策(續)

信貸風險(續)

最高風險及年終階段(續)

於2020年12月31日

		12-month ECLs		Lifetime ECLs		
		12個月 預期信貸虧損		全期預期信貸虧損		
		Stage 1	Stage 2	Stage 3	Simplified approach	Total
		第1階段	第2階段	第3階段	簡化方法	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Accounts receivable*	應收賬款*	-	-	-	6,335	6,335
Accounts receivable	應收賬款					
- Normal**	- 正常**	7,869	-	-	-	7,869
Financial assets included in other receivables and other assets	計入其他應收款項及其他資產之金融資產					
- Normal**	- 正常**	108,613	-	-	-	108,613
- Doubtful**	- 存疑**	-	-	650	-	650
Pledged deposits	已抵押按金					
- Not yet past due	- 未逾期	358,271	-	-	-	358,271
Restricted bank balances	受限制銀行結餘					
- Not yet past due	- 未逾期	648,635	-	-	-	648,635
Cash and cash equivalents	現金及現金等值項目					
- Not yet past due	- 未逾期	3,218,611	-	-	-	3,218,611
		4,341,999	-	650	6,335	4,348,984

* For accounts receivable to which the Group applies the simplified approach for impairment as detailed in note 23 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in accounts receivable, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

* 就本集團應用財務報表附註23所詳述減值簡化方法的應收賬款而言，本集團並無任何重大集中信貸風險。

** 當計入應收賬款、其他應收款項及其他資產之金融資產未逾期，且並無資料顯示金融資產的信貸風險自初始確認以來顯著增加時，金融資產的信貸質素被視為「正常」。

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, lease liabilities and loans from a related company. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2021

	On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts and bills payable 應付賬款及應付票據	221,514	-	-	-	221,514
Financial liabilities included in other deposits received and accruals 計入其他已收按金及應計費用之金融負債	6,036,957	-	-	-	6,036,957
Amounts due to related companies 應付關連公司款項	1,976,226	-	-	-	1,976,226
Loans from a related company - Non-interest-bearing 來自一間關連公司之貸款 - 免息	8,204,904	-	-	-	8,204,904
Bank and other borrowings 銀行及其他借貸	6,767,672	3,938,893	2,457,713	6,998	13,171,276
	23,207,273	3,938,893	2,457,713	6,998	29,610,877
Financial guarantee contracts (Note) 財務擔保合約(附註)	18,002,298	-	-	-	18,002,298

36. 財務風險管理目標及政策(續)

流動資金風險

本集團之目標為透過利用銀行及其他借貸、租賃負債以及來自一間關連公司之貸款，維持資金持續供應及靈活性之平衡。本集團持續密切監察現金流量。

於報告期末，本集團金融負債根據合約未貼現付款作出的到期分析如下：

於2021年12月31日

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

As at 31 December 2020

36. 財務風險管理目標及政策(續)

流動資金風險(續)

於2020年12月31日

		On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts payable	應付賬款	494,346	-	-	-	494,346
Financial liabilities included in other deposits received and accruals	計入其他已收按金及應計 費用之金融負債	6,762,487	-	-	-	6,762,487
Amounts due to related companies	應付關連公司款項	4,100,961	-	-	-	4,100,961
Loans from a related company - Non-interest-bearing	來自一間關連公司之貸款 - 免息	8,374,973	-	-	-	8,374,973
Bank and other borrowings	銀行及其他借貸	7,646,155	7,667,366	1,800,461	9,452	17,123,434
		27,378,922	7,667,366	1,800,461	9,452	36,856,201
Financial guarantee contracts (Note)	財務擔保合約(附註)	13,559,922	-	-	-	13,559,922

Note: The amounts included above for financial guarantee contracts are the maximum amounts 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. Based on the 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. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

附註：上述財務擔保合約款項為擔保對手方索取相關款項時，本集團根據安排可能須結付全數擔保款額之最高金額。基於報告期間結算日之預期，本集團認為須根據相關安排支付相關款項之可能性不大。然而，該估計視乎對手方根據擔保索償之可能性而有變，惟此可能性須視乎對手方所持擔保財務應收款項會否蒙受信貸虧損而定。

