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REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(於開曼群島註冊成立的有限公司)

(股份代號：1622)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司證券上市規則第13.10B條刊發。

茲提述力高地產集團有限公司日期為二零二零年七月三十一日有關發行二零二二年到期的220百萬美元11.0%優先票據(「票據」)的公告(「該公告」)。除文義另有界定外，本公告所用詞彙與該公告所界定者具有相同涵義。

請參閱隨附有關票據的發售備忘錄(「發售備忘錄」)，其亦於新交所網站刊載。

於聯交所網站刊載發售備忘錄僅為促使向香港投資者發佈同步資訊，並遵守上市規則第13.10B條，概無任何其他目的。

發售備忘錄並不構成在任何司法權區向公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，亦非邀請公眾提出認購或購買任何證券的要約，且不在邀請公眾提出認購或購買任何證券的要約。

承董事會命
力高地產集團有限公司
主席
黃若虹

香港，二零二零年八月七日

於本公告日期，本公司執行董事為黃若虹先生、黃若青先生及唐承勇先生；本公司獨立非執行董事為黃友嘉博士GBS，BBS太平紳士、周安達源先生SBS、BBS及葉棣謙先生。

IMPORTANT NOTICE

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

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

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

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

Confirmation and your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be outside the United States. By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are outside the United States and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (2) to the extent you purchase the securities described in this offering memorandum, you will be doing so in an offshore transaction (as defined in Regulation S under the Securities Act), and (3) that you consent to delivery of such offering memorandum by electronic transmission.

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

Prohibition of sales to EEA and UK retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”) or 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 (11) of Article 4(1) of Directive 2014/65/EU (as amended “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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

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

MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration such manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining such manufacturer’s target market assessment) and determining appropriate distribution channels.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch, Barclays Bank PLC, BNP Paribas, Haitong International Securities Company Limited, Standard Chartered Bank, Deutsche Bank AG, Singapore Branch, HeungKong Securities Limited, Orient Securities (Hong Kong) Limited, CRIC Securities Company Limited and The Bank of East Asia, Limited as Joint Bookrunners and Joint Lead Managers, or any person who controls any of them or any of their director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you.

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.



REDCO PROPERTIES GROUP LIMITED
力高地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

US\$220,000,000
11.0% Senior Notes due 2022
Issue Price: 96.784%

Our 11.0% Senior Notes due 2022 (the “Notes”) will bear interest from August 6, 2020 at 11.0% *per annum* payable semi-annually in arrears on February 6 and August 6 of each year, commencing February 6, 2021. The Notes will mature on August 6, 2022.

The Notes are senior obligations of Redco Properties Group Limited (力高地產集團有限公司) (the “Company”), guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors”), other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries organized outside of the PRC.” We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (a “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time and from time to time prior to August 6, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price of 111.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, prior to August 6, 2022, the Company may redeem the Notes at any time, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus (i) accrued and unpaid interest, if any, to (but not including) the redemption date and (ii) a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the “Indenture”), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (i) senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes, (ii) at least *pari passu* in right of payment with the Existing *Pari Passu* Secured Indebtedness and all other unsecured and unsubordinated indebtedness (subject to any priority rights of such unsecured and unsubordinated indebtedness pursuant to applicable law), (iii) effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral), and (iv) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any Collateral. See the section entitled “Risk Factors—Risks relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees and the Collateral.”

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

Investing in the Notes involves risks. See the section entitled “Risk Factors”.

Application will be made to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

The Notes are expected to be rated B by Standard & Poor’s Ratings Services (“Standard & Poor’s”) and B by Fitch Ratings Ltd (“Fitch”). In addition, we have been assigned B with a stable outlook by Standard & Poor’s and B with a positive outlook by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “NDRC Notice”) promulgated by National Development and Reform Commission (the “NDRC”) of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated April 27, 2020 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Bonds to be reported to the NDRC within 10 working days after the issue date of the Notes.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. 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 exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold by the Initial Purchasers (as defined in this offering memorandum) only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see the section entitled “Transfer Restrictions.”

It is expected that the delivery of the Notes will be made on or about August 6, 2020 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Credit Suisse UBS Barclays BNP PARIBAS Haitong International

Joint Bookrunners and Joint Lead Managers

Standard Chartered Bank Deutsche Bank HeungKong Financial Orient Securities (Hong Kong) CRIC Securities The Bank of East Asia, Limited

The date of this offering memorandum is July 30, 2020

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY	1	MANAGEMENT	187
RISK FACTORS	20	PRINCIPAL SHAREHOLDERS	194
EXCHANGE RATE INFORMATION ..	62	RELATED PARTY TRANSACTIONS	195
USE OF PROCEEDS	65	DESCRIPTION OF OTHER	
CAPITALIZATION AND		MATERIAL INDEBTEDNESS	196
INDEBTEDNESS	66	DESCRIPTION OF THE NOTES	207
SELECTED CONSOLIDATED		TAXATION	293
FINANCIAL AND OTHER DATA ...	67	PLAN OF DISTRIBUTION	296
MANAGEMENT’S DISCUSSION AND		TRANSFER RESTRICTIONS	302
ANALYSIS OF FINANCIAL		RATINGS	304
CONDITION AND RESULTS OF		LEGAL MATTERS	304
OPERATIONS	71	INDEPENDENT AUDITORS	304
INDUSTRY OVERVIEW	99	GENERAL INFORMATION	305
CORPORATE STRUCTURE	115	INDEX TO CONSOLIDATED	
BUSINESS	117	FINANCIAL STATEMENTS	F-1
REGULATION	144		

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.

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

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”) or 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 (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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

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

MIFID II product governance / Professional investors and ECPs only target market — Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

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

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

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum and the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (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 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.

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 Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch, Barclays Bank PLC, BNP Paribas, Haitong International Securities Company Limited, Standard Chartered Bank, Deutsche Bank AG, Singapore Branch, HeungKong Securities Limited, Orient Securities (Hong Kong) Limited, CRIC Securities Company Limited and The Bank of East Asia, Limited (the “Initial Purchasers”), Citicorp International Limited (the “Trustee”), Citibank, N.A., London Branch (the “Paying Agent,” the “Transfer Agent” and the “Registrar,” and collectively, the “Agents”) or any of their respective affiliates or advisors 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. None of the Initial Purchasers, the Trustee or the Agents has independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents accept any responsibility for the contents of this offering memorandum or for any other statement, made or purported to be made by the Initial Purchasers, the Trustee or the Agents or on its behalf in connection with the us, our subsidiaries and affiliates, or the issue and offering of the Notes. The Initial Purchasers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this offering memorandum or any such statement.

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

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

We are not, and the Initial Purchasers are not, making an offer to sell the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), 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, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), 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 advisors for legal, business, tax and other advice regarding an investment in the Notes.

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group” and words of similar import, we are referring to Redco Properties Group Limited (力高地產集團有限公司) 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 Initial Purchasers or our or their respective directors and advisors, and neither we, the Initial Purchasers nor our respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. 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 “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 RMB6.9618 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2019, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK\$7.7894 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2019. 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. All amounts converted into U.S. dollars contained in this offering memorandum are unaudited and for reference purposes only. For further information relating to the exchange rates, see the section entitled “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.

References to “HKFRS” are to Hong Kong Financial Reporting Standards, which include Hong Kong Accounting Standards and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants.

Our financial statements for the years ended December 31, 2017, 2018 and 2019 are prepared in accordance with HKFRS which differ in certain respects from generally accepted accounting principles (“GAAP”) in certain other jurisdictions. Unless the context otherwise requires, references to “2017,” “2018” and “2019” in this offering memorandum are to our financial years ended December 31, 2017, 2018 and 2019, respectively.

References to the “2014 Notes” are to the Company’s 13.75% senior notes due 2019 issued on August 1, 2014 with an aggregate principal amount of US\$125 million. We redeemed the 2014 Notes in full on August 9, 2017.

References to the “2017 Notes” are to the Company’s 7.0% senior notes due 2018 issued on November 15, 2017 with an aggregate principal amount of US\$250 million, which matured and were fully repaid on November 14, 2018.

References to the “2020 Global Edge Facility” are to the US\$50,000,000 term loan facility agreement dated June 10, 2020 between, among others, the Company and Global Edge Opportunity VI Limited as lender.

References to “February 2018 Notes” are to the Company’s 6.375% senior notes due 2019 issued on February 28, 2018 with an aggregate principal amount of US\$300 million, which matured and were fully repaid on February 27, 2019.

References to “August 1 2018 Notes” are to the Company’s 8.0% senior notes due July 31, 2019 issued on August 1, 2018 with an aggregate principal amount of US\$15,800,000, which matured and were fully repaid on July 31, 2019.

References to “August 29 2018 Notes” are to the Company’s 11.0% senior notes due 2020 issued on August 29, 2018 with an aggregate principal amount of US\$200 million (the “Original August 29 2018 Notes”) and further issued on January 4, 2019 with an aggregate principal amount of US\$110.4 million (the “Additional August 29 2018 Notes,” which are consolidated and formed a single series with the Original August 29 2018 Notes).

References to “January 2019 Notes” are to the Company’s 13.5% senior notes due 2020 issued on January 22, 2019 with an aggregate principal amount of US\$250 million, which matured and were fully repaid on January 22, 2020.

References to “May 2019 Notes” are to the Company’s 9.875% senior notes due 2021 issued on May 2, 2019 with an aggregate principal amount of US\$180 million.

References to “December 2019 Notes” are to the Company’s 11.5% senior notes due 2020 issued on December 10, 2019 with an aggregate principal amount of US\$250 million.

References to “May 2020 Notes” are to the Company’s 13.0% senior notes due 2023 issued on May 27, 2020 with an aggregate principal amount of US\$150 million.

References to “average selling price” or “ASP” are to the average selling price on a gross basis, unless otherwise stated.

References to “Board of Directors” or “Board” are to the board of Directors of the Company.

References to “CAGR” are to the compound annual growth rate.

References to “commercial property(ies)” are to the property(ies) designated for commercial use.

References to “completion certificate” are to the construction works completion inspection certificate (房屋建築工程竣工驗收備案表) issued by local urban construction bureaux or equivalent authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection.

References to “construction commencement permit” are to the construction works commencement permit (建築工程施工許可證) issued by local construction bureaux or equivalent authorities in China with respect to commencement of construction works.

References to “construction land planning permit” are to the construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaux or equivalent authorities in China with respect to planning of construction land.

References to “construction works planning permit” are to the construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaux or equivalent authorities in China with respect to planning of construction works.

References to “Director(s)” are to the director(s) of the Company.

References to “GDP” are to the gross domestic product.

References to “GFA” are to the gross floor area; references to “leasable GFA” are to the GFA attributable to the land parcel for leasing and investment appreciation purposes; references to “planned GFA” are to the GFA attributable to the land parcel for future development based on the relevant land grant contract and/or public tender, listing-or-sale of auction confirmation letter; references to “saleable GFA” are to the GFA attributable to the land parcel for sale minus the GFA attributable to car parks, non-saleable areas and public areas; references to “total GFA” are to the GFA attributable to the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area and it generally includes mechanical and electrical services rooms, refuse rooms, water tanks, car parks, elevators and staircases. The figures for GFA are based on figures provided in or estimates based on relevant governmental documents, such as property ownership certificates, construction works planning permits, pre-sale permits, construction land planning permits, completion certificates, land use rights certificates or other relevant documents and includes saleable areas, non-saleable areas, car parks and public areas.

References to “land bank,” “development projects,” “property projects” or “projects” refer to our property projects with land for which we have obtained land-use rights and property projects for which we have not obtained land-use rights but have entered into the land grant contracts or received successful tender auction confirmations.

References to “land grant contract” are to the state-owned land use right grant contract (國有土地使用權出讓合同) between a land user and the relevant PRC governmental land administrative authorities.

References to “land use rights certificate” are to the state-owned land use rights certificate (國有土地使用證), a certificate (or certificates, as the case may be) of the right of a party to use a parcel of land.

References to “LAT” are to the land appreciation tax, as defined in the PRC Provisional Regulations on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) of 1994 and its implementation rules.

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

References to “Circular No. 75” are to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Return Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) issued by SAFE on October 21, 2005 and became effective on November 1, 2005.

References to “Circular No. 37” are to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Onshore and Offshore Financing, Investment and Return Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) issued by SAFE on July 4, 2014 and became effective July 4, 2014.

References to “EIT” are to the PRC Enterprise Income Tax.

References to “MLR” are to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部).

References to “MOF” are to the Ministry of Finance of the PRC (中華人民共和國財政部).

References to “MOFCOM” are to the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部), as appropriate to the context.

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

References to “NDRC” are to the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會).

References to “NPC” are to the National People’s Congress or its standing committee as the context may require (全國人民代表大會或其常務委員會).

References to “SAFE” are to the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局) or its local branches as the case may be.

References to “SAIC” are to the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局).

References to “SAT” are to the State Administration of Taxation of the PRC (中國國家稅務總局).

References to “People’s Congress” are to the legislative apparatus of the PRC, including the National People’s Congress and all the local people’s congresses (including provincial, municipal and other regional or local people’s congresses) as the context may require, or any of them (人民代表大會).

References to “plot ratio” are to the ratio of the GFA (excluding floor area below ground) of all buildings to their site area.

References to “pre-sale permit” are to the commodity property pre-sale permit (商品房預售許可證) issued by a local housing and building administrative bureau or an equivalent authority with respect to pre-sale of the relevant properties.

References to “property ownership certificate” are to the property ownership certificate (房屋所有權證) issued by relevant PRC government authorities with respect to the ownership rights of buildings.

References to “public tender,” “auction,” or “listing-for-sale” are to the public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.10, in our share capital.

References to “sq.km.” are to square kilometers.

References to “sq.m.” are to square meters.

References to “Mr. Wong” are to Mr. Wong Yeuk Hung, our chairman, executive director and our controlling shareholder.

The site area information for an entire project is based on the relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements, depending on which documents are available. If more than one documents is available, such information is based on the most recent document available.

In this offering memorandum, unless the context otherwise requires, all references to “Affiliate” are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to “subsidiary” are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”), as amended (the “Listing Rules”), which includes: (i) a “subsidiary undertaking” as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the “Companies Ordinance”), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

We have been advised by our Cayman Islands legal advisors, Conyers Dill & Pearman, that (i) judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any state may be difficult to enforce against us in the courts of the Cayman Islands and (ii) in original actions brought in the Cayman Islands, the Cayman Islands courts may not impose liabilities against us, our directors or officers or any Subsidiary Guarantor or their directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state, in each of (i) and (ii) on the grounds that such provisions may be held by the courts of the Cayman Islands to be penal, revenue or other public laws of a foreign state. Our counsel as to Cayman Islands laws further advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States 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.

Conyers Dill & Pearman, our counsel as to British Virgin Islands laws, has advised us that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States 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) 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.

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.

Pursuant to the Civil Procedure Law of the PRC, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases by the Courts of the Mainland and of the Hong Kong Special Administrative Region (最高人民法院、香港特別行政區政府關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排), the Arrangement of the Supreme People's Court between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) and the Arrangements of the Supreme People's Court on Mutual Recognition and Execution of Arbitral Awards between Mainland and Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的安排), subject to the requirements on the recognition and enforcement of judgments or arbitration awards provided therein, a final decision of payment with enforcement made by a court of the Hong Kong in a civil or commercial case under a written jurisdiction agreement or an arbitration award made in Hong Kong may be recognized and enforceable by the competent PRC courts. However, we have also been advised by our PRC legal advisors, JunHe LLP, that the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in the United States and there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor, any JV Subsidiary Guarantor or their respective directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, any Subsidiary Guarantor, any JV Subsidiary Guarantor or their respective directors or officers predicated upon the U.S. federal or state securities laws.

SUMMARY

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

Overview

We are an integrated residential and commercial property developer primarily focusing on residential property development in the PRC. We have successfully established our presence in a number of key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region.