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS 37. 綜合現金流量表附註

(a) Changes in liabilities arising from financing activities

(a) 融資活動之負債變動

		Amounts due to related companies 應付關連公司款項 RMB'000 人民幣千元	Loans from a related company 來自一間關連公司貸款 RMB'000 人民幣千元	Accrued interest* 累計利息* RMB'000 人民幣千元	Bank and other borrowings 銀行及其他借貸 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2021	於2021年1月1日	4,100,961	8,374,973	140,321	15,135,925	27,752,180
Changes from financing cash flows (note)	融資現金流量變動(附註)	(2,124,735)	(170,069)	(1,346,699)	(3,238,674)	(6,911,417)
Interest expenses	利息開支	-	-	1,323,241	-	1,354,481
Foreign exchange translation	外匯換算	-	-	-	(101,921)	(101,921)
At 31 December 2021	於2021年12月31日	1,976,226	8,204,904	116,863	11,795,330	22,093,323

		Amounts due to related companies 應付關連公司款項 RMB'000 人民幣千元	Loans from a related company 來自一間關連公司貸款 RMB'000 人民幣千元	Accrued interest* 累計利息* RMB'000 人民幣千元	Lease liabilities 租賃負債 RMB'000 人民幣千元	Bank and other borrowings 銀行及其他借貸 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2020	於2020年1月1日	956,458	7,490,728	107,016	5,566	20,235,845	28,795,613
Changes from financing cash flows (note)	融資現金流量變動(附註)	2,467,210	(2,115,755)	(1,530,111)	(919)	(2,651,667)	(3,831,242)
Interest expenses	利息開支	-	-	1,563,416	190	-	1,563,606
Foreign exchange translation	外匯換算	-	-	-	(311)	(248,253)	(248,564)
Increase arising from acquisition of a subsidiary	收購一間附屬公司之增加	677,293	-	-	-	800,000	1,477,293
Decrease arising from disposal of a subsidiary	出售一間附屬公司之減少	-	-	-	(4,526)	-	(4,526)
Non-cash transitions	非現金交易	-	3,000,000	-	-	(3,000,000)	-
At 31 December 2020	於2020年12月31日	4,100,961	8,374,973	140,321	-	15,135,925	27,752,180

Note: The financing cash flows are made up of the net amounts of new bank and other borrowings raised, repayment of bank and other borrowings, interest paid, advance from/repayment to related companies, loans received from/repaid to a related company and lease payments (including principal and interest portions) in the consolidated statement of cash flows.

* Included in accounts payable, deposits received and accruals.

附註：融資現金流量為綜合現金流量表內之新造銀行及其他借貸、償還銀行及其他借貸、已付利息、關連公司墊款／還款、已收／償還一間關連公司貸款及租賃付款(包括本金及利息部分)之淨額。

* 計入應付賬款、已收按金及應計費用。

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Within operating activities	經營活動內	1,483	5,866
Within financing activities	融資活動內	-	919
		1,483	6,785

38. PLEDGE OF ASSETS

The following assets are pledged to certain banks and financial institutions for banking facilities granted to the Group and mortgage loan facilities granted to certain property buyers of the Group's properties at the end of the reporting period:

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
Property under development	發展中物業	14,325,413	16,622,227
Completed properties held for sale	持作出售之已完工物業	813,795	-
Investment properties	投資物業	444,765	463,392
Pledged deposits	已抵押按金	215,876	358,271
		15,799,849	17,443,890

In addition, shares of certain subsidiaries were pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2021 and 2020.

37. 綜合現金流量表附註(續)

(b) 租賃現金流出總額

現金流量表所載租賃現金流出總額如下：

38. 資產抵押

於報告期末，以下資產已抵押予若干銀行及金融機構作為本集團獲授銀行融資及本集團物業之若干物業買家獲授按揭融資之質押：

此外，於2021年及2020年12月31日，已抵押若干附屬公司之股份，以作為本集團獲授若干銀行融資之抵押。

39. COMMITMENTS

- (a) The Group had the following capital commitments at the end of the reporting period:

Contracted for, but not provided, in respect of	就下列各項已訂約但未撥備
Acquisitions of land use rights	收購土地使用權
Property development expenditures	物業發展開支

- (b) The Group has no lease contracts that have not yet commenced as at 31 December 2021.

40. CONTINGENT LIABILITIES

As at 31 December 2021, the Group had contingent liabilities relating to guarantees amounting to approximately RMB18,002,298,000 (2020: RMB13,559,922,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2021 (2020: Nil) as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

39. 承擔

- (a) 於報告期間結算日，本集團之資本承擔如下：

	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
	210,540	549,497
	10,656,821	12,344,501
	10,867,361	12,893,998

- (b) 於2021年12月31日，本集團並無任何未開始的租賃合約。

40. 或然負債

於2021年12月31日，本集團就有關本集團物業之物業買家訂立之按揭貸款而由若干銀行提供之按揭貸款融資之擔保擁有或然負債約人民幣18,002,298,000元（2020年：人民幣13,559,922,000元）。根據擔保條款，倘該等物業買家拖欠按揭款項，本集團須負責償還失責買家欠付銀行的未償還按揭本金連同累計利息及任何罰款。本集團將有權接管相關物業的法定業權及擁有權。該等擔保將於以下較早者發生時解除：(i)物業買家償還按揭貸款；及(ii)就按揭物業發出物業所有權證並完成按揭的取消登記。本公司董事認為，由於違約風險不大，且倘發生付款違約，有關物業可變現淨值可彌補未償還本金以及累計利息及罰金，故並無就擔保合約於截至2021年12月31日止年度（2020年：無）之綜合財務報表確認撥備。

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財務報表附註

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41. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

Related companies (Note (i)) 關連公司(附註(i))	Transactions (Note (ii)) 交易(附註(ii))	2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元	
Relevant members of Ever Diamond Global Company Limited ("Ever Diamond") together with its subsidiaries (collectively, the "Ever Diamond Group")	永鑽環球有限公司(「永鑽」)之有關成員公司連同其附屬公司(統稱「永鑽集團」)	Project management services fee income 項目管理服務費收入	61,571	123,516
Relevant members of Henan Zensun Corporate Development Company Limited ("Zensun Development") together with its subsidiaries (collectively, the "Zensun Development Group")	河南正商企業發展有限責任公司(「正商發展」)之有關成員公司連同其附屬公司(統稱「正商發展集團」)	Construction costs (capitalised in properties under development) 建築成本(於發展中物業資本化)	2,434,403	1,532,739
Relevant members of Xingye Wulian Service Company Limited ("Xingye Wulian") together with its subsidiaries (collectively, the "Xingye Wulian Group")	興業物聯服務集團有限公司(「興業物聯」)之有關成員公司連同其附屬公司(統稱「興業物聯集團」)	Property engineering costs (capitalised in properties under development) and property management and value-added services fee 項目工程成本(於發展中物業資本化)以及物業管理及增值服務費	45,982	27,035

Notes:

- (i) Ever Diamond Group are entities controlled by the Ms. Huang. Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by Ms. Huang's daughter, Ms. Zhang.
- (ii) These transactions were based on terms mutually agreed by both parties. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

As at 31 December 2021, the Group's senior notes and bank and other borrowings amounting to approximately RMB6,922,774,000 (31 December 2020: approximately RMB10,146,306,000) were guaranteed by related companies which are controlled by Ms. Huang and her daughter, Ms. Zhang. No asset of the Group was pledged to these related companies in respect of these guarantees.

The Group is licenced by Zensun Real Estate to use the trademark of "Zensun" and "正商" on a royalty-free basis until July 2025.