We believe that we have successfully established the “Redco” brand in the cities where we have built our presence. In 2019, we were awarded the title of “2019 TOP10 Hong Kong-listed Mainland China Real Estate Company in terms of Wealth Creation Capability (2019中國大陸在港上市房地產公司財富創造能力TOP10)” and “2019 Real Estate Enterprises Worth Paying Attention to in the Capital Market (2019值得資本市場關注的地產企業)” jointly organized by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy. In 2018, we were recognized as “2018 PRC Investment Value Real Estate Enterprise” (2018中國年度投資價值地產企業) by Guandian.cn (觀點地產新媒體). In 2017, we were recognized as “Top 100 Comprehensive Strength Listed Real Estate Enterprise of China for 2017” (2017年中國房地產上市公司綜合實力100強) by China Real Estate Association (中國房地產業協會). In 2016, we were recognized as “the Most Valuable Listed Real Estate Enterprise of China for 2016” (2016 中國最具價值地產上市企業) by Guandian.cn(觀點地產新媒體). In 2015, we were recognized as “2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment” (2015中國大陸在港上市房地產公司投資價值TOP 10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院). In addition, our property projects have also received numerous awards from different organizations. Our Company has been selected as a constituent of the “Hang Seng Composite SmallCap Index of the Hang Seng Composite Index”, “Shenzhen-Hong Kong Stock Connect”, “MSCI China SmallCap Index” and “Hang Seng Stock Connect Big (Greater) Bay Area Composite Index”. We believe that becoming a constituent of these indexes represents the recognition of our business performance, stock liquidity and growth prospect by the market.

Since we commenced property development operations in 1995, we have successfully executed our multi-regional strategy and demonstrated a proven track record of success by developing in strategically selected cities that we believe possess high growth potential across the PRC. Subsequent to our initial success in Quanzhou, Fujian Province, we deliberately expanded and quickly replicated our success in strategically targeted key economic cities, including Shenzhen, Zhongshan, Shanghai, Tianjin, Hefei, Nanchang, Jinan, Yantai and Xianyang. We also established presence in Australia by jointly developing a residential community in Sydney with a recognized local developer. For the years ended December 31, 2017, 2018 and 2019, we recognized revenue from property development and investment projects covering certain key economic cities in China. As of December 31, 2019, we had 89 property development and investment projects with an aggregate GFA of approximately 14.6 million sq.m.



● Cities with property development projects from which we recognized revenue during 2017, 2018 and 2019

- **The Greater Western Taiwan Straits Economic Zone**

In the Greater Western Taiwan Straits Economic Zone, we have strategically targeted the key economic cities of Nanchang and Quanzhou. Nanchang is the provincial capital of Jiangxi Province. As of December 31, 2019, we had a land bank comprising 31 property development and investment projects in the Greater Western Taiwan Straits Economic Zone with an aggregate GFA of 4,273,805 sq.m.

- **The Bohai Economic Rim**

In the Bohai Economic Rim, we have property development projects in Tianjin, Jinan and Yantai. As of December 31, 2019, we had a land bank comprising 19 property development and investment projects in the Bohai Economic Rim with an aggregate GFA of 4,305,512 sq.m.

- **The Central and Western Regions**

In the Central and Western Regions, we have property development projects in Hefei, Fuyang, Xianyang, Nantong, Suzhou, Lianyungang, Ningbo, and Wuhan. Hefei is the provincial capital of Anhui Province. Under the government initiative, “Integration of Xi’an and Xianyang”, favorable governmental policies are being implemented to allow Xi’an and Xianyang to develop into an integrated central commercial hub in Western China. As of December 31, 2019, we had a land bank comprising 30 property development projects in the Central and Western Regions with an aggregate GFA of approximately 5,404,723 sq.m.

- **The Pearl River Delta Region**

In the Pearl River Delta Region, we have property development projects in Shenzhen, Foshan and Zhongshan. Shenzhen is a first-tier city in China, and Foshan and Zhongshan are fast-growing cities in East Guangdong. As of December 31, 2019, we had a land bank comprising 8 property development projects in the Pearl River Delta Region with an aggregate GFA of 480,986 sq.m.

- **Others**

In addition to the four major regions above, we have also established our presence in Sydney, the economic and cultural center of Australia. As of December 31, 2019, we had a land bank comprising one property development project in Sydney with an aggregate GFA of 28,656 sq.m.

While we continue to strengthen our market position in strategically targeted key economic cities in these regions, we intend to leverage our experience and expertise to expand our operations and replicate our success in other cities with high GDP and population growth potential where we do not have any presence currently. We believe that our strategic focus on the selected key economic cities with high growth potential will enable us to benefit from the sustained economic growth and accelerating urbanization in these cities in the coming years.

We have established diversified land acquisition strategies that complement each other, including acquisitions from third parties and listings-for-sale. We have also employed other land acquisition strategies including: (i) incorporating cultural concepts to develop properties that meet the needs of the local communities; (ii) early involvement in areas encouraged by the local governments; (iii) leveraging on our track record in developing quality property projects to acquire additional land in the same geographical area; (iv) acquisition of local property developers that have a land reserve suitable for our development strategy; and (v) incorporating the concepts of healthcare and elderly nursing to develop properties that meet the needs of the local communities.

For example, we successfully incorporated the cultural concept of the Mazu goddess (媽祖) to acquire land in Tianjin, a coastal city in the Bohai Economic Rim. Through Mr. Wong's strong ties with various Mazu cultural organizations, we gained deep insights into the importance of Mazu culture in Tianjin. Leveraging on such knowledge and in line with the Tianjin local government's desire to facilitate Mazu culture and economic development in Taiwan and the PRC, we formed a joint venture company with the largest Mazu worshipping temple in Taiwan to acquire our first parcels of land in coastal Tianjin for our Sunshine Coast and Land Lot Nos. A1 and A2 projects.

Our Strengths

We believe that we have the following competitive strengths:

- we have demonstrated a proven track record of multi-regional success by focusing on key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions the Pearl River Delta Region;
- we have acquired quality land bank at competitive costs;
- we have been successful in establishing the “Redco” brand in the cities where we have built up our presence;
- our standardized property designs and business protocols allow us to swiftly capture new market opportunities in the key economic cities;

- we have implemented prudent financial management policies with diversified financing channels;
- we provide full life-cycle services to clients leveraging the brand recognition; and
- we have a management team with strong execution capabilities and extensive industry experience.

Our Strategies

Within the next five years, we aim to become (i) one of the top 100 real estate developers in the PRC and (ii) an integrated developer with regional brand recognition and leading market shares in the cities where we have put efforts in development. We believe that we can achieve the aforesaid objectives by executing the following strategies:

- further expand our business operations in the key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region as well as other regions in China;
- continue our diversified land acquisition strategies with a view to allocating financial resources to what we believe to be the most profitable opportunities;
- continue to focus primarily on residential property development while achieving an optimal and diversified portfolio by developing a higher proportion of commercial property development projects;
- further strengthen our “Redco” brand by providing quality products to our customers and continuing to engage in projects that entail the construction of landmark properties;
- provide services satisfying demand along the full lifecycle of home buyers; and
- continue to recruit, retain and motivate a talented workforce.

Recent Developments

Acquisition of a 35% Equity Interest in MCSI (as defined below)

On February 18, 2020, (i) our subsidiary, Hong Kong Binjiang Industrial Limited (“HK Binjiang”), (ii) Philippine Infradev Holdings, Inc. (“Infradev”), a Philippine company whose shares are listed on the Philippine Stock Exchange, Inc., and (iii) Makati City Subway, Inc. (“MCSI”), a wholly owned subsidiary of Infradev, entered into a share purchase agreement. Under the share purchase agreement, upon completion of certain shares transfer and subscription and satisfaction of certain conditions, HK Binjiang will acquire a 35% equity interest of MCSI and make MCSI an associate of our Group in a total consideration of US\$102.0 million to be paid in installments. The remaining 65% equity interest of MCSI will be still held by Infradev. Pursuant to the MCSI shareholders’ agreement, HK Binjiang has agreed, among others, to procure a reputable third party financial institution or its affiliates to provide MCSI with a US\$200 million credit facility which shall be based on commercial terms.

Pursuant to the share purchase agreement, HK Binjiang has agreed to be part of the consortium led by Infradev to undertake a project of construction, normal operation and maintenance of the Makati subway system as well as other related development work (the “Philippine Project”). Also on February 18, 2020, HK Binjiang, MCSI, which owns all parcels of land for the Philippine Project, and Aggregate Business Group (ABG) Holdings Inc., a Philippine company which owns a 75.1% equity interest in Infradev (“ABG”) entered into a development agreement, pursuant to which, HK Binjiang and ABG have agreed, among other things, through the establishment of a joint venture named Makati Redco Transit Development Corporation (“MRTD”) in the Philippines, to be jointly responsible for the development and construction of the required land. Upon establishment, HK Binjiang and ABG will directly hold an equity interest of 51% and 49% in MRTD, respectively.

We expect that the transactions will enable us to cooperate with local Philippine government and corporate entities in the property development sector and facilitate our expansion of property development business in the overseas market. Expansion into new market may expose us to various risks. For details, see “Risk Factors — Risks Relating to Our Business — We may not be successful in managing our expansion into new geographical locations, and as a result our business, results of operation and financial condition may be materially and adversely affected.”

The Recent COVID-19 Outbreak

At the end of December 2019, public health officials from China informed the World Health Organization that an unknown, new virus was causing pneumonia-like illness in the city of Wuhan. On March 11, 2020, the World Health Organization declared COVID-19 outbreak a pandemic. As of the date of this offering memorandum, more than 80,000 cases have been confirmed in China and more than 4 million cases have been confirmed worldwide. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The COVID-19 outbreak has affected our business operation and financial condition. During the three months ended March 31, 2020, our revenue and contracted sales declined as compared to the corresponding period in the prior year due to the impact of COVID-19. However, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and the extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See “Risk Factors — Risks Relating to Conducting Business in the PRC — The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.”

Full Repayment of the January 2019 Notes

On January 22, 2020, the January 2019 Notes matured and were fully repaid by us.

Issuance of the May 2020 Notes

On May 27, 2020, we issued the May 2020 Notes. For details, see “Description of Other Material Indebtedness — May 2020 Notes.”

Repurchase of a Portion of the August 29 2018 Notes

On June 1, 2020, we completed the offer to purchase the August 29 2018 Notes. After cancellation of the August 29 2018 Notes repurchased pursuant to the offer, US\$190,399,000 in aggregate principal amount of the August 29 2018 Notes remains outstanding.

General Information

We were incorporated in the Cayman Islands as an exempted company with limited liability on July 14, 2008. Our shares have been listed on the Hong Kong Stock Exchange since January 21, 2014. Our place of business in Hong Kong is at Room 2001-2, Enterprise Square 3, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is <http://www.redco.cn>. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer	Redco Properties Group Limited (力高地產集團有限公司).
Notes Offered	US\$220,000,000 aggregate principal amount of 11.0% Senior Notes due 2022 (the “Notes”).
Offering Price	96.784% of the principal amount of the Notes.
Maturity Date	August 6, 2022.
Interest	The Notes will bear interest from and including August 6, 2020 at the rate of 11.0% <i>per annum</i> , payable semi-annually in arrears.
Interest Payment Dates.	February 6 and August 6 of each year, commencing February 6, 2021.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with the Existing <i>Pari Passu Secured Indebtedness</i> and all other unsecured, unsubordinated <i>Indebtedness</i> of the Company (subject to any priority rights of such unsecured, unsubordinated <i>Indebtedness</i> pursuant to applicable law);• guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the captions “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;• effectively subordinated to the other secured obligations (if any, other than <i>Permitted Pari Passu Secured Indebtedness</i>) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral); and• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes — Security,” the Notes will:

- be entitled to the benefit of a Lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens and shared on a pari passu basis pursuant to the Intercreditor Agreement with holders of the Existing Pari Passu Secured Indebtedness and holders of the Permitted Pari Passu Secured Indebtedness); and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees

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

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

The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC and the Initial Other Non-Guarantor Subsidiaries.

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. See “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the Collateral — Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.”

Any future Restricted Subsidiary, as defined under “Description of the Notes — Definitions” (other than subsidiaries organized under the laws of the PRC, Exempted Subsidiaries and Listed Subsidiaries), will provide a guarantee of the Notes promptly upon becoming a Restricted Subsidiary.

Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC other than Exempted Subsidiaries and Listed Subsidiaries that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 20% of the Total Assets of the Company.

Ranking of Subsidiary
Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the other secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);
- 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 the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes — Security,” the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to the benefit of a security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor and shared on a *pari passu* basis pursuant to the Intercreditor Agreement with holders of the Existing Pari Passu Secured Indebtedness and holders of the Permitted Pari Passu Secured Indebtedness; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

Ranking of JV Subsidiary
Guarantees

A JV Subsidiary Guarantee may be provided by a Subsidiary Guarantor instead of a Subsidiary Guarantee following a sale or issuance by the Company or any of its Restricted Subsidiaries 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. No JV Subsidiary Guarantee exists as of the Original Issue Date.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such 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 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, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, 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).

Security to Be Granted.

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of each initial Subsidiary Guarantor (the “Collateral”) (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of the Company under the Existing *Pari Passu* Secured Indebtedness and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee of the Existing *Pari Passu* Secured Indebtedness.

Upon the accession by the Trustee to the Intercreditor Agreement, the benefit of the Collateral will be extended to secure the obligations of the Company under the Notes and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

In addition, the Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement by and among the holders of the Notes, the holders of the Existing *Pari Passu* Secured Indebtedness and the holders of other Permitted *Pari Passu* Secured Indebtedness.

The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. See “Description of the Notes — Security.”

Intercreditor Agreement	<p>The Company, the initial Subsidiary Guarantor Pledgors, the Collateral Agent, Citicorp International Limited, the 2015 HSB Facility Agent and others entered into an intercreditor agreement dated as of March 20, 2015 (as such may be amended, modified or supplemented through the Original Issue Date, the “Intercreditor Agreement”) pursuant to which certain rights and interests with respect to the Collateral are regulated and a mechanism for future holders of Permitted Pari Passu Secured Indebtedness to become bound and be entitled to receive a pro rata entitlement to and equal priority in the Collateral is created. The 2019 HSB Facility Agent, Global Edge Opportunity VI Limited and the trustee for each series of the other Existing Pari Passu Secured Indebtedness that constitutes senior notes acceded to the Intercreditor Agreement prior to the Original Issue Date.</p> <p>On the Original Issue Date, the Trustee shall execute a supplement to the Intercreditor Agreement pursuant to which the holders of the Notes (through the Trustee) will share equal priority and <i>pro rata</i> entitlement in and to the Collateral.</p>
Use of Proceeds	<p>We estimate that the net proceeds from this offering, after deducting the concessions and other estimated expenses payable by us in connection with this offering, will be approximately US\$210.0 million, which we plan to use to refinance certain of our existing indebtedness. We may adjust our foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in “Temporary Cash Investments” as defined under “Description of the Notes.”</p>
Optional Redemption	<p>At any time prior to August 6, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined in “Description of the Notes”) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.</p> <p>At any time and from time to time prior to August 6, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 111.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.</p>

Repurchase of Notes Upon a
Change of Control Triggering
Event

Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Redemption for Taxation Reason .

Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the Notes — Redemption for Taxation Reasons.”

Covenants

The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:

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

	These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes — Certain Covenants.”
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depository for 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 Company expects to make delivery of the Notes, against payment in same-day funds, on or about August 6, 2020, which the Company expects will be the fifth business day following the date of this offering memorandum referred to as “T+5.” You should note that initial trading of the Notes may be affected by the T+5 settlement. See “Plan of Distribution.”
Paying Agent and Transfer Agent.	Citibank, N.A., London Branch.
Trustee and Collateral Agent	Citicorp International Limited.
Registrar	Citibank, N.A., London Branch.
Listing	Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

Ratings The Notes are expected to be rated B by Standard & Poor’s Ratings Services (Standard & Poor’s) and B by Fitch Ratings Ltd (“Fitch”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Investors should evaluate the ratings independently of other ratings (if any) of the Notes or other securities of the Company. We have been assigned B with a stable outlook by Standard & Poor’s Ratings Services and B with a positive outlook by Fitch Ratings Ltd. We cannot assure you that our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

Security Codes	ISIN	Common Code
	XS2204388644	220438864

Governing Law The Notes, the Indenture and the Intercreditor Agreement will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Risk Factors For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary consolidated financial and other data. Our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 were audited by our independent auditor, PricewaterhouseCoopers, Hong Kong Certified Public Accountants.

As of January 1, 2018, the Group adopted HKFRS 9 Financial Instruments (“HKFRS 9”) and HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”), which are effective for accounting periods beginning on or after January 1, 2018.

The HKFRS 9 model introduces, among other things, an expected loss impairment model. HKFRS 15 is based on the principle that the revenue is recognized when control of a good or service transfers to a customer.

According to the HKFRS 9 and HKFRS 15 transitional arrangements, upon initial application of HKFRS 9 and HKFRS 15, the Group is not required to restate the comparative figures of the prior period. Instead, differences caused by the adoption of the HKFRS 9 and HKFRS 15 are adjusted in the beginning balance of retained earnings and other comprehensive income. Therefore, the Group’s 2018 consolidated financial statements is not comparable with the Group’s 2017 consolidated financial statements. For the impact on adoption of HKFRS 9 and HKFRS 15, please refer to note 2.1.2 to the Group’s 2018 annual report.

As of January 1, 2019, the Group adopted HKFRS 16 Leases (“HKFRS 16”) which are effective for accounting periods beginning on or after January 1, 2019. The adoption of HKFRS 16 does not have any significant impacts on the Group’s consolidated financial statements as of and for the year ended December 31, 2019.

As such, investors should exercise caution when reviewing our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019.

Our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary consolidated financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes thereto included elsewhere in this offering memorandum.

Summary Consolidated Income Statement and Other Financial Data

	Year Ended December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			
	(unaudited)			
Revenue	6,734,067	6,735,931	8,602,321	1,235,646
Cost of sales	(5,057,627)	(4,348,211)	(5,648,207)	(811,314)
Gross profit	1,676,440	2,387,720	2,954,114	424,332
Other (losses)/gains, net.	(15,803)	248,469	445,194	63,948
Selling and marketing expenses	(195,475)	(183,499)	(448,737)	(64,457)
General and administrative expenses	(233,450)	(424,221)	(516,701)	(74,219)
Fair value gain on investment properties	359,036	84,172	63,723	9,153
Fair value gain on investment properties upon transfer from properties under development for sales	—	—	62,432	8,968
Impairment of goodwill	(49,535)	—	—	—
Operating profit	1,541,213	2,112,641	2,560,025	367,725
Finance income	44,729	95,025	122,486	17,594
Finance costs	(70,945)	(71,662)	(19,981)	(2,870)
Finance (costs)/income, net	(26,216)	23,363	102,505	14,724
Share of profit/(loss) of investments accounted for using the equity method, net.	82,870	77,468	(21,545)	(3,095)
Profit before income tax	1,597,867	2,213,472	2,640,985	379,354
Income tax expense	(607,735)	(917,044)	(1,089,325)	(156,472)
Profit for the year	990,132	1,296,428	1,551,660	222,882
Profit attributable to:				
Owners of the company	862,237	990,747	1,034,931	148,659
Non-controlling interests	127,895	305,681	516,729	74,223
	<u>990,132</u>	<u>1,296,428</u>	<u>1,551,660</u>	<u>222,882</u>
Other financial data (unaudited)				
EBITDA ⁽¹⁾	2,022,083	2,167,878	2,513,789	361,084
EBITDA margin ⁽²⁾	30.03%	32.18%	29.22%	29.22%

Notes:

- (1) EBITDA for any period consists of profit before tax less other losses or gains, and share of profit or loss of investments accounted for using the equity method and interest income, plus finance costs, capitalized interest included in cost of sales, depreciation and amortization expenses and impairment of goodwill. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because it believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

Summary Consolidated Balance Sheet

	As of December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in thousands)			
ASSETS				
Non-current assets				
Property, plant and equipment	36,489	221,300	259,152	37,225
Investment properties	434,669	803,899	1,025,004	147,233
Intangible assets	—	—	332,252	47,725
Investments accounted for using the equity method	1,034,521	700,294	654,872	94,066
Prepayments	475,236	60,000	—	—
Deferred income tax assets	238,931	459,833	834,614	119,885
	<u>2,219,846</u>	<u>2,245,326</u>	<u>3,105,894</u>	<u>446,134</u>
Current assets				
Completed properties held for sale	1,564,092	2,133,818	3,037,052	436,245
Properties under development for sale	5,728,454	15,680,128	30,969,759	4,448,528
Contract assets	—	700,000	700,000	100,549
Trade and other receivables and deposits	3,082,594	3,371,544	2,595,926	372,881
Prepayments	964,113	1,053,610	1,858,769	266,995
Amounts due from joint ventures	32,719	364,871	59,949	8,611
Amounts due from associates	53,123	4,844	482,845	69,356
Amounts due from non-controlling interests	672,675	1,414,342	3,951,248	567,561
Income tax recoverable	180,948	312,821	788,393	113,246
Restricted cash	1,318,450	2,186,139	3,965,210	569,567
Cash and cash equivalents	3,587,062	5,678,863	11,094,295	1,593,596
	<u>17,184,230</u>	<u>32,900,980</u>	<u>59,503,446</u>	<u>8,547,135</u>
Assets classified as held for sale	467,931	—	—	—
Total assets	<u>19,872,007</u>	<u>35,146,306</u>	<u>62,609,340</u>	<u>8,993,269</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	139,632	139,632	139,632	20,057
Reserves	3,672,089	4,237,813	5,041,820	724,212
	<u>3,811,721</u>	<u>4,377,445</u>	<u>5,181,452</u>	<u>744,269</u>
Non-controlling interests	<u>797,579</u>	<u>2,287,973</u>	<u>4,453,096</u>	<u>639,647</u>
Total equity	<u>4,609,300</u>	<u>6,665,418</u>	<u>9,634,548</u>	<u>1,383,916</u>

	As of December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				<i>(unaudited)</i>
				<i>(in thousands)</i>
LIABILITIES				
Non-current liabilities				
Borrowings	3,982,100	4,912,751	4,694,786	674,364
Deferred income tax liabilities	265,604	286,051	634,906	91,199
	<u>4,247,704</u>	<u>5,198,802</u>	<u>5,329,692</u>	<u>765,563</u>
Current liabilities				
Trade and other payables.	2,156,112	6,323,532	12,020,186	1,726,592
Borrowings	3,261,119	6,146,930	12,087,907	1,736,319
Amounts due to non-controlling interests	116,414	2,123,659	5,146,101	739,191
Amounts due to associates	—	66,000	485,280	69,706
Amounts due to joint ventures	140,209	23,756	50,776	7,294
Contract liabilities.	—	7,169,457	15,552,490	2,233,975
Receipts in advance	4,507,441	—	—	—
Income tax liabilities	832,164	1,428,752	2,302,360	330,713
	<u>11,013,459</u>	<u>23,282,086</u>	<u>47,645,100</u>	<u>6,843,790</u>
Liabilities directly associated with assets classified as held for sale.	1,544	—	—	—
	<u>11,015,003</u>	<u>23,282,086</u>	<u>47,645,100</u>	<u>6,843,790</u>
Total liabilities	<u>15,262,707</u>	<u>28,480,888</u>	<u>52,974,792</u>	<u>7,609,353</u>
Total equity and liabilities	<u>19,872,007</u>	<u>35,146,306</u>	<u>62,609,340</u>	<u>8,993,269</u>
Net current assets	<u>6,637,158</u>	<u>9,618,894</u>	<u>11,858,346</u>	<u>1,703,345</u>
Total assets less current liabilities	<u>8,857,004</u>	<u>11,864,220</u>	<u>14,964,240</u>	<u>2,149,479</u>

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Our results of operations are largely dependent on the development schedules and pre-sales of our projects and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance

Since we derive our revenue primarily from the sale of properties developed by us, our future cash flows and revenue are heavily affected by the schedule of pre-sale and sale of our properties.

Our results of operations have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. For the years ended December 31, 2017, 2018 and 2019, our revenue was RMB6,734.1 million, RMB6,735.9 million and RMB8,602.3 million (US\$1,235.6 million), respectively; our net profit attributable to our equity holders was RMB862.2 million, RMB990.7 million and RMB1,034.9 million (US\$148.7 million), respectively. Our results of operations may continue to vary and fluctuate in the future due to various factors, including the overall development and delivery schedule of our property projects, the level of acceptance by our customers of our properties, the timing of the pre-sale and sale of properties, our revenue recognition policies, any changes in our development costs and expenses and the general condition of the property market. Our property developments are often developed in multiple phases over the course of several years. According to our revenue recognition policy, we recognize revenue from sales of our properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the completion of construction works. 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 are not completed and delivered within the same period. Our revenue and profit for any period may decrease if the number of properties we deliver declines during such period. The effect of timing of delivery on our results of operation is accentuated by the fact that we can only undertake a limited number of projects at a particular time, as we require substantial capital to fund land acquisition and construction costs.

Accordingly, our results of operations for any given period may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during such period. Our revenue and profit during any given period generally reflect property purchases at a time in the past, typically in the prior fiscal period. Accordingly, our results of operations are not necessarily indicative of results that may be expected for any future period.

If we fail to maintain an effective system of internal control, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of the Notes.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. Even if we establish adequate internal controls and procedures, we will not be able to prevent all risks due to the inherent limitations in all control systems. As we continue to grow, we will need to further strengthen our financial reporting, internal audit, disclosure control, internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce operational and compliance risks.

We have previously faced internal control issues with respect to financial reporting. In the preparation of the our condensed consolidated financial information as of and for the six months ended June 30, 2019 (the “2019 Interim Financials”) which was announced on August 29, 2019, three PRC entities we hold equity interests in were originally accounted for as joint ventures but not as subsidiaries of our Group for the six months ended June 30, 2019. Upon revisit the classification of investments in the relevant PRC subsidiaries, we have reclassified the relevant entities as subsidiaries for the six months ended June 30, 2019 and released the restated 2019 Interim Financials on November 29, 2019. We will increase the manpower from the financial reporting department and also provide more training section of the financial reporting to the relevant staff. Any future failure in our internal controls relating to financial reporting may affect the confidence of investors in our financial statements and may adversely affect our ability to access the capital markets. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We had net operating cash outflows for the years ended December 31, 2017 and 2018. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected

For the years ended December 31, 2017 and 2018, we recorded net cash outflows from operating activities of approximately RMB134.9 million and RMB2,256.1 million, respectively. Our net operating cash outflows was principally attributable to cash outflow associated with land acquisition and properties under development for sale. We cannot assure you that we will not experience net operating cash outflows in the future. Net operating cash outflows require us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations, including those under the Notes and may not be able to develop our projects as planned or meet our capital expenditure requirements. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our business and revenue growth are primarily dependent on favorable economic conditions in the PRC, particularly the performance of the PRC residential property market in the cities in which we develop our property development projects, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where we have operations, could have a material adverse effect on our business, results of operations and financial condition

Our business and revenue growth is subject to favorable economic conditions in the PRC, particularly in the cities where our property projects are located. As we focus on the development of residential developments in the PRC, if the property market, in particular the residential property market, in the PRC performed badly, it would have a direct adverse effect on us.

The PRC property market is affected by many factors, including changes in the PRC's social, political, economic and legal environments, changes in the PRC government's fiscal and monetary policy, the lack of a mature and active secondary market for residential properties and the limited availability of mortgage loans to individuals in the PRC. We are also sensitive to changes in the economic conditions, consumer confidence, consumer spending and customer preferences of the urban Chinese population. Other factors beyond our control, such as levels of personal disposable income and epidemics such as the COVID-19 outbreak, may also affect consumer confidence in our geographical markets and demand for our properties.

Demand for residential properties in the PRC has been growing rapidly over the past few years. However, such growth is often coupled with volatility in market conditions and fluctuations in housing prices. There have been concerns that the PRC property market has been overheating and may become a property "bubble." In response, the PRC government has taken measures to prevent the overheating of the PRC property market. Such measures may lead to changes in market conditions, price instability and an imbalance between the supply of and demand for properties in the PRC.

We cannot assure you that the PRC residential property market and housing prices will continue to grow at past levels or will not decline. Any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where we have operations, could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to identify suitable land or acquire land use rights for future development at reasonable prices, or at all, and if that happens, our business, results of operations and financial condition as well as prospects may be materially and adversely affected

We derive substantially all of our revenue from the sale of properties that we have developed. We must continuously acquire land use rights for sites suitable for future development at reasonable prices at an appropriate pace in order to generate sustainable revenue and maintain business growth. There is a limited supply of suitable land available for development in the cities or regions into which we plan to expand, and the costs of acquiring land use rights in many such cities have increased in recent years. We also face strong competition from other property developers for sites that we may target. We cannot assure you that we will be able to successfully acquire any or all of the land use rights for projects planned for future development at reasonable prices, or at all.

The PRC government has control over the supply of substantially all land and their approved usage, and regulates various aspects of the process through which land is acquired and developed. Such PRC government land policies have a direct impact on our ability to acquire land and our costs of acquisition. Any changes in PRC government land policies with regard to land supply and development may lead to increases in our costs of acquisition and limit our ability to successfully acquire land at reasonable prices, which would have a material adverse effect on our business, results

of operations and financial condition. The various PRC regulatory measures may also intensify the competition for land in the PRC among property developers. Please refer to the section headed “— Risks relating to our industry — Our operations are subject to extensive governmental regulations and the frequent introduction of new regulations, and we may be affected by further measures by the PRC government to slow down the growth of the property sector” in this offering memorandum for further details. For additional information on the regulatory procedures and restrictions on land acquisition in the PRC, please refer to the section headed “Regulation” in this offering memorandum.

If we fail to acquire land use rights for sites suitable for development in a timely manner, at reasonable prices or at all, or if further changes in government policies with regard to land supply and development lead to increases in our costs of acquisition, our business, results of operations and financial condition as well as prospects may be materially and adversely affected.

We may not be able to obtain land use rights of parcels of land with respect to which framework agreements or letters of intent have been entered into, and as a result, there may be a material adverse effect on our business, results of operation and financial condition

We may enter into agreements or letters of intent with relevant governmental authorities and third parties with respect to parcels of land. We may also, from time to time, pay deposits or advance payments pursuant to such agreements, letters of intent and other arrangements in an attempt to acquire land. Such arrangements do not constitute land grant contracts. We cannot assure you that these agreements or letters of intent will eventually result in our acquisition of any land use rights or our entering into of any land grant contract, or that the governmental authorities will grant us the land use rights or issue the relevant land use rights certificates in respect of these parcels of land. If we fail to obtain or experience a material delay in obtaining the land use rights, there may be a material adverse effect on our business, results of operation and financial condition. If a land acquisition fails to materialize, we are generally entitled to a refund of our advance payments or deposits pursuant to the relevant agreements or arrangements. However, there is no assurance that the refund will be made on a timely basis. If there is any delay in refunding our deposits or advance payments, our business, results of operations and financial condition may be materially and adversely affected.

We rely on our external contractors for all of our construction works and if any of these contractors fail to deliver satisfactory services, our reputation, business, results of operations and financial condition may be materially and adversely affected

We outsource construction works of all our projects to external contractors. Such works include, among other things, foundation digging, general construction and installation of equipment. We consider a wide range of factors when selecting a contractor. We cannot assure you that any such external contractor will provide satisfactory services at the required quality level. If the performance of any external contractor is unsatisfactory, we may need to replace the external contractor or take other actions to remedy the situation, which may have a material adverse effect on the cost and construction progress of our projects.

In accordance with applicable PRC laws and regulations, we provide warranties on the quality of properties we construct or sell to our customers. We receive quality warranties from third-party contractors we engage to construct our development projects. If claims are brought against us under our warranties, and if the relevant third-party contractor fails to indemnify us for such claims in a timely manner or at all, or the indemnity provided is not sufficient, we could incur significant expenses to resolve such claims or face delays in rectifying such defects. The occurrence of these events may harm our reputation and have a material adverse effect on our business, results of operations and financial condition.

Furthermore, our external contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or increase our project development costs. The occurrence of any of the above events may have a material adverse effect on our reputation, business, results of operations and financial condition.