41. 關連人士交易

- (a) 除該等財務報表其他部分詳述之交易外，本集團於報告期內與關連人士進行下列交易：

附註：

- (i) 永鑽集團為由Huang女士控制之實體。正商發展集團及興業物聯集團為由Huang女士之女兒張女士最終控制之實體。
- (ii) 該等交易乃基於雙方共同協定之條款釐定，並構成上市規則第14A章項下定義之持續關連交易。

於2021年12月31日，本集團之優先票據以及約人民幣6,922,774,000元(2020年12月31日：約人民幣10,146,306,000元)之銀行及其他借貸已由Huang女士及其女兒張女士控制之關連公司擔保。概無就該等擔保向該等關連公司抵押本集團資產。

本集團獲正商置業許可按免專利費基準使用「Zensun」及「正商」商標至2025年7月。

41. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) Outstanding balances with related parties:

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 25, 27 and 28 to the financial statements.

- (c) Compensation of key management personnel of the Group:

Short term employee benefits	短期僱員福利
Post-employment benefits	離職後福利
Total compensation paid to key management personnel	向主要管理人員支付的薪酬總額

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

Save as disclosed above, no transaction has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being key management personnel compensation) (2020: Nil).

41. 關連人士交易(續)

- (b) 與關連人士之未償還結餘：

於報告期末，本集團與關連人士之結餘詳情載於財務報表附註25、27及28。

- (c) 本集團主要管理人員薪酬：

2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
1,946	1,007
85	45
2,031	1,052

董事及主要行政人員酬金之進一步詳情載於財務報表附註9。

除上文所披露者外，於年內並無與本公司董事(即主要管理人員)進行任何交易，惟向彼等支付作為主要管理人員報酬之酬金除外(2020年：無)。

42. SHARE OPTION SCHEME

On 28 August 2013, a new share option scheme (the "Share Option Scheme" was adopted by the Company. The purpose of the Share Option Scheme is to motivate eligible persons who contribute to the success of the Group's operations. The Share Option Scheme remains in force for 10 years from that date, unless otherwise cancelled or amended. Eligible persons of the Share Option Scheme include (i) a director or proposed director (including an independent non-executive director) of any member of the Group; (ii) a direct or indirect shareholder of any member of the Group; (iii) a supplier of goods or services to any member of the Group; (iv) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (v) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to any member of the Group; and (vi) a landlord or tenant (including a sub-tenant) of any member of the Group. Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any option to any eligible person as the Board may in its absolute discretion select and the basis of eligibility shall be determined by the Board from time to time.

42. 購股權計劃

於2013年8月28日，本公司採納新購股權計劃(「購股權計劃」)。購股權計劃旨在激勵對本集團業務成就有所貢獻之合資格人士。除非另經註銷或修訂，否則購股權計劃由該日起一直有效十年。購股權計劃之合資格人士包括(i)本集團任何成員公司之董事或候任董事(包括獨立非執行董事)；(ii)本集團任何成員公司之直接或間接股東；(iii)本集團任何成員公司之貨品或服務供應商；(iv)本集團任何成員公司之客戶、諮詢顧問、業務或合營企業夥伴、特許經營人、承包商、代理或代表；(v)向本集團任何成員公司提供研發或其他技術支持或任何顧問、諮詢顧問、專業服務之人士或實體；及(vi)本集團任何成員公司之業主或租戶(包括分租戶)。根據購股權計劃之條款，於購股權計劃有效期內任何時間，董事會有權向其全權酌情選擇之任何合資格人士提呈授出購股權，而合資格基準不時由董事會釐定。

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42. SHARE OPTION SCHEME (CONTINUED)

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which options may be granted is such number of shares which, when aggregated with shares subject to any other share option scheme(s), must not exceed 10% of the issued share capital of the Company as at the date of the annual general meeting approving the Share Option Scheme on 28 August 2013. The maximum number of shares issuable under share options to each eligible person in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5,000,000, within any 12-month period, are subject to the shareholders' approval in a general meeting.