We may not be successful in managing our expansion into new geographical locations, and as a result our business, results of operation and financial condition may be materially and adversely affected

We have focused primarily on the development of residential properties in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region in the PRC. We have also established our presence in Shanghai since 2015, Sydney, Australia since 2016 and the Philippines since 2020. For details on our investment in the Philippines, see “Summary — Recent Developments — Acquisition of a 35% Equity Interest of MCSI.” We intend to continue to expand our operations into additional cities in these geographical locations. In addition, we intend to expand into other geographical locations with growth potential.

Expanding into new geographical locations involves uncertainties and challenges as we may be less familiar with local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies. In addition, expanding our business into new geographical locations would entail competition with developers who may have a better-established local presence or greater access to local expertise and knowledge than we do.

As we may face challenges not previously encountered, 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 geographical locations into which we expand due to lack of experience. Furthermore, we may face additional risks due to our investment in the Philippines, including without limitation, political, social and economic instability, terrorist attacks, crimes, natural disasters, outbreaks of infectious diseases, and volatility in the value of the Peso against the U.S. dollar and other currencies, concurrence of any of which could negatively impact the investment and confidence in, and the performance of the Philippine economy, and, in turn our investment return in the Philippines.

In addition, expanding into new geographical locations requires a significant amount of capital and management resources. We will provide or procure funding for the new projects, which could have material adverse effect on our liquidity and increase our leverage substantially. We will also need to manage the growth in our workforce to match the expansion of our business. Any of these factors could have a material adverse effect on our business, results of operations, financial conditions as well as prospects.

A deterioration in our reputation and brand image may have a material adverse effect on our business, results of operations and financial condition

We rely on our reputation and brand image to attract potential customers to our properties. Reputation and brand image are based largely on consumer perceptions with a variety of subjective qualities and can be damaged by isolated business incidents that degrade consumer confidence. Any negative incident or negative publicity concerning us or our properties, whether accurate or not, may damage our reputation and have a material adverse effect on our business, results of operations and

financial condition. In addition, any inaccurate or negative media reports may require us to engage in defensive actions, which may divert our management's attention and adversely affect our business and results of operations. We cannot assure you that there will not be any other false, inaccurate or negative media reports about us or our projects in the future.

We may fail to obtain, or experience material delays in obtaining, requisite certificates, licenses, permits or governmental approvals for our property development operations and as a result, our development plans, business, results of operations and financial condition may be materially and adversely affected

The property industry in the PRC is heavily regulated. During various stages of our property development projects, we are required to obtain and maintain various certificates, licenses, permits, certificates and governmental approvals, including but not limited to qualification certificates, land use rights certificates, construction land planning permits, construction works planning permits, construction works commencement permits, pre-sale permits and completion certificates. Before the government authorities issue or renew any certificate, license or permit, we must meet specific conditions. Please refer to the section headed "Regulation" in this offering memorandum for details. The GFA of the projects developed by several of our PRC subsidiaries exceeded the limit stipulated in their qualification certificates. Under the relevant laws and regulations, such PRC subsidiaries may be required to rectify within a stipulated period of time and subject to a fine up to RMB100,000. If such PRC subsidiaries fail to make rectification as required, their qualification certificates and business licenses may be revoked. As of the date of this offering memorandum, we have not received any notice from relevant authorities in relation to such projects.

We cannot assure you that we will be able to adapt to new PRC land policies that may come into effect from time to time with respect to the property development industry or that we will not encounter other material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates, licenses or permits for our operations in a timely manner, or at all, in the future. If we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary certificates, licenses or permits for any of our major property development projects, we will not be able to continue with our development plans or they may be delayed, and our business, results of operations and financial condition may be adversely affected.

We may not be able to complete or deliver our property development projects on time, which may subject us to liabilities as a result of such delays

The progress of a property development project may be materially and adversely affected by various factors, including delays in obtaining necessary licenses, permits or governmental approvals, shortages of materials, equipment and skilled labors, labor disputes, negligence or poor work quality of contractors, construction accidents, natural catastrophes, adverse weather conditions and changes in governmental policies.

We make certain undertakings in our sales contracts including delivering completed properties and individual building ownership certificates to our customers within the period stipulated in the sales contracts. These sales contracts and the relevant PRC laws and regulations provide for remedies for breach of such undertakings. If we fail to complete the properties on time, our customers may seek compensation for late delivery pursuant to either their sales contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our customers may terminate the sales contracts and claim compensation. Our customers may also elect to default on such sales contracts. We may also be liable to our customers for any delay in the delivery of individual building ownership certificates, which is caused by delays in the administrative approval process or other reasons beyond our control.

We cannot assure you that we will not experience any significant delays in the completion or delivery of our properties, or that we will not be subject to any liabilities for any such delays. Liabilities arising from any delays in the completion or delivery of our properties may have a material adverse effect on our business, results of operations and financial condition. In addition, you should not unduly rely upon our contracted sales numbers (which have neither been audited nor reviewed by our auditor) contained in this offering memorandum as a measure or indication of our current or future operating performance.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters, and we may not be able to obtain land use rights certificates with respect to certain parcels of land

Under PRC laws and regulations, the PRC government may issue a warning, impose a penalty and/or reclaim our land if we fail to develop a particular project according to the terms of the relevant land grant contracts, such as the approved land use, payment of land premiums and other fees, and the time for commencement and completion of development.

Under current PRC laws and regulations, we may be subject to late penalties as stipulated in the land grant contracts if we fail to pay any outstanding land premium by the stipulated deadline. If we fail to commence development for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land and resource authorities may serve an investigation notice and impose an idle land fee of up to 20% of the land premium on us if the delay is found out not to be caused by government actions or force majeure. If we fail to commence development for more than two years, the land may be subject to forfeiture by the PRC government unless the delay is caused by government actions or force majeure. Furthermore, even if we commence development in accordance with the land grant contracts, if the developed land area is less than one-third of the total land area, or if the total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project as specified in the project registration or approval documents, not including the purchase price of the land, and the development of the land is suspended for over one year without government approval, the land will still be treated as idle land.

We cannot assure you that we will be able to fully comply with the obligations under the land grant contracts or listing-for-sale letters in the future due to factors which are beyond our control, or that our property development projects will not be subject to idle land penalties or be taken back by the government as a result of such delays. If we fail to comply with the terms of any land grant contract or listing-for-sale confirmation letter as a result of delays in project development or any other reasons, we may lose our previous investments in the land and the opportunity to develop the project, which may have a material adverse effect on our business, results of operations and financial condition.

We provide guarantees for mortgage loans of our customers and loans of certain of our joint ventures and may become liable to banks if our customers or our joint ventures default on their loans

In line with industry practice, we provide guarantees for mortgage loans given by banks to our purchasers of properties developed by us. Typically, we guarantee mortgage loans given by banks to purchasers until the earlier of (i) the relevant properties are completed and the relevant building ownership certificates and the mortgage are registered in favor of the mortgagee bank, and (ii) the mortgage loans between the mortgagee bank and the purchaser are settled. 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 evaluation conducted by the mortgagee banks on such customers. These are contingent liabilities not reflected on our balance sheets.

As of December 31, 2017, 2018 and 2019 our outstanding guarantees in respect of the mortgages for certain purchasers of our properties amounted to RMB6,052.4 million, RMB5,932.8 million and RMB9,001.9 million (US\$1,293.0 million), respectively. If there is any material default and if we were called upon to honour our guarantees, our business, results of operations and financial condition may be materially and adversely affected.

As of December 31, 2017, 2018 and 2019, we have outstanding guarantees in respect of loans of certain of our joint ventures. If there is any material default by such a joint venture and if we were called upon to honour our guarantees, our business, results of operations and financial condition may be materially and adversely affected.

Our profitability and results of operations are affected by changes in interest rates

We finance our property development projects primarily through proceeds from pre-sales and sales and bank borrowings. Changes in interest rates have affected, and will continue to affect, the financing costs for our property developments. Our bank borrowings are primarily denominated in Renminbi. The interest rates on our Renminbi bank borrowings are primarily affected by the benchmark interest rate set by the PBOC, which has fluctuated significantly in recent years. The PBOC benchmark one-year lending rates in the PRC (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2017, 2018 and 2019 was 4.35%. The weighted average effective interest rate for our bank loans was 6.84%, 6.5% and 7.04%, respectively, as of December 31, 2017, 2018 and 2019, and the weighted average effective interest rate for our trust financing arrangements was 8.83%, 9.03% and 11.99%, respectively, as of December 31, 2017, 2018 and 2019. Most of our finance costs are capitalized and recognized as cost of sales upon the sale of properties. As a result, such capitalized finance costs may adversely affect our gross profit margin upon the sales of properties in future. In addition, changes in interest rates may affect our customers' ability to secure mortgages on acceptable terms, which, in turn, may affect their ability to purchase our properties. In 2017, 2018 and 2019, our finance costs were RMB70.9 million, RMB71.7 million and RMB20.0 million (US\$2.9 million), respectively.

We cannot assure you that the PBOC will not raise lending rates further or otherwise discourage bank lending. Further increases in lending rates may increase our finance costs, which may have a material adverse effect on our business, results of operations and financial condition.

Fluctuations in cost of construction materials or cost of labor may have a material adverse effect on our business, results of operations and financial condition

The cost of construction materials such as steel and cement, as well as contractors' labor costs, may fluctuate. We procure construction materials through our external contractors or by ourselves. If the price of construction materials increases beyond the agreed pre-determined percentage, we may be required to reimburse our contractors for any shortfall. If there is a material increase in the costs of construction materials and we cannot pass on such increase to our customers, our business, financial conditions and results of operations may be materially and adversely affected.

Our construction costs have also been affected by rising labor costs in the PRC in recent years, and we expect labor costs in the PRC to continue to increase in the future.

Moreover, we generated revenue from trading of construction materials in 2018. However, we cannot guarantee that we will continue to generate revenue or profit from trading of construction materials in the future if prices of construction materials fluctuate and we fail to manage our inventory effectively.

If the cost of construction materials or cost of labor deviate materially from our initial estimation, our business, results of operations and financial condition may be materially and adversely affected.

Our success is dependent on the continuing service of members of our senior management, and if we lose the services of any of these key executives and cannot replace them in a timely manner, our business may be materially and adversely affected

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of members of our senior management, in particular our chairman, Mr. Wong. If we lose the services of any of our key executives and cannot replace them in a timely manner, our business may be materially and adversely affected.

In addition, our success depends on our ability to attract and retain talented personnel. We may not be able to successfully attract, assimilate or retain all the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs. Our failure to attract and retain competent personnel and any increase in staffing costs to retain such personnel could have a negative effect on our ability to maintain our competitive position and to grow our business, and our business, results of operations and financial condition may be materially and adversely affected as a result.

We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, results of operations and financial condition may be materially and adversely affected

We face various risks in connection with our businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, in line with general industry practice in the PRC, we do not maintain insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group. Please refer to the section headed “Business — Insurance” in this offering memorandum for further information. The occurrence of any of these events may result in an interruption of our operations and subject us to significant losses or liabilities. In addition, there are certain losses for which insurance is not available on commercially reasonable terms, such as losses suffered due to earthquake, war, civil unrest and certain other events of force majeure. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, results of operations and financial condition may be materially and adversely affected.

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

We may from time to time be involved in disputes with various parties involved in the development and sales of our properties, including contractors, suppliers, construction workers and purchasers. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management’s

attention. In addition, we may have disagreements with regulatory bodies in the ordinary course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in significant liabilities and cause delays to our property developments. We cannot assure you that we will not be so involved in any major legal or other proceedings in the future.

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

Certain of our banking facilities and corporate guarantees are subject to a number of material, customary affirmative and/or negative covenants. For example, we and certain of our subsidiaries may be restricted from carrying out merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration and payment of dividends and incurring further indebtedness without the prior consent of the relevant banks. Our financing abilities may be materially limited if we and certain of our subsidiaries are not able to obtain such prior consent of the relevant banks in time. Certain of our banking facilities and corporate guarantees taken out by certain of our operating subsidiaries also contain cross default conditions which deem a breach of default conditions under relevant financing facilities by the related companies of such operating subsidiaries and their guarantor(s) to be a default by such operating subsidiaries of the banking facilities. If any cross default occurs, these banks are entitled to accelerate payment of all or any part of the indebtedness owing under the relevant loan agreements and to enforce all or any of the security for such indebtedness. If we fail to comply with any of those covenants or repay these loans in part or in full at their respective maturity dates, there may be a material adverse effect on our business, results of operations and financial condition.

We engage in resettlement operations that involve the resettlement of existing residents and the resettlement process may be delayed or not be completed as planned, and as a result our land acquisition and development process may be materially and adversely affected

We undertook or may undertake resettlement operations whereby either we or the original land use rights owner are responsible for resettlement operations including compensation and resettlement of affected local residents, demolition of existing structures and clearing of land of the relevant areas. We are often required to repay certain amounts to the local government authorities before commencement of such resettlement operations. In cases where resettlement of local residents is involved, we may be required to compensate the affected local residents in accordance with applicable laws and regulations. Any disputes with affected local residents as to the related compensation or refusals of dissenting residents for relocation may increase our resettlements costs, delay the resettlement process and the subsequent land acquisition and development process, which may in turn have a material adverse effect on our business, results of operation and financial condition.

As of December 31, 2019, we were involved in ongoing resettlement operations. In respect of our ongoing resettlement operation in Yantai, we had paid site clearing fees in the amount of RMB61.5 million under our current arrangements with the relevant governmental authority and acquired four parcels of land with RMB927.8 million. The local governmental authority is responsible for entering into resettlement agreements with affected local residents and clearing the relevant land so that it becomes ready for subsequent public tender, listing-for-sale or auction. Site clearing fees shall be returned to us upon full payment of the land grant premium by the successful bidder of the land at the subsequent public tender, listing-for-sale or auction. Please refer to the section headed “Business — Resettlement Operations” in the offering memorandum for further details on the projects.

There is no assurance that we can successfully obtain land use rights at the subsequent public tender, listing-for-sale or auction with respect to the land for which we have engaged in resettlement operations. There is also no assurance that our prepayments will be returned to us in a timely manner if we fail to obtain land use rights at the subsequent public tender, listing-for-sale and auction. If we cannot acquire land use rights for future property development projects, there may be a material adverse effect on our business, results of operations and financial condition.

Investment in real properties is relatively illiquid, and we may not be able to sell such investment properties at prices or on terms satisfactory to us, or at all

We intend to increase the proportion of commercial property projects while strategically retaining high quality commercial properties as investment properties for generating rental income. In general, investment in real properties is relatively illiquid compared with other forms of investment. We may need to dispose of certain investment properties in the event of changing economic, financial and investment conditions. However, we cannot assure you that we will be able to sell such investment properties at prices or on terms satisfactory to us, or at all.

We may be subject to potential liability for environmental problems, which may result in losses

We are subject to a variety of laws and regulations concerning the protection of the environment. The applicable environmental laws and regulations may vary significantly depending on the location, environmental condition and present and former uses of the site. Project development activities can be severely restricted or prohibited in environmentally sensitive regions or areas. Compliance with health and environmental laws and conditions may result in delays or cause us to incur substantial compliance and other costs. Please refer to the sections headed “Business — Health, work safety, social and environmental matters — Environmental Matters” in this offering memorandum for details.

As required by PRC laws, we have engaged independent third-party environmental consultants to conduct environmental impact assessments at all of our construction projects, and majority of such environmental impact assessments were submitted to the relevant government authorities for approval before commencement of development. It is possible that the environmental impact assessment conducted may not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. If any portion of the project is found to be non-compliant with relevant environmental standards, we may be subject to suspension of our operations of such project as well as fines and penalties.

Future investments or acquisitions may have a material adverse effect on our ability to manage our business and harm our results of operations and financial condition

We may make strategic investments and acquisitions that complement our operations. However, our ability to make successful strategic investments and acquisitions will depend to a large extent on our ability to identify suitable acquisition targets that meet our investment and acquisition criteria, to obtain financing on favorable terms and, where relevant, to obtain the required regulatory approvals. In the event that we are unable to make, or are restricted from making, such strategic investments or acquisitions due to regulatory, financial or other constraints, we may not be able to effectively implement our investment or expansion strategies.