The amount payable upon the acceptance of an option is HK\$1.00. The period within which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be more than 10 years commencing on the date of grant of an option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the grant; and (iii) the nominal value of the Company's shares.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date the annual meeting approving the Share Option Scheme on 28 August 2013, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options vested immediately and may be exercised at any time not exceeding a period of 5 years from the date on which the share options are accepted.

During the years ended 31 December 2021 and 2020, no options have been granted under the above-mentioned scheme.

42. 購股權計劃(續)

根據購股權計劃，可能授出之購股權涉及之股份數目上限，與任何其他購股權計劃涉及之股份相加，最多不得超過本公司於2013年8月28日(批准購股權計劃的股東週年大會日期)已發行股本之10%。於任何十二個月期間根據購股權可向購股權計劃各合資格人士發行之股份數目上限，以本公司任何時間已發行股份1%為限。任何進一步授出超逾該限額之購股權須待股東於股東大會批准後，方可實行。

向本公司董事、主要行政人員或主要股東或彼等各自之任何聯繫人士授出購股權，均須取得獨立非執行董事(為購股權承授人之任何獨立非執行董事除外)之事先批准。此外，在任何十二個月期間，倘向任何主要股東或獨立非執行董事或彼等各自之任何聯繫人士授出任何超過本公司於任何時間已發行股份0.1%及總值超過5,000,000港元(根據本公司股份於授出日期之價格計算)之購股權，則須待股東於股東大會批准後，方可實行。

購股權獲接納時應付金額1.00港元。購股權之必須行使期限由董事會於授出購股權時全權酌情釐定，惟有關期限自購股權授出日期起計不得超過十年。

購股權之行使價由董事會釐定，惟不得低於以下各項之最高者：(i)本公司股份於提呈授出日期(必須為交易日)於聯交所每日報價表所報收市價；(ii)本公司股份於緊接提呈授出日期前五個交易日於聯交所每日報價表所報平均收市價；及(iii)本公司股份面值。

與根據購股權計劃可能授予之購股權有關之股份總數在未經本公司股東事先批准前，不允許超過本公司於2013年8月28日(批准購股權計劃的股東週年大會日期)已發行股份10%。與於任何一年內授予或可能授予任何人士之購股權有關之已發行及將予發行股份數目在未經本公司股東事先批准前，不允許超過本公司於任何時間點已發行股份1%。購股權自購股權獲接納之日起不超過五年期間內任何時間即時歸屬並可能獲行使。

於截至2021年及2020年12月31日止年度，概無購股權根據上述計劃獲授出。

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

43. 本公司財務狀況報表

本公司於報告期末之財務狀況報表資料如下：

		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產		
Property, plant and equipment	物業、廠房及設備	60	65
Investments in subsidiaries	於附屬公司之投資	324,181	324,181
Total non-current assets	非流動資產總額	324,241	324,246
CURRENT ASSETS	流動資產		
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	4,697	4,358
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	423,889	321,505
Amounts due from subsidiaries	應收附屬公司款項	8,426,995	8,923,211
Cash and cash equivalents	現金及現金等值項目	14,555	47,245
Total current assets	流動資產總額	8,870,136	9,296,319
CURRENT LIABILITIES	流動負債		
Other payables and accruals	其他應付款項及應計費用	119,205	122,421
Bank and other borrowings	銀行及其他借貸	1,265,028	2,194,932
Amounts due to subsidiaries	結欠附屬公司款項	197,169	203,970
Total current liabilities	流動負債總額	1,581,402	2,521,323
NET CURRENT ASSETS	流動資產淨值	7,288,734	6,774,996
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債	7,612,975	7,099,242
NON-CURRENT LIABILITIES	非流動負債		
Bank and other borrowings	銀行及其他借貸	2,274,113	1,291,285
Total non-current liabilities	非流動負債總額	2,274,113	1,291,285
Net assets	資產淨值	5,338,862	5,807,957
EQUITY	權益		
Share capital	股本	5,326,923	5,326,923
Reserves (Note)	儲備(附註)	11,939	481,034
Total equity	權益總額	5,338,862	5,807,957

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財務報表附註

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

43. 本公司財務狀況報表(續)

附註：

本公司之儲備概述如下：

		Capital reduction reserves 資本削減 儲備賬 RMB'000 人民幣千元	Exchange reserve 外匯儲備 RMB'000 人民幣千元	Other reserve 其他儲備 RMB'000 人民幣千元	Retained earnings 保留盈餘 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2020	於2020年1月1日	119,330	2,981	82,674	7,088	212,073
Total comprehensive (loss)/income for the year	年內全面(虧損)/ 收益總額	-	(149,770)	-	611,205	461,435
2019 final dividend paid	已付2019年末期股息	-	-	-	(192,474)	(192,474)
At 31 December 2020 and 1 January 2021	於2020年12月31日及 2021年1月1日	119,330	(146,789)	82,674	425,819	481,034
Total comprehensive loss for the year	年內全面虧損總額	-	(170,437)	-	(143,674)	(314,111)
2020 final dividend paid	已付2020年末期股息	-	-	-	(154,984)	(154,984)
At 31 December 2021	於2021年12月31日	119,330	(317,226)	82,674	127,161	11,939

44. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows:

44. 附屬公司概要

於2021年12月31日，本公司主要附屬公司之資料如下：

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
75 Wall Street, LLC	USA 美國	Note (i) 附註(i)	–	100	Property investment 物業投資
American Housing REIT, Inc.	USA 美國	Common stock USD6,256 普通股 6,256美元	–	99.8	Property investment 物業投資
AHR First Borrower, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Loan financing and property investment 貸款融資及物業投資
AHR Second Borrower, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Loan financing 貸款融資
American Senior Housing REIT, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment and investment holding 物業投資及投資控股
ASHR McKinney, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment 物業投資
ASHR First, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment 物業投資
China Credit Singapore Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD13,417,282 普通股13,417,282 新加坡元	100	–	Investment holding 投資控股
Expats Residences Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD25,002 普通股25,002 新加坡元	–	100	Property investment 物業投資
Heng Fung Capital Company Limited 恒鋒融資有限公司	Hong Kong 香港	Ordinary shares HK\$2 普通股2港元	100	–	Property investment and securities trading 物業投資及證券買賣
Keng Fong Foreign Investment Co., Ltd.	USA 美國	Common stock USD250,000 普通股 250,000美元	–	100	Property investment 物業投資

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44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

44. 附屬公司概要(續)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Singapore Service Residence Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD1,250,000 普通股 1,250,000新加坡元	-	100	Property investment 物業投資
Xpress Credit Limited 特速信貸有限公司	Hong Kong 香港	Ordinary shares HK\$1,260,000 普通股 1,260,000港元	-	100	Securities trading 證券買賣
ZH USA, LLC	USA 美國	Note (i) 附註(i)	100	-	Investment holding 投資控股
Xingcheng Holdings Limited 興城控股有限公司	Hong Kong 香港	Ordinary shares HK\$1 普通股1港元	-	100	Investment holding 投資控股
河南昌輝企業管理諮詢有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB1,000,000 註冊資本 人民幣1,000,000元	-	100	Investment holding 投資控股
新鄭正商興城置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB400,000,000 註冊資本 人民幣400,000,000元	-	100	Property development 物業發展
洛陽正商置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	-	100	Property development 物業發展
河南正商尚濱置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	-	100	Property development 物業發展
河南正商經開置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	-	100	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

44. 附屬公司概要(續)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南興漢正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南象湖置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南新築置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南正商華府置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新銘置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新航置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商鄭東置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
北京上築置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
北京上陽置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	100	Property development, project management services 物業發展、項目管理服務

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44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

44. 附屬公司概要(續)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商銘築置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商鄭新房地產有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南啟盛置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商中岳置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商河洛置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南正商雅苑置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商金域置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商瓏水置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新雅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