Acquisitions typically involve a number of risks, including, but not limited to:

- the difficulty of integrating the operations and personnel of the acquired business;
- the potential disruption to our ongoing business and the distraction of our management;

- the difficulty of maintaining uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and customers as a result of integration of new management and personnel;
- unrevealed potential liabilities associated with acquired businesses;
- higher than planned requirements to preserve and grow the value of acquired businesses or assets; and
- adverse effects on our results of operations due to the amortization of and potential impairment provision for goodwill or other intangible assets associated with acquisitions, and losses sustained by acquired businesses after the date of acquisitions.

We may not be able to make acquisitions or investments on favorable terms or within a desired time frame. Even if we were able to make acquisitions or investments successfully as desired, we cannot assure you that we will achieve an intended level of return on such acquisitions or investments. In addition, we may require additional equity financing in order to make such acquisitions and investments. If obtained, any such additional equity financing may result in dilution to the holdings of existing shareholders. Any of these factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

We mainly purchase from a small group of suppliers, and any disruption in their supply may have a material adverse effect on our business, results of operations and financial condition

In 2017, 2018 and 2019, our major suppliers were mainly our construction contractors. Purchases from our five largest suppliers accounted for approximately 25.5%, 23.1% and 27.9%, respectively, of our total purchases for the years ended December 31, 2017, 2018 and 2019, and purchases from our largest supplier accounted for approximately 17.7%, 11.1% and 14.7%, respectively, of our total purchases for the corresponding years. Should there be a disruption in supply by one or more of our major suppliers and we fail to find replacement suppliers on favorable terms, or at all, our business, results of operations and financial condition may be materially and adversely affected. Please refer to section headed “Business — Suppliers and Customers — Suppliers” in this offering memorandum for further details.

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

Certain members of our Group have failed to lay their profit and loss accounts and balance sheets at their respective annual general meeting and/or lay their accounts made up to date not more than nine months before the annual general meeting in accordance with requirements under the Companies Ordinance in history. For risks associated with our failure to comply with the terms of the land grant contracts or listing-for-sale confirmation letters, please refer to the section headed “— Risks relating to our business — The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters, and we may not be able to obtain land use rights certificates with respect to certain parcels of land” in this offering memorandum. For risks associated with our failure to comply with the PRC State Administration of Foreign Exchange (“SAFE”) registration requirements, please refer to the section headed “— Risks relating to conducting business in the PRC — Failure to comply with SAFE regulations relating to the establishment of special purpose vehicles by our beneficial owners may materially and adversely affect our business operations” and “— Risks relating to conducting business in the PRC — Failure to comply with the cross-border guarantee related regulations may materially and adversely affect our

business, results of operations and financial condition” in this offering memorandum. Although we have put in effect internal control measures to prevent occurrence of similar incidents in the future, there is no assurance that our Group will not have any non-compliance incidents in the future. In the event that we breach any applicable laws, rules or regulations in the future, we may be subject to fines or penalties arising from such non-compliance incidents, which may have a material adverse effect on our business, results of operations and financial condition.

We may be subject to fines due to the commencement of construction works prior to obtaining the relevant construction works commencement permit or building unauthorized construction without local government’s permission

Pursuant to the Regulation on the Quality Management of Construction Projects 《(建設工程質量管理條例)》 promulgated by the State Council on January 10, 2000, effective on January 30, 2000 and amended on October 7, 2017, a property developer shall apply for a construction works commencement permit from the relevant authority prior to the commencement of any construction works on the land. If a property developer fails to obtain the relevant construction works commencement permit before commencement of construction works, the relevant authorities may order the property developer to stop the construction and make corrections and impose a fine of no less than 1% but no more than 2% of the contractual price of the project to the property developer. Where a fine is imposed on the property developer, a fine of no less than 5% but no more than 10% of the amount of the property developer’s fine may be imposed on the directly liable person-in-charge and other directly liable persons in the property developer. If any of our project companies commences construction without the construction work commencement permit, we may be subject to fines, which may have an adverse effect on our business, results of operations and financial condition.

We may not be able to realize the anticipated economic and other benefits from our joint ventures, and disputes with joint venture partners or any violation of PRC laws by our joint ventures may adversely affect our business, results of operations and financial condition

We have entered into joint ventures with other property developers to develop projects and may continue to do so in the future. The success of a joint venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties to the joint ventures. Joint ventures may involve risks associated with, among others, the possibility that our joint venture partners may:

- have economic or business interests or goals inconsistent with ours;
- take actions contrary to our instructions, requests or our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements;
- have financial difficulties; or
- have disputes with us as to the scope of their responsibilities and obligations.

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

RISKS RELATING TO OUR INDUSTRY

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

Property development is capital intensive. We finance our property development projects primarily through proceeds from sales of properties and bank borrowings. We may also access the capital markets to raise further financing. Our ability to obtain external financing in the future is subject to a variety of uncertainties, many of which are beyond our control, including:

- the condition of the international and domestic financial markets and financing availability;
- obtaining the necessary PRC government approvals to raise financing in the domestic or international markets;
- our future financial condition, results of operations and cash flow;
- general economic conditions in the PRC;
- performance and outlook of the property development industry in the PRC;
- changes in the monetary policy of the PRC government with respect to bank interest rates, lending practices and conditions; and
- changes in policies regarding regulation and control of the property market.

We cannot assure you that we will be able to meet our sales targets or that banks or other lenders will grant us sufficient financings in the future as we expect. Accordingly, we may not be able to raise enough funds for our continuing operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements.

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.

The PRC government may further tighten financing policies on PRC financial institutions for the property development sector. 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.

Our operations are subject to extensive governmental regulations and the frequent introduction of new regulations, and we may be affected by further measures promulgated by the PRC government to slow down the growth of the property sector

Our business of developing and selling residential premises is extensively regulated in the PRC. We are required to comply with various PRC laws and regulations, as well as policies and procedures prescribed by local authorities to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, which, among other things, control foreign exchange, taxation, foreign investment and the supply of land for property development. Through these policies and measures, the PRC government may raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales, impose foreign exchange restriction on cross-border investment and financing related activities and restrict foreign investment in the PRC property sector and restrict or reduce the supply of land for property development. In the event that we breach any applicable laws, rules, regulations or restrictions, we may be subject to fines or penalties, which may have a material adverse effect on our business, results of operations and financial condition.

Over the past few years, the PRC government has introduced a number of policies to control the growth and curtail the overheating of, and the foreign investment in, the PRC property sector. Please refer to the section headed “Regulation” in this offering memorandum for further details.

The PRC government’s measures and policies could restrict our ability to obtain financing and increase our operating costs, as well as limit our potential customers’ ability to purchase our properties. Measures and policies adopted by the PRC government to restrict the ability of purchasers to obtain mortgages, to resell their properties or to increase the cost of mortgage financing may reduce market demand for our properties and therefore have a material adverse effect on our business, results of operations and financial condition. The PRC government may adopt further measures in the future which may further reduce market demand and slow down the growth of the property industry. These measures may have a material adverse effect on our business, results of operations and financial condition.

Changes in PRC laws and regulations with respect to pre-sale may have a material adverse effect on our business performance

We depend on cash flows from the pre-sale of properties as an important source of funding for our property development. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance their development. Moreover, on September 21, 2018, Guangdong Real Estate Association issued an “Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses” (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. We cannot assure you that the PRC government will not implement further restrictions on property pre-sale, such as imposing additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. The adoption of any such measures may materially and adversely affect our cash flow position and force us to seek alternative sources of funding to finance our project development, which may not be available on commercially reasonable terms, or at all. If adequate funds are not available from alternative funding, 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.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations which could have a material adverse effect on our results of operations

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. In 2017, 2018 and 2019, we incurred LAT of RMB179.0 million, RMB381.9 million and RMB577.2 million (US\$82.9 million), respectively. Pursuant to a circular issued by the State Administration of Taxation, effective February 1, 2007, LAT obligations must be settled with the relevant tax authorities under specific circumstances. Please refer to the section headed “Regulation — Major taxes applicable to property developers” in this offering memorandum for a detailed description of PRC regulations on LAT.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned amongst 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. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. If we substantially underestimated LAT for a particular period, a payment of the actual LAT assessed and levied on us by the tax authorities could have a material adverse effect on our results of operations for a subsequent period.

The terms on which mortgage loans are available, if at all, may affect our sales

Many purchasers of our properties rely on mortgages to finance their purchases. Any increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the affordability of properties for purchasers. In addition, the PRC government and commercial banks may increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

From time to time, the PRC government issues laws, regulations or government policies regarding mortgage financing to regulate the PRC property market. In January 2010, the State Council issued the Circular on Promoting the Stable and Healthy Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional housing properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level. In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, pursuant to such notice, interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. In May 2010, the Ministry of Housing and Urban-Rural Development (the “MOHURD,” previously the Ministry of Construction), PBOC and the CBRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser’s spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying

for mortgage loans. According to a notice jointly issued by PBOC and CBRC on September 29, 2010, the minimum down payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. In November 2010, MOHURD, the Ministry of Finance and PBOC jointly issued a notice, which set a separate minimum down payment of 20% on the first homes with a GFA of no more than 90 sq.m. for the purchasers using housing provident fund loans. In January 2011, the State Council issued a circular to further raise the minimum down payment for second home purchases to 60%. See "Regulation — Loan for Real Estate and Measures on Stabilizing Housing Price." In addition, pursuant to the guidance issued by CBRC in August 2004, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In February 2013, the State Council issued a notice to control the market of real property by allowing local branches of PBOC located in cities with a rapid rise of housing price to further increase the down payment ratio and mortgage loan interest rates for second home purchasers. A notice jointly issued by the PBOC, the CBRC and the MOHURD in March 2015 lowered the minimum down payment ratio to 40% for a second home purchaser with existing mortgage loans applying for a new mortgage loan for the second home. In August 2015, the Ministry of Finance and the PBOC jointly issued a notice to lower the down payment ratio from 30% to 20% for the second home purchaser who has paid off the housing provident fund loan for the first home and is applying for a new housing provident fund loan to purchase a second home for improving current living conditions of such purchaser. In February 2016, the PBOC and CBRC jointly issued a notice, which provides that, in cities where housing purchase restriction is not implemented, the minimum down payment ratio shall generally be 25% for first home purchasers with commercial individual housing loans, which may be further decreased by 5% by local governments, and the minimum down payment ratio shall not be less than 30% for second home purchasers with existing mortgage loans applying for another commercial individual housing loan. Since 2015, although the PRC banks have become more flexible in dealing with mortgage lending in the cities without housing purchase restriction, the mortgage lending in cities where housing purchase restriction being imposed is still under strict control in general. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, results of operations and financial condition may be materially and adversely affected.

Intensified competition may materially and adversely affect our business, results of operations and financial condition

Competition within the PRC real estate industry is intense. Domestic and overseas property developers have also entered the property development markets in cities where we have operations. Many of them may have more financial, marketing, technical or other resources than us. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of governmental approvals, and higher costs to attract or retain skilled employees. If we fail to compete effectively, our business, results of operations and financial condition materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Most of our assets and operations are in the PRC, and substantially all of our revenue is derived from our operations in the PRC. Accordingly, our future business, results of operations, financial condition and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC, including the following risks:

Political and economic policies of the PRC government may affect our business and results of operations and may result in our inability to sustain our growth and expansion strategies

The PRC economy has largely been a centrally planned economy, which differs from other developed economies of the world in many respects, including:

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

The PRC economy has been transitioning from a planned economy to a more market oriented economy. The PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy and is continuing to play a significant role in regulating industries by imposing industrial policies.

We cannot, however, predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws and regulations, will have any material adverse effect on our current or future business, results of operations, financial condition and prospects.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. The PRC government has recently articulated the need to control economic growth, and to limit inflation. The PRC government implemented a series of macro-economic policies which included raising the benchmark interest rates, increasing the PBOC statutory deposit reserve ratio and imposing commercial bank lending guidelines that had the effect of restricting loans to certain industries. Certain of these macro-economic policies and stricter lending policies in the PRC may have a material adverse effect on our results of operations, financial condition and our ability to obtain financing, thus reducing our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending, or that, if any such measure is implemented, it will not have a material adverse effect on our future results of operations or profitability. Furthermore, we cannot assure you that our historical economic and market conditions will continue, or that we will be able to sustain our growth.

A slowdown of the PRC economy may slow down our growth and may affect our business

The PRC economy has recorded one of the world's fastest growth rates in terms of GDP. However, we cannot assure you that such growth will sustain and continue in the future. In addition, a slowdown in the economies of the United States, the European Union and certain Asian nations with which the PRC has important trade relationships or any future calamities may materially and adversely affect the economic growth of the PRC. If the PRC economy experiences a significant downturn, our business, results of operations, financial condition and prospects may be materially and adversely affected.

In May 2017, Moody's Investors Service 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. 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.

Rapid economic growth can lead to growth in money supply and inflation. If prices of our properties rise at a rate that is insufficient to compensate for the rise in our costs, our business, financial condition and operating results may be materially and adversely affected. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on State bank lending. Such an austerity measure can lead to a slowdown in the economic growth and may materially and adversely affect our business, results of operation and financial condition.

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

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

As of the date of this offering memorandum, more than 80,000 cases of COVID-19 have been confirmed in China and more than 4 million cases have been confirmed worldwide. The outbreak of COVID-19 has spread far and wide inside China, covering all of the locations in which we operate our projects in China, such as Jiangxi, Shandong, Anhui, Shaanxi, Zhejiang, Guangdong and Fujian provinces. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. As a result, sales offices and construction of our development projects were temporarily shut down. Moreover, supply of our raw materials and productivity of our employees were affected. Our operations experienced disruptions, such as temporary closure of our offices and/or those of our contractors or suppliers and suspension of services. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their

purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Furthermore, our properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in our properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operations, performance and prospects.

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

The global financial markets have experienced significant deterioration and volatility, which have negatively affected the global economy. Any further downturn may adversely affect our results of operations and financial condition

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global equity securities markets and tightening of liquidity in global credit markets. Since 2011, the tightening monetary policies and high inflation in the PRC, global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas financial markets. While it is difficult to predict how long these conditions will exist and the extent to which we may be affected, these developments may continue to present risks to our business operations for an extended period of time, including increase in interest expenses on our bank borrowings, or reduction in the amount of banking facilities currently available to us. More recently, on June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union (“Brexit”). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads in credit markets, a reduction in available financing and a tightening of credit terms. Furthermore, China’s economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government,

under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the 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 roadmap to the comprehensive resolution remains unclear, and the lasting impact it may have on China’s economy and the PRC real estate industry remains uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected. Any severe or prolonged slowdown or instability in the global or China’s economy may materially and adversely affect our business, financial condition and results of operations.

Should there be a further economic downturn or credit crisis for any reason, our ability to borrow funds from current or other funding sources may be further limited, causing our continued access to funds to become more expensive, which would adversely affect our business, liquidity, financial condition, results of operations, and most importantly, our property development projects. As such, we cannot assure you that our business operations will not suffer further adverse effects caused by the previous or future credit crisis in the near future.

The PRC legal system is less developed than legal systems in certain other jurisdictions and embodies inherent uncertainties that could limit the legal protection available to us and to our shareholders

Our operations are conducted in the PRC. The PRC legal system is based on written statutes and thus prior court decisions can only be cited as reference and have limited use as precedents. Since the late 1970s, the PRC government has been developing a comprehensive system of laws, regulations and rules in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade.

However, given that these laws, regulations and rules have not been fully developed, limited volumes of published cases are available and the cases are non-binding in nature, there is some degree of uncertainty in the interpretation and enforcement of these laws, regulations and rules, which in turn creates uncertainty as to the outcome of any legal action that may be taken against us in the PRC. The interpretation of statutes, regulations and rules may also be subject to government policies which can change to reflect domestic political factors.

In addition, the PRC legal system is based, in part, on governmental policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. We may also be deemed to have violated certain policies or rules for the actions of our counterparties in various transactions even if we are not aware of whether our counterparties are acting in compliance

with applicable PRC laws and regulations. Accordingly, we may not be aware of any actual or deemed violations of such policies and rules until some time after such violations have taken place. Furthermore, any litigation we undertake in the PRC, regardless of its outcome, may be protracted and result in substantial costs to us and diversion of both our resources and management attention.