44. 附屬公司概要(續)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南省正商新居置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新府置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南沐歌置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南正商新宏置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商致遠置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
新鄉市興漢正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南正商佳居置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management services 物業發展、項目管理服務
河南漢輝置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	60	Property development 物業發展
河南正商王村置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

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44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

44. 附屬公司概要(續)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南鑫築建設工程有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商鴻雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南東象正商實業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	60	Property development 物業發展
河南嘉瑞昌置業股份有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南林盟置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
武漢豫正置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
滎陽博雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商金銘置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新古置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	90	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

44. 附屬公司概要(續)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商佳航置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商尚築置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南鑫融置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, hotel operations 物業發展、酒店營運
河南悅府置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南悅靈置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南佳悅美置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	70	Property development 物業發展
河南惠東置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南金州置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2021 2021年12月31日

44. PARTICULARS OF THE SUBSIDIARIES
(CONTINUED)

44. 附屬公司概要(續)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
北京上瑞置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	100	Property development 物業發展
武漢豫商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
鄭州君聯房地產開發有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
鄧州啟正置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB10,000,000 註冊資本 人民幣10,000,000元	–	51	Property development 物業發展
衛輝市正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	90	Property development 物業發展
淮濱縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	90	Property development 物業發展
杭州正商實業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Investment holding 投資控股
信陽正商博雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	99.9	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

44. 附屬公司概要(續)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商金悅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
汝陽縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南正商宛都置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	100	Property development 物業發展
商丘木華置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
鄧州市漢都置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
滑縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
魯山縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
光山縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	100	Property development 物業發展

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2021 2021年12月31日

44. PARTICULARS OF THE SUBSIDIARIES
(CONTINUED)

44. 附屬公司概要(續)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
輝縣市正商置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
伊川縣正商置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
周口興漢正商置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB10,000,000 註冊資本 人民幣10,000,000元	–	56	Property development 物業發展
深圳正商實業投資有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南瀾雅置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南興商置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商瓏尚置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
商丘興漢置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展

44. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2021 are as follows: (continued)

44. 附屬公司概要(續)

於2021年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益之 百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
漯河正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	41	Property development 物業發展
虞城縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
原陽縣興漢置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
羅山縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南正商濤悅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
商城縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	100	Property development 物業發展

Notes:

- (i) No capital contribution is required from the member unless otherwise required by law.
- (ii) Entities established in the PRC are limited liability companies with no English names registered or available upon establishment.

附註：

- (i) 除非法律另行規定，否則並無規定資本貢獻必須來自成員公司。
- (ii) 於中國成立之實體為有限公司，且於成立後，概無登記或採用英文名稱。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2021 2021年12月31日

45. EVENTS AFTER THE REPORTING PERIOD

On 23 March 2022, the Group acquired land use rights of a land parcel located in Dengfeng City, Henan Province, the PRC through listing for sale process in a public auction held by Dengfeng City Natural Resources and Planning Bureau* (登封市自然資源和規劃局) for transfer of state-owned land use rights with site area of approximately 42,081.84 square metres at a consideration of RMB167,899,200. The land parcel was designated for residential usage with term of use of 70 years and underground floor for transportation service station usage with term of use of 50 years. The handover of the land parcel is expected to be completed respectively in the second quarter of 2022.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2022.

45. 報告期後事項

於2022年3月22日，本集團於登封市自然資源和規劃局就轉讓國有土地使用權所舉辦之公開拍賣掛牌出售程序中取得位於中國河南省登封市佔地面積約42,081.84平方米之地塊之土地使用權，代價為人民幣167,899,200元。該地塊指定為住宅用途使用年限為70年及地下空間為交通服務場站用途使用年限為50年。該地塊預期將於2022年第二季度完成交付。