Fluctuations in foreign exchange rates and changes in foreign exchange regulations may materially and adversely affect our business and results of operations and our ability to remit dividends

Our revenue and expenditure are principally denominated in Renminbi, which is currently not a freely convertible currency. We do not have a formal hedging policy and have entered into a foreign currency exchange contract to hedge our currency risk. We import certain materials for the production of some of our products. In addition, we will require foreign currencies for dividend payment (if any) to our shareholders. As a result, we are exposed to foreign currency fluctuations.

In the PRC, since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and further widened to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 24.5% from July 21, 2005 to June 30, 2016. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. 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. Any appreciation of Renminbi may result in the decrease in the value of foreign currency-denominated assets. Conversely, any depreciation of Renminbi may adversely affect our business, results of operations and financial condition.

Capital account transactions in foreign currencies are subject to significant exchange controls and generally require the approval of PRC government authorities, including SAFE. Under the existing PRC foreign exchange regulations, by complying with certain procedural requirements, we will be able to pay dividends (if any) in foreign currencies without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to our shareholders.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and may result in PRC withholding taxes on interest we pay on the Notes and PRC tax on gains from the transfer of the Notes

Under the Enterprise Income Tax Law (企業所得稅法) (the “EIT Law”) which took effect on January 1, 2008 and was recently amended on December 29, 2018, and its implementation rules, enterprises established outside the PRC whose “*de facto* management bodies” are located in China are considered “resident enterprises” for PRC tax purposes. The implementation rules define the term “*de facto* management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the “*de facto* management bodies” for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the “*de facto* management bodies” for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

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

Although it is unclear under PRC tax law whether we have a “*de facto* management body” located in the PRC for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT Law purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we may be obligated to withhold PRC income tax at a rate of 10% on payments of interest and redemption premium on the Notes to investors that are non-resident enterprises because the interest and redemption premium may be regarded as being derived from sources within the PRC. In the case of individual holders of Notes, the tax may be withheld at a rate of 20%. Further, if we were treated as a PRC resident enterprise, any gain realized by a non-resident enterprise investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax in the case of non-resident enterprises or 20% in the case of non-resident individuals. These rates may be reduced by an applicable tax treaty. For example, non-resident enterprise investors located in Hong Kong may qualify for tax on payments of interest and redemption premium under the Notes at a rate of 7% pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.

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 claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

The full-fledged levy of value added tax on revenues from a comprehensive list of service sectors may subject our revenues to a higher average tax rate

Pursuant to 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)》 issued on March 23, 2016 and implemented on May 1, 2016 (“Circular 36”) by the Ministry of Finance and SAT, effective from May 1, 2016, PRC tax authorities have started imposing value added tax on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with value added tax for over 20 years. Since the issuance of Circular 36, the Ministry of Finance and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of value added tax on revenues from construction, real estate, financial services and lifestyle services. The value added tax rates applicable to us may be generally higher than the business tax rate we were subject to prior to the implementation of Circular 36. For example, the value added tax rate for the sale of self-developed real estate projects will be increased from 5% (the applicable business tax rate prior to May 1, 2016 and the applicable VAT rate for sale of “old projects,” i.e. real property the construction of which commenced prior to 1 May 2016) to 10%. Unlike business tax, the value added tax will only be imposed on added value, which means the input tax incurred from our construction and real estate can be offset from our output tax. However, details of concrete measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new value added tax regime on our tax burden, our revenues and results of operations, which remains uncertain.

It may be difficult to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC

Most of our management reside in the PRC and a significant portion of our assets and the assets of our management are located in the PRC. Accordingly, it may be difficult for you to effect service of process in connection with disputes brought in the courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

Furthermore, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in the BVI, the Cayman Islands and most other western countries. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE NOTES

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

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

Creditors, including trade creditors of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on such subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of such subsidiaries, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2019, our Non-Guarantor Subsidiaries had bank and other borrowings in the amount of RMB7,478.1 million (US\$1,074.2 million) and no capital commitments or contingent liabilities arising from guarantees. See the section entitled "Description of Other Material Indebtedness." The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantor (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes (other than the Collateral).

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to, 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 are limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. 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 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 in a timely manner

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of December 31, 2017, 2018 and 2019, our total outstanding borrowings amounted to RMB7,243.2 million, RMB11,059.7 million and RMB16,782.7 million (US\$2,410.7 million), respectively. Subsequent to December 31, 2019, we also entered into additional financial arrangements to finance our property development and for general corporate purposes. For details, please refer to "Description of Other Material Indebtedness."

As of December 31, 2019, we had borrowings amounting to RMB12,087.9 million (US\$1,736.3 million) repayable within one year, ignoring the effect of any repayment on demand clause, which were significantly higher than those as of December 31, 2018. Our indebtedness under the August 29 2018 Notes, the May 2019 Notes and the December 2019 Notes will be due in 2020. See "Description of Other Material Indebtedness" for more details. As a result, we are facing a high level of refinancing risk, as we are under heightened time pressure to refinance maturing borrowers. There can be no assurance that we would be able to refinance our indebtedness (in particular, our indebtedness due in 2020) in a timely manner on acceptable terms or at all. This risk is exacerbated by the volatility that the global capital or credit markets have experienced.

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 Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, 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 issuers whose covenants do not typically include such gains in the definition of Consolidated Net Income. As a result, our ability to incur additional debt under the Fixed Charge Coverage Ratio could be substantially larger when compared to such other issuers. In addition, because our definition of Consolidated Interest Expense excludes (i) the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense has become payable by us), (ii) interest expenses arising from lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16 and (iii) interest expense arising from pre-sale receipts in advance from customers, 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 typically include such interest expense in the calculation of their respective Consolidated Interest Expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. Please refer to the sections headed “Description of the Notes — Certain Covenants” and “Description of the Notes — Definitions” in this offering memorandum for further details.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash

flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the specific exceptions to the financial ratios 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 other financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Other Material Indebtedness.” Such restrictions in the Notes 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. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

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 amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of 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. For example, in the preparation of the 2019 Interim Financials, three PRC entities were accounted for as joint ventures in our financial statements which were released on the Hong Kong Stock Exchange on August 29, 2019. We revisited the classification of investment in the three PRC entities and concluded that they should have been continued to be accounted for as our subsidiaries during the six months ended June 30, 2019. In view of the foregoing, the three PRC entities have been consolidated in our restated financial statements released on the Hong Kong Stock Exchange dated on November 29, 2019. As a result of recognition of the three PRC entities from joint ventures to subsidiaries, based on the restated 2019 Interim Financials, we have failed to comply with a financial covenant ratio requirement under the 2019 HSB Syndicated Facility (for details of these two facilities, please refer to “Description of Other Material Indebtedness”). In addition, pursuant to our certain onshore bank loan agreements, the lenders have the rights to demand for immediate repayment should there be any default events happened in respect of our other borrowings. As of the date of this offering memorandum, we have obtained written agreements to revise the financial covenant ratio requirement for the period ended June 30, 2019 and the year ending December 31, 2019 and to waive any claims arising from such non-compliance. Based on our communications with the banks related to the aforementioned onshore bank loan agreements and email confirmations obtained, we considered that the banks will not exercise their rights under the relevant cross-default clauses given that we have successfully obtained the waivers with respect to, and revision of the financial

covenant ratio requirement of, the offshore borrowings as mentioned above. We cannot assure you that a default under any outstanding debt agreement will not occur again in the future or that we may be able to obtain relevant waivers for such default in a timely manner, or at all, in each of which cases, there will be material adverse effect on our results of operations, financial condition and business.

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

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

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries and any dividends from such subsidiaries may not qualify for reduced treaty rates

As a holding company, we depend on the receipt of dividends and interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our debt obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In particular, a minority of our PRC subsidiaries are parties to bank loan agreements that restricts their ability to pay dividends. See the section entitled “Description of Other Material Indebtedness.” 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 would not be available to us to make payments on the Notes. Further, certain loan agreements and secured trust financing agreements obtained or to be obtained by our PRC subsidiaries from lender banks and trust companies in the PRC may contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. These restrictions could reduce the dividends and advances that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be).

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS and HKAS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors.

In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless such non-PRC parent companies are held to be PRC resident enterprises by relevant tax authorities, which shall be exempt from enterprise income tax for their direct equity investments in other PRC resident enterprises, or there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated that specifically exempts or reduces such withholding tax. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Hong Kong Tax Treaty”), our Hong Kong subsidiaries, directly holding 25% or more equity interest in a PRC subsidiary at the time of the distribution, may be subject to withholding tax at a rate of 5% on dividends received from such PRC subsidiary. However, according to the Circular in Relation to the Understanding and Determination of “Beneficial Owners” in Tax Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》) issued by the PRC State Administration of Taxation on October 27, 2009 (“Circular 601”), tax treaty benefits will be denied to “conduit” or shell companies without substantive business activities. It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through our Hong Kong subsidiaries. It is possible, however, that under Circular 601, our Hong Kong subsidiaries would not be considered as the “beneficial owners” of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty, in which case our results of operations and financial position would be materially and adversely affected. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet our payment obligations under the Notes or to satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or the JV Subsidiary Guarantees (as the case may be), and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders’ loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident, subject to approval by local tax authorities) withholding tax on our behalf on the interest paid under any shareholders’ loans.

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

Our transfer of funds into the PRC to finance our development projects is subject to approval by the PRC Government and, as a result, the use of our net proceeds from the offering of the Notes as disclosed may be delayed

The PRC Government has implemented a series of rules and measures to control the inflow of foreign funds into the property development industry or for property speculation. The transfer of our net proceeds from the offering of the Notes into the PRC is subject to such PRC government control measures.

According to Measures for the Administration of Foreign Debt Registration (《外債登記管理辦法》)(“Notice No. 19”) issued by SAFE on April 28, 2013 which took effect on May 13, 2013, local branches of SAFE shall not register any foreign debt of a Foreign-Invested Real Estates Enterprises (the “FIREE”) if it obtained approval certificate from competent commercial departments and filed with MOFCOM on or after June 1, 2007. It restricts the ability of FIREE to raise funds offshore by structuring the funds as a shareholder loan to the property development companies in the PRC. Instead, in most circumstances such companies have to structure the funds from offshore as an equity investment and obtain the funds through an increase of their registered capital or the establishment of new FIREE.

On May 23, 2007, MOFCOM and SAFE jointly promulgated the Notice on Further Reinforcing and Regulating the Approval and Supervision on Foreign Direct Investment in the 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》) (“Circular 50”), which provides that, among things, before any foreign-invested enterprise engaging in real estate development or operations or any FIREE engaging in new real estate project developments, approvals from relevant PRC authorities shall be obtained. On June 18, 2008, MOFCOM issued the Circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (《商務部關於做好外商投資房地產業備案工作的通知》), pursuant to which MOFCOM has delegated the task of verifying filing documents to its provincial agencies. On November 22, 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (《關於加強外商投資房地產業審批備案管理的通知》), which provides that, among other things, the local MOFCOM authorities are not permitted to approve investment companies to engage in the real estate development and management. On June 24, 2014, MOFCOM and SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (《關於改進外商投資房地產備案工作的通知》) to simplify the procedures of registration of foreign investment in real estate. And the MOFCOM and SAFE jointly issued the Circular on Further Improving the Record-filing for Foreign Investments in Real Estate (《關於進一步改進外商投資房地產備案工作的通知》) on November 6, 2015, cancelling the online record filing-procedure maintained by MOFCOM, and allowing local branches of MOFCOM to approve the establishment and modification of FIREEs as they did to other foreign-invested enterprises.

Pursuant to the above notices, we are required to register and apply for approvals from relevant PRC governmental authorities if we plan to expand the scope of our business or the scale of our operations, engage in new real estate project developments or operations or increase the registered capital of our subsidiaries or associated project companies in the PRC in the future. Our net proceeds from the offering of the Notes will primarily be used to refinance certain existing indebtedness and for other general corporate purposes. The injection of funds by any of such means is subject to the registration and approval requirements as mentioned above. As a result, we must register and apply for approval with the relevant PRC governmental authorities, and wait till the requested approvals are completed before we may transfer the proceeds from the offering of the Notes into the PRC for the intended uses in the PRC.

In addition, any capital contributions or loans that we, as an offshore company, make to our PRC operating subsidiaries, including from the proceeds of the offering of the Notes, are subject to other foreign investment regulations in the PRC. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total investment amount that our PRC subsidiaries are approved to make under the relevant PRC laws and regulations, and their respective registered capital, and must be registered with or approved by the local branches of SAFE.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and further widened to 2.0% in March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 24.5% from July 21, 2005 to June 30, 2016. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. 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 the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes and other indebtedness denominated in foreign currencies.

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

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any

other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

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

Upon the occurrence of a Change of Control Triggering Event, the holder of each Note will have the option to require us to redeem all or some of the holder's Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See the section entitled "Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event."

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of the 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 Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure. 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 terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures

In light of land prices, the capital intensive nature of land acquisitions, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture governing the Notes, in particular, in any joint ventures in which we may own less than a 50% equity interest that are engaged in non-property development businesses. See the definition of the "Permitted Investment" in the "Description of the Notes." Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or joint ventures, these restrictions are subject to important exceptions and qualifications. See the section entitled "Limitation on Restricted Payments" and the definition of "Permitted Investment" in "Description of the Notes."

The terms of the Notes give us enhanced flexibility to pay dividends and repurchase our shares

We pay dividends to our shareholders or redeem our common stock from time to time. Under the Indenture, any such dividend payment or repurchase will be a "Restricted Payment," which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such

restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock or redeem our common stock in an aggregate amount up to 20% of our consolidated profit for the year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends or redeem a substantial amount of our common stock even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

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

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

The insolvency laws of the Cayman Islands and the PRC and other local insolvency laws applicable to us may differ from those of any other jurisdiction with which holders of the Notes are familiar

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the laws of the United States or other jurisdictions with which holders of the Notes are familiar. In addition, the Subsidiary Guarantors are incorporated in the BVI or Hong Kong and the insolvency laws of the BVI and Hong Kong 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. We and our 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 in the insolvency laws of the Cayman Islands, the BVI, Hong Kong, the PRC and other jurisdictions applicable to us carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and 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 the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with 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, subject to approval by local tax authorities) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

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

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

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

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

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

The Notes are a new issue of securities for which there is currently no trading market. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See the section entitled “Transfer Restrictions.” We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

The Notes are expected to be rated B by Standard & Poor’s and B by Fitch. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The Company has been assigned a rating of B by Standard & Poor’s Ratings Services and B by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the ratings will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the ratings assigned to the Issuer may adversely affect the market price of the Notes.

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

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

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and

- (a) any holder (or any Affiliate of such holder) of 10% or more of shares of the Company; or
- (b) any Affiliate of the Company, on the other hand.

As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions. In addition, we will also not be required to deliver officers' certificates or any fairness opinions for certain Affiliate Transactions which are connected transactions that are conducted in compliance with the relevant Listing Rules.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates, fluctuations in price for comparable companies and 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 Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of an investment in the Notes in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisors, whether it: (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this offering memorandum; (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the currency in which the potential investor's financial activities are principally denominated; (iv) understands thoroughly the terms of the Notes and is familiar with the behavior of any relevant indices and financial markets; and (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from GAAP in other jurisdictions, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP. You should consult your own professional advisors for an understanding of the differences between HKFRS and other GAAP and how those differences might affect the financial information contained in this offering memorandum.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt securities listed in certain other countries

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

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 depository 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 depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream 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.

RISKS RELATING TO THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES (IF ANY) AND THE COLLATERAL

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

We conduct substantially all of our business operations through our PRC subsidiaries but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized

under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries (each term as defined in the “Description of the Notes”) 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 if the consolidated assets of these subsidiaries (other than the Exempted Subsidiaries and Listed Subsidiaries) do not exceed 20% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of our PRC subsidiaries and other Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future 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 Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to, or 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 are limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year-end of the Company. 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.

Security over the Collateral will not be granted directly to the holders of the Notes, and the Collateral will generally be shared with creditors under certain other financings

Security over the Collateral for the obligations of the Company under the Notes and the Indenture will not be granted directly to the holders of the Notes but will be granted only in favor of the Collateral Agent. As a consequence, holders of the Notes will not have direct security and will not be entitled to take enforcement action in respect of the security for the Notes, except through the Collateral Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations.

The Collateral is shared on a *pari passu* basis by the holders of the Notes, the Existing *Pari Passu* Secured Indebtedness (as defined in the “Description of the Notes”) and any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness. In addition, the Indenture also permits us to enter into certain future financings, and creditors under those future financings may share the Collateral *pari passu* with the holders of the Notes. See the section entitled “Description of the Notes — Security — Permitted *Pari Passu* Secured Indebtedness” for a further discussion of the sharing of the Collateral with creditors under future financings. If creditors under future financings opt to share the Collateral under an intercreditor agreement, a smaller portion of the proceeds from the Collateral will be available to satisfy the claims of the holders of the Notes, which could have a material adverse effect on their ability to recover sufficient proceeds to satisfy their claims under the Notes.

The Intercreditor Agreement may impact the ability of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to pay amounts due under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Intercreditor Agreement may limit the rights of holders of the Notes to the Collateral

The Collateral Agent is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes and the holders (or representatives or agents) of other Permitted Pari Passu Secured Indebtedness, given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect the Company's entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors' or the JV Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees or the JV Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and the holders of other Permitted Pari Passu Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement, instruct the Collateral Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Collateral Agent described above, actions that may be taken in respect of the Collateral may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any).

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral against any loss, liability or expense.

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

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

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in the BVI:

- incurred the debt with the intent to defraud creditors (whenever the transaction took place and irrespective of insolvency);

- either (i) 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 or (ii) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor (although in either case a guarantee will only be voidable if it (i) was entered into at a time when the guarantor was insolvent or if it became insolvent as a consequence of doing so, insolvent in this context meaning that the guarantor is unable to pay its debts as they fall due, and (ii) was given within the six months, or, if the guarantee and beneficiary are connected entities, two years, before the onset of insolvency).

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in other jurisdictions:

- 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 such incurrence;
- 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 jurisdiction which are being applied. 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 property 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 debt as it became absolute and matured. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees or JV Subsidiary Guarantees (if any). 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 guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration, and, as a result, such guarantee would be rendered void.

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

If a court voided a Subsidiary Guarantee or JV Subsidiary Guarantee (if any), subordinated such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor (if any) or held the Subsidiary Guarantee or JV Subsidiary Guarantee (if any) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor (if any) based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor, and would solely be creditors of us and any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) whose guarantee was not 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.

The pledge of certain Collateral may in some circumstances be voidable

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong and the BVI if the creation of the pledge takes place at any time within six months prior to the onset of insolvency or, under some circumstances, within a longer period. Pledges of shares of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under “— The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.”

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness

The Collateral will consist only of the shares of the Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Collateral Agent to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Collateral Agent, the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By their nature, some or all of the Collateral, in particular, the shares of the existing or any future Subsidiary Guarantors may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral is shared on a *pari passu* basis by the holders of the Notes, the Existing Pari Passu Secured Indebtedness (as defined in the “Description of the Notes”) and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or additional Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement.

The pledge of certain Collateral may be released under certain circumstances

If we dispose of not less than 20% of the shares of a Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the Collateral comprising the shares of these companies, may be released if the consolidated assets of our non-PRC subsidiaries (other than Exempted Subsidiaries and the Listed Subsidiaries) that do not guarantee the Notes do not account for more than 20% of our total assets immediately following such release. In addition, in the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by the PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. From July 21, 2005 to December 31, 2013, the value of the Renminbi appreciated by approximately 26.9% against the U.S. dollar. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, Renminbi experienced significant fluctuation in value against the U.S. dollar but in 2017 and 2018 rebounded and appreciated significantly against the U.S. dollar. On August 5, 2019, the PBOC set the Renminbi's daily reference rate below RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. There remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in further and more significant depreciation of the Renminbi against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
	<i>(RMB per US\$1.00)</i>			
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
January	6.9161	6.9184	6.9749	6.8589
February	6.9906	6.9967	7.0286	6.9650
March	7.0808	7.0205	7.1099	6.9244
April	7.0622	7.0708	7.0989	7.0341
May	7.1348	7.1016	7.1681	7.0622
June	7.0651	7.0816	7.1263	7.0575
July (through July 24, 2020)	7.0168	7.0066	7.0703	6.9800

Source: Federal Reserve H.10 Statistical Release

Note:

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

Hong Kong

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

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

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		<i>(HK per US\$1.00)</i>		
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020				
January	7.7665	7.7725	7.7889	7.7661
February	7.7927	7.7757	7.7951	7.7630
March	7.7513	7.7651	7.7863	7.7511
April	7.7514	7.7512	7.7530	7.7498
May	7.7513	7.7519	7.7561	7.7500
June	7.7501	7.7501	7.7514	7.7498
July (through July 24, 2020)	7.7516	7.7511	7.7538	7.7499

Source: Federal Reserve H.10 Statistical Release

Note:

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

USE OF PROCEEDS

We plan to use the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US\$210.0 million, which we plan to refinance certain of our existing indebtedness.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under “Description of the Notes — Definitions”).

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2019 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering, after deducting the commission and other estimated expenses payable by us in connection therewith, but without giving effect to the full repayment of the January 2019 Notes, the issuance of the May 2020 Notes and the offer to purchase the August 29 2018 Notes. The following table should be read in conjunction with the selected consolidated financial information and the audited or reviewed consolidated financial statements and related notes included in this offering memorandum.

	As of December 31, 2019			
	Actual		As adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
	<i>(in thousands)</i>			
Cash and cash equivalents⁽¹⁾	11,094,295	1,593,596	12,556,273	1,803,596
Short-term borrowings				
Current borrowing	12,087,907	1,736,319	12,087,907	1,736,319
Total short-term borrowings	12,087,907	1,736,319	12,087,907	1,736,319
Long-term borrowings:⁽²⁾				
Long-term borrowing	4,694,786	674,364	4,694,786	674,364
Notes to be issued	—	—	1,461,978	210,000
Total long-term borrowings	4,694,786	674,364	6,156,764	884,364
Total equity	9,634,548	1,383,916	9,634,548	1,383,916
Total capitalization⁽³⁾	14,329,334	2,058,280	15,791,312	2,268,280

Notes:

- (1) Cash and cash equivalents excludes restricted cash of RMB3,965.2 million (US\$569.6 million).
- (2) Our long-term borrowings does not include capital and other commitments. As of December 31, 2019, our consolidated capital and property development commitments were RMB10,340.5 million (US\$1,485.3 million) and we had RMB9,001.9 million (US\$1,293.0 million) of guarantees on mortgage facilities for certain purchasers of our properties. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness and Contingent Liabilities — Contractual Obligations” and “— Contingent Liabilities.”
- (3) Total capitalization equals total long-term borrowings plus total equity.

We have, since December 31, 2019, in the ordinary course of business, entered into additional financial arrangements to finance our property development and for general corporate purposes, including, without limitation, the May 2020 Notes and the 2020 Global Edge Facility (for details of this facility, please refer to “Description of Other Material Indebtedness”), and repaid some of our borrowings. On June 1, 2020, we completed the offer to purchase the August 29 2018 Notes and as a result, US\$190,399,000 in aggregate principal amount of the August 29 2018 Notes remains outstanding as of the date of this offering memorandum. See “Business Recent Developments” and “Description of Other Indebtedness.” As of July 27, 2020, our total borrowings were approximately RMB17,806 million (US\$2,557.7 million). These additional borrowings are not reflected in the table above.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization and indebtedness since December 31, 2019.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected consolidated financial and other data. The consolidated financial statements of Group as of and for the years ended December 31, 2017, 2018 and 2019 were audited by its independent auditor, PricewaterhouseCoopers, Hong Kong Certified Public Accountants.

As of January 1, 2018, the Group adopted HKFRS 9 Financial Instruments (“HKFRS 9”) and HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”), which are effective for accounting periods beginning on or after January 1, 2018.

The HKFRS 9 model introduces, among other things, an expected loss impairment model. HKFRS 15 is based on the principle that the revenue is recognized when control of a good or service transfers to a customer.

According to the HKFRS 9 and HKFRS 15 transitional arrangements, upon initial application of HKFRS 9 and HKFRS 15, the Group is not required to restate the comparative figures of the prior period. Instead, differences caused by the adoption of the HKFRS 9 and HKFRS 15 are adjusted in the beginning balance of retained earnings and other comprehensive income. Therefore, the Group’s 2018 consolidated financial statements is not comparable with the Group’s 2017 consolidated financial statements. For the impact on adoption of HKFRS 9 and HKFRS 15, please refer to note 2.1.2 to the Group’s 2018 annual report.

As of January 1, 2019, the Group adopted HKFRS 16 Leases (“HKFRS 16”) which are effective for accounting periods beginning on or after January 1, 2019. The adoption of HKFRS 16 does not have any significant impacts on the Group’s consolidated financial statements as of and for the year ended December 31, 2019.

As such, investors should exercise caution when reviewing our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019.

Our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The selected consolidated financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and its consolidated financial statements and the notes thereto included elsewhere in this offering memorandum.

Selected Consolidated Income Statement and Other Financial Data

	Year Ended December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			
	(unaudited)			
Revenue	6,734,067	6,735,931	8,602,321	1,235,646
Cost of sales	(5,057,627)	(4,348,211)	(5,648,207)	(811,314)
Gross profit	1,676,440	2,387,720	2,954,114	424,332
Other (losses)/gains, net.	(15,803)	248,469	445,194	63,948
Selling and marketing expenses	(195,475)	(183,499)	(448,737)	(64,457)
General and administrative expenses	(233,450)	(424,221)	(516,701)	(74,219)
Fair value gain on investment properties	359,036	84,172	63,723	9,153
Fair value gain on investment properties upon transfer from properties under development for sales	—	—	62,432	8,968
Impairment of goodwill	(49,535)	—	—	—
Operating profit	1,541,213	2,112,641	2,560,025	367,725
Finance income	44,729	95,025	122,486	17,594
Finance costs	(70,945)	(71,662)	(19,981)	(2,870)
Finance (costs)/income, net	(26,216)	23,363	102,505	14,724
Share of profit/(loss) of investments accounted for using the equity method, net.	82,870	77,468	(21,545)	(3,095)
Profit before income tax	1,597,867	2,213,472	2,640,985	379,354
Income tax expense	(607,735)	(917,044)	(1,089,325)	(156,472)
Profit for the year	990,132	1,296,428	1,551,660	222,882
Profit attributable to:				
Owners of the company	862,237	990,747	1,034,931	148,659
Non-controlling interests	127,895	305,681	516,729	74,223
	990,132	1,296,428	1,551,660	222,882
Other financial data (unaudited)				
EBITDA ⁽¹⁾	2,022,083	2,167,878	2,513,789	361,084
EBITDA margin ⁽²⁾	30.03%	32.18%	29.22%	29.22%

Notes:

- EBITDA for any period consists of profit before tax less other losses or gains, and share of profit or loss of investments accounted for using the equity method and interest income, plus finance costs, capitalized interest included in cost of sales, depreciation and amortization expenses and impairment of goodwill. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because it believe it is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of its profit for the year under HKFRS to its definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- EBITDA margin is calculated by dividing EBITDA by revenue.

Selected Consolidated Balance Sheet

	As of December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in thousands)			
ASSETS				
Non-current assets				
Property, plant and equipment	36,489	221,300	259,152	37,225
Investment properties	434,669	803,899	1,025,004	147,233
Intangible assets	—	—	332,252	47,725
Investments accounted for using the equity method	1,034,521	700,294	654,872	94,066
Prepayments	475,236	60,000	—	—
Deferred income tax assets	238,931	459,833	834,614	119,885
	<u>2,219,846</u>	<u>2,245,326</u>	<u>3,105,894</u>	<u>446,134</u>
Current assets				
Completed properties held for sale	1,564,092	2,133,818	3,037,052	436,245
Properties under development for sale	5,728,454	15,680,128	30,969,759	4,448,528
Contract assets	—	700,000	700,000	100,549
Trade and other receivables and deposits	3,082,594	3,371,544	2,595,926	372,881
Prepayments	964,113	1,053,610	1,858,769	266,995
Amounts due from joint ventures	32,719	364,871	59,949	8,611
Amounts due from associates	53,123	4,844	482,845	69,356
Amounts due from non-controlling interests	672,675	1,414,342	3,951,248	567,561
Income tax recoverable	180,948	312,821	788,393	113,246
Restricted cash	1,318,450	2,186,139	3,965,210	569,567
Cash and cash equivalents	3,587,062	5,678,863	11,094,295	1,593,596
	<u>17,184,230</u>	<u>32,900,980</u>	<u>59,503,446</u>	<u>8,547,135</u>
Assets classified as held for sale	467,931	—	—	—
Total assets	<u>19,872,007</u>	<u>35,146,306</u>	<u>62,609,340</u>	<u>8,993,269</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	139,632	139,632	139,632	20,057
Reserves	3,672,089	4,237,813	5,041,820	724,212
	<u>3,811,721</u>	<u>4,377,445</u>	<u>5,181,452</u>	<u>744,269</u>
Non-controlling interests	<u>797,579</u>	<u>2,287,973</u>	<u>4,453,096</u>	<u>639,647</u>
Total equity	<u>4,609,300</u>	<u>6,665,418</u>	<u>9,634,548</u>	<u>1,383,916</u>

	As of December 31,			
	2017	2018	2019	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
				<i>(unaudited)</i>
	<i>(in thousands)</i>			
LIABILITIES				
Non-current liabilities				
Borrowings	3,982,100	4,912,751	4,694,786	674,364
Deferred income tax liabilities	265,604	286,051	634,906	91,199
	<u>4,247,704</u>	<u>5,198,802</u>	<u>5,329,692</u>	<u>765,563</u>
Current liabilities				
Trade and other payables.	2,156,112	6,323,532	12,020,186	1,726,592
Borrowings	3,261,119	6,146,930	12,087,907	1,736,319
Amounts due to non-controlling interests	116,414	2,123,659	5,146,101	739,191
Amounts due to associates	—	66,000	485,280	69,706
Amounts due to joint ventures	140,209	23,756	50,776	7,294
Contract liabilities.	—	7,169,457	15,552,490	2,233,975
Receipts in advance	4,507,441	—	—	—
Income tax liabilities	832,164	1,428,752	2,302,360	330,713
	<u>11,013,459</u>	<u>23,282,086</u>	<u>47,645,100</u>	<u>6,843,790</u>
Liabilities directly associated with assets classified as held for sale.	1,544	—	—	—
	<u>11,015,003</u>	<u>23,282,086</u>	<u>47,645,100</u>	<u>6,843,790</u>
Total liabilities	<u>15,262,707</u>	<u>28,480,888</u>	<u>52,974,792</u>	<u>7,609,353</u>
Total equity and liabilities	<u>19,872,007</u>	<u>35,146,306</u>	<u>62,609,340</u>	<u>8,993,269</u>
Net current assets	<u>6,637,158</u>	<u>9,618,894</u>	<u>11,858,346</u>	<u>1,703,345</u>
Total assets less current liabilities	<u>8,857,004</u>	<u>11,864,220</u>	<u>14,964,240</u>	<u>2,149,479</u>

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

The following discussion should be read in conjunction with the section entitled “Selected Consolidated Financial and Other Data” and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated. Our financial statements for the years ended December 31, 2017, 2018 and 2019 have been prepared and presented in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to “2017”, “2018” and “2019” are to our financial years ended December 31, 2017, 2018 and 2019, respectively.

OVERVIEW

We are an integrated residential and commercial property developer primarily focusing on residential property development in the PRC. We have successfully established our presence in a number of key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region.