46. 批准財務報表

財務報表已於2022年3月25日獲董事會批准及授權刊發。

FINANCIAL SUMMARY

財務概要

		For the year ended 31 December 截至12月31日止年度				
		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (重列)
Results	業績					
Revenue	收益	13,421,496	8,069,061	8,887,186	601,470	1,100,419
Profit for the year	年度溢利	385,042	778,373	1,151,458	28,492	131,602
Attributable to:	應佔：					
Owners of the Company	本公司擁有人	399,470	782,988	1,151,571	29,971	131,709
Non-controlling interests	非控股權益	(14,428)	(4,615)	(113)	(1,479)	(107)
Profit for the year	年度溢利	385,042	778,373	1,151,458	28,492	131,602
		As at 31 December 於12月31日				
		2021 2021年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (重列)
Assets and liabilities	資產及負債					
Total assets	總資產	68,239,873	67,152,356	51,942,189	39,569,259	18,542,750
Total liabilities	總負債	(60,041,216)	(59,263,541)	(48,205,148)	(38,447,747)	(17,398,865)
Net assets	淨資產	8,198,657	7,888,815	3,737,041	1,121,512	1,143,885
Non-controlling interests	非控股權益	(185)	(14,885)	3,593	7,053	9,581
Equity attributable to owners of the Company	本公司擁有人應佔權益	8,198,472	7,873,930	3,740,634	1,128,565	1,153,466

PARTICULARS OF MAJOR INVESTMENT PROPERTIES

主要投資物業概要

As at 31 December 2021 於2021年12月31日

INVESTMENT PROPERTIES

投資物業

Location 地點	Gross area (approximately) 總面積 (約)	Effective % held 實際擁有權 (%)	Type 類別	Lease term 租約
No.883 North Bridge Road, Shop on 1/F. and 27 Home Office Units on various floors, Southbank, Singapore 198785	28,732 sq.ft. 28,732平方呎	100%	Home Office 家居辦公室	Long-term lease 長期租約
5 Residential Units, Dakota Residences, 34-42 Dakota Crescent, Singapore 399939	9,128 sq.ft. 9,128平方呎	100%	Apartment 寓所	Long-term lease 長期租約
30/F and Carpark No. C8 on 2nd Carparking Floor, Wyndham Place, No.44 Wyndham Street, Central, Hong Kong 香港中環雲咸街44號雲咸商業中心 30樓及2樓停車場C8號車位	3,480 sq.ft. 3,480平方呎	100%	Office premises and Car Parking space 辦公室物業及車位	Long-term lease 長期租約
Glen Carr House, 1433 North Hamilton Drive, Derby, Kansas, 67037, U.S. Glen Carr House 位於美國肯薩斯州德比市 North Hamilton Drive 1433號	29,000 sq.ft. 29,000平方呎	99.8%	Senior house communities 長者住房宿舍	Freehold 永久業權
Oxford Grand McKinney, 2851 Orchid Drive, McKinney, Texas, 75070, U.S. Oxford Grand McKinney 位於美國德薩斯州麥堅尼市 Orchid Drive 2851號	69,700 sq.ft. 69,700平方呎	99.8%	Senior house communities 長者住房宿舍	Freehold 永久業權
Land parcels located at 671-180-012, 013, 014, 015, 016, 017, 018 Desert Hot Springs, County of Riverside, State of California, 92503, U.S. 位於美國加州河濱縣Desert Hot Springs之 地塊671-180-012、013、014、015、 016、017、018	67.5 acres/ 273,200 sq.m./ 2,940,300 sq.ft. 67.5畝/ 273,200平方米/ 2,940,300平方呎	100%	Vacant land 空置土地	Freehold 永久業權

THE COMPANY

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

<i>Company's Registered Office</i>	<i>Company's Principal Place of Business</i>	<i>Issuer's Registered Office and Principal Place of Business</i>
Zensun Group Limited (正商集團有限公司) Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands	Zensun Group Limited (正商集團有限公司) No.1 Gangwan Road Zhengzhou City Henan Province, PRC	Zensun Enterprises Limited 24th Floor, Wyndham Place 40-44 Wyndham Street Central, Hong Kong

TRUSTEE, PAYING AGENT, REGISTRAR AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited

(中國建設銀行(亞洲)股份有限公司)

28/F, CCB Tower

3 Connaught Road Central

Central, Hong Kong

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