We believe that we have successfully established the “Redco” brand in the cities where we have built our presence. In 2019, we were awarded the title of “2019 TOP10 Hong Kong-listed Mainland China Real Estate Company in terms of Wealth Creation Capability (2019中國大陸在港上市房地產公司財富創造能力TOP10)” and “2019 Real Estate Enterprises Worth Paying Attention to in the Capital Market (2019值得資本市場關注的地產企業)” jointly organized by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy. In 2018, we were recognized as “2018 PRC Investment Value Real Estate Enterprise” (2018中國年度投資價值地產企業) by Guandian.cn (觀點地產新媒體). In 2017, we were recognized as “Top 100 Comprehensive Strength Listed Real Estate Enterprise of China for 2017” (2017年中國房地產上市公司綜合實力100強) by China Real Estate Association (中國房地產業協會). In 2016, we were recognized as “the Most Valuable Listed Real Estate Enterprise of China for 2016” (2016 中國最具價值地產上市企業) by Guandian.cn(觀點地產新媒體). In 2015, we were recognized as “2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment” (2015中國大陸在港上市房地產公司投資價值TOP 10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院). In addition, our property projects have also received numerous awards from different organizations. Our Company has been selected as a constituent of the “Hang Seng Composite SmallCap Index of the Hang Seng Composite Index”, “Shenzhen-Hong Kong Stock Connect”, “MSCI China SmallCap Index” and “Hang Seng Stock Connect Big (Greater) Bay Area Composite Index”. We believe that becoming a constituent of these indexes represents the recognition of our business performance, stock liquidity and growth prospect by the market.

Since we commenced property development operations in 1995, we have successfully executed our multi-regional strategy and demonstrated a proven track record of success by developing in strategically selected cities that we believe possess high growth potential across the PRC. Subsequent to our initial success in Quanzhou, Fujian Province, we deliberately expanded and quickly replicated our success in strategically targeted key economic cities, including Shenzhen, Zhongshan, Shanghai, Tianjin, Hefei, Nanchang, Jinan, Yantai and Xianyang. We also established presence in Australia by jointly developing a residential community in Sydney with a recognized local developer. For the years

ended December 31, 2017, 2018 and 2019, we recognized revenue from property development and investment projects covering certain key economic cities in China. As of December 31, 2019, we had 89 property development and investment projects with an aggregate GFA of approximately 14.6 million sq.m.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our operating results and financial condition are based on our consolidated financial statements, which have been prepared in accordance with HKFRS or HKAS. Our operating results and financial condition are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates we have used have been based on our industry experience and various factors including our management's expectations of future events which they believe to be reasonable. Actual results may differ from these estimates and assumptions. In 2017, 2018 and 2019, there were no significant changes in our assumptions and estimates, and we will continuously assess our assumptions and estimates going forward.

The selection of critical accounting policies, the estimates and judgments and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. We believe that the following critical accounting policies involved the most significant estimates and judgments in the preparation of our consolidated financial statements.

Revenue recognition

(a) Accounting policies applied since January 1, 2018

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services performed in the ordinary course of the Group's companies. We recognise revenue when control of goods or services transfers to the customers.

(i) Sales of properties and provision of services

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

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

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

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

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

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

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

(ii) Sales of goods

Revenue are recognized when control of the product to has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because the passage of time is required before the payment is due.

(b) Accounting policies applied for the year ended December 31, 2017

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of discounts, returns and value added taxes.

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

(i) Sale of properties

Revenue from sale of properties is recognized when the significant risks and rewards of the properties are transferred to the buyers, which is when the construction of the relevant properties have been completed, delivery of the properties have been completed pursuant to the sales agreements and collectability of related receivables pursuant to the sale agreements is reasonably assured. Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are included as receipt in advance under current liabilities.

(ii) Construction and sea reclamation service income

Revenue from construction and sea reclamation services based on the stage of completion of the construction.

(iii) Property management income

Revenue arising from property management is recognized in the accounting period in which the services are rendered.

(iv) Interest income

Interest income is recognized using the effective interest method.

Properties under development for sale and completed properties for sale

We include properties under development for sale and completed properties for sale in current assets at the lower of cost and net realizable value. Development cost of property comprises construction costs, depreciation of machinery and equipment, amortization of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Car parks planned for civil air defense projects are accounted for as properties under development for sale or completed properties for sale, as appropriate.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

We classify properties under development for sale as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Development costs directly attributable to property development activities

We allocate land and development costs to properties under development for sale or completed properties held for sale, as appropriate. As certain of our property development projects are developed and completed by phases, the budgeted development costs of the whole project are dependent on the estimate on the outcome of total development. Based on our experience and the nature of the development undertaken, our management makes estimates and assumptions concerning the future events that are believed to be reasonable under the circumstances. Given the uncertainties involved in the property development activities, the related actual results may be higher or lower than the amount estimated at the end of the reporting period. Any change in estimates and assumptions would affect our operating performance in future years. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results in 2017, 2018 and 2019 and that it has consistently applied these estimates or underlying assumptions in 2017, 2018 and 2019.

Provision for impairment of properties held or under development for sale

Our management makes provision for impairment of properties held or under development for sale based on the estimate of the recoverable amount of the properties. Given the volatility of the property market in the PRC, the actual recoverable amount may be higher or lower than the estimate made as of the end of the reporting period. Any increase or decrease in the provision would affect our

Group's operating performance in future years. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results in 2017, 2018 and 2019 and that we have consistently applied these estimates or underlying assumptions in 2017, 2018 and 2019.

Current taxation and deferred taxation

Our Group is subject to taxation in the PRC and Hong Kong. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the periods in which such determination are made. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results in 2017, 2018 and 2019 and that we have consistently applied these of estimates or underlying assumptions in 2017, 2018 and 2019.

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

Land appreciation tax

Our Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of these taxes vary among various tax jurisdictions in cities of the PRC, and we have not finalized our land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation. We recognized these land appreciation taxes based on our management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences would impact the income tax expense and deferred income tax provisions in the periods in which such taxes have been finalized with local tax authorities. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results in 2017, 2018 and 2019 and that we have consistently applied these estimates or underlying assumptions in 2017, 2018 and 2019.

Impairment of financial assets

(a) Accounting policies applied since January 1, 2018

We have four types of financial assets at amortised cost and contract assets subject to HKFRS 9's new expected credit loss model:

- Trade receivables
- Other receivables and deposits (excluding prepayments)
- Amounts due from joint ventures, associates and non-controlling interests
- Other financial assets carried at amortised cost
- Contract assets

We assess on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For contract assets and trade receivables, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables and deposits (excluding prepayments), we apply a forward looking basis and the expected credit losses associated and adopted three-stages approach to assess the impairment.

(b) Accounting policies applied for the years ended December 31, 2017

Assets carried at amortised cost

We assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that we use to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

We first assess whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, we may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of profit or loss.

CERTAIN KEY ITEMS AFFECTING OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue represents income recognized from sales of properties, construction and sea reclamation services, project management services, trading of construction materials and healthcare service. In 2017, 2018 and 2019, we generated income primarily from developing and selling properties in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region. We expect that income from sales of properties will continue to account for substantially all of our revenue in the near future. Our revenue for any given period is largely dependent upon GFA delivered and the selling prices of the properties we deliver during such period. The GFA delivered for any given period is driven primarily by property development schedules. Average selling prices are primarily affected by market demand, the types and location of the properties and our costs of properties sold, including construction costs. Market demand and conditions of the PRC real estate industry change from period to period and are affected by the PRC's overall economy, including the purchasing power of consumers in the PRC and the resulting demand for properties. In 2017, 2018 and 2019, our GFA delivered and ASP and therefore our revenue fluctuated from period to period depending on the types, location and size of the projects as well as the stage of our property development projects' development.

Consistent with industry practice, we typically enter into sales contracts with purchasers while the properties are still under development but after satisfying the conditions for pre-sale in accordance with PRC laws and regulations. Please refer to the section headed "Business — Property development process — Sales and marketing — Pre-sale" in this offering memorandum for more details. Before the criteria for the recognition of sales of properties are met, payments received from purchasers are recorded as receipts in advance, which is included in current liabilities. Please refer to the section headed "— Critical Accounting Policies — Revenue recognition" in this offering memorandum for more details.

The following table sets out a breakdown of our revenue from external customers by business segment for the years indicated:

	For the year ended December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in thousands)			
Sales of properties	6,324,976	6,419,117	8,218,828	1,180,561
Construction services	378,443	34,215	256,491	36,843
Property management services	—	—	80,885	11,618
Project management services	30,648	3,401	33,552	4,819
Trading of construction materials	—	277,946	—	—
Rental income	—	551	10,573	1,519
Healthcare service	—	701	1,992	286
	<u>6,734,067</u>	<u>6,735,931</u>	<u>8,602,321</u>	<u>1,235,646</u>

The following table sets out a breakdown of our revenue from external customers by geographical region and their percentage of total revenue for the years indicated:

	For the year ended December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in thousands)			
Greater Western Taiwan Straits				
Economic Zone	1,719,155	1,634,976	1,800,534	258,630
Central and Western Regions	2,731,163	602,983	2,983,860	428,604
Bohai Economic Rim	1,829,283	4,211,863	2,660,314	382,130
Pearl River Delta Region	449,731	3,510	1,032,602	148,324
Others	4,735	282,599	125,011	17,957
Total	<u>6,734,067</u>	<u>6,735,931</u>	<u>8,602,321</u>	<u>1,235,646</u>

Notes:

- (1) Primary land development represents the sea reclamation works in Tianjin.
- (2) Construction service represents the construction service provided by the Group in Jinan.

Cost of Sales

Cost of sales primarily consists of cost of properties sold, which represents costs directly associated with revenue from sales of properties recognized during the given period. Cost of properties sold includes construction costs, land acquisition costs and capitalized borrowing costs. Cost of sales also includes business taxes and other levies.

The following table sets out information relating to our cost of sales for the years indicated:

	For the year ended December 31,			
	2017	2018	2019	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
				<i>(unaudited)</i>
	<i>(in thousands)</i>			
Cost of properties sold				
Construction costs	2,599,277	2,750,512	2,863,124	411,262
Land acquisition costs	1,843,178	987,645	2,206,421	316,933
Capitalized borrowing costs	408,935	293,776	379,960	54,577
Sub-total	4,851,390	4,031,933	5,449,505	782,772
Cost of construction and sea reclamation service	97,768	34,085	58,837	8,451
Cost of property management service	—	—	71,514	10,273
Cost of project management service	1,217	334	8,973	1,289
Cost for construction material sold and healthcare service	—	247,975	3,411	490
Business taxes and surcharges	107,252	33,884	55,967	8,039
Total	5,057,627	4,348,211	5,648,207	811,314

The following table sets out an analysis of our cost of sales:

	For the year ended December 31,		
	2017	2018	2019
GFA delivered (sq.m.)	858,197	868,680	975,094
Average cost of properties sold per sq.m delivered (RMB) ⁽¹⁾	5,467	4,641	5,589
Average construction costs per sq.m. delivered (RMB) ⁽²⁾	3,003	3,166	2,936
Average land acquisition costs per sq.m delivered (RMB) ⁽³⁾	2,173	1,137	2,263
Average capitalized borrowing costs per sq.m delivered (RMB) ⁽⁴⁾	290	338	390

- (1) Average cost of properties sold per sq.m. delivered is derived by dividing cost of properties sold by GFA delivered.
- (2) Average construction costs per sq.m. delivered is derived by dividing construction costs of properties sold by GFA delivered.
- (3) Average land acquisition costs per sq.m. delivered is derived by dividing land acquisition costs of properties sold by GFA delivered.
- (4) Average capitalized borrowing costs per sq.m. delivered is derived by dividing total capitalized borrowing costs by GFA delivered.

Cost of properties sold

Cost of properties sold includes construction costs, land acquisition costs and capitalized borrowing costs. We recognize the cost of properties sold for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their completion, properties under development are included in our consolidated balance sheets carried at the lower of cost and net realizable value.

Construction costs

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and cost of construction materials. Our construction costs are affected by a number of factors such as changes in construction labor costs and construction materials costs (particularly steel and cement), location and types of properties, choice of materials, landscaping and investments in ancillary facilities.

Land acquisition costs

Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, and primarily include land premiums incurred in connection with land grants from the PRC government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our land acquisition costs are influenced by a number of factors, including location of property development projects, timing of acquisitions and a project's plot ratios. Land acquisition costs are also affected by our method of acquisition, whether by PRC government-organized tenders, auctions or listings-for-sale, through private sale transactions and cooperative agreements with third parties in the secondary market or through the acquisition of other companies that hold land use rights. Our land acquisition costs are also subject to changes in PRC government policies and regulations.

For 2017, 2018 and 2019, our land acquisition costs included demolition and resettlement costs in connection with certain land that we acquired.

Capitalized borrowing costs

We capitalize a portion of its cost of bank borrowings (including interest expense) to the extent that such cost is directly attributable to the acquisition, construction or production of a particular property project. Fluctuations in the amount and timing of such capitalization from period to period may also affect our finance costs.

Gross Profit

Gross profit represents revenue less cost of sales.

Other gains/(losses), net

Other gains/(losses), net primarily represent gains/(losses) on disposal of property, plant and equipment, net exchange gains/(losses), gain commission income and re-measurement valuation gain on disposal of subsidiaries or other investments, gain on change in fair value of financial assets.

Selling and Marketing Expenses

Selling and marketing expenses primarily include marketing and advertising cost, employee benefit expenses for our selling and marketing personnel, office and travelling expenses and other selling and marketing expenses. Our selling and marketing expenses in a given period are affected by the number of new property development projects launched in that period.

General and Administrative Expenses

General and administrative expenses primarily include employee benefit expenses for our personnel (other than our selling and marketing personnel), auditor's remuneration, office and travelling expenses, entertainment expenses, land use and real estate tax and other miscellaneous expenses.

Impairment of Goodwill

Goodwill represents certain premium paid in connection with our acquisition of equity interests in certain subsidiaries which are engaged in property development and property management in the PRC. Goodwill represents the excess of consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. The recoverable amount of all cash-generating units is determined based on value-in-use calculations. Impairment of goodwill is recognized when the carrying value of goodwill is in excess of our recoverable amount.

Finance Income

Finance income primarily consists of interest income from bank deposits and loans to an associate, non-controlling interests and a third party.

Finance Costs

Finance costs primarily consist of interest expense on borrowings less interest capitalized on qualifying assets and finance charges on early redemption of senior notes.

Share of (loss)/profit of investments accounted for using the equity method

Share of (loss)/profit of investments accounted for using the equity method represents share of (loss)/profit related to associates and joint ventures.

Income Tax Expense

Our income tax expense for a given year or period primarily includes EIT and LAT. Fluctuations in our effective tax rate from period to period are primarily due to changes in its LAT rates. For 2017, 2018 and 2019, our effective tax rate (calculated as income tax expense divided by profit before income tax) was 38.0%, 41.4% and 41.2%, respectively. As of December 31, 2019, we had paid or made provisions for paying all relevant taxes and did not have any disputes or unresolved issues with the relevant tax authorities.

Hong Kong Profits Tax

We have been subject to Hong Kong profits tax at a rate of 16.5% in 2017, 2018 and 2019. No provision for Hong Kong profits tax had been made during the same periods as we did not generate any assessable profits arising in Hong Kong.

EIT

Our subsidiaries are subject to EIT in China. Under the EIT Law and EIT Rules, the statutory tax rate for all of our PRC subsidiaries was 25.0% for 2017, 2018 and 2019.

LAT

Under PRC laws and regulations, our PRC subsidiaries that are engaged in the property development business are subject to LAT as determined by the local authorities in the location in which each project is located. All income from the transfer of State-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sales of commercial properties are not eligible for such exemptions. Whether a property qualifies for the ordinary residential property exemption is determined by the local government. Historically, sales of higher end residential properties and commercial properties were generally assessed at higher appreciation values, and were therefore generally subject to higher LAT rates. On December 28, 2006, the SAT issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate 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 took effect on February 1, 2007. Such notice provides further clarifications to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations. On May 12, 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (土地增值稅清算管理規程) effective on June 1, 2009, which further clarify the special conditions and procedures for the settlement of LAT. On May 19, 2010, the SAT issued the Notice on Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to explain and clarify the recognition of the revenue upon the settlement of LAT and the deduction of fees incurred from property development. On May 25, 2010, the SAT issued the Notice on Strengthening the Collection Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which provides for a minimum LAT prepayment rate at 2% for provinces in eastern China region, 1.5% for provinces in the central and northeastern China regions, and 1% for provinces in the western China region. On June 2, 2013, the SAT issued the Notice of the State Administration of Taxation on Further Improving the Collection of Land Value-added Taxes (關於進一步做好土地增值稅徵管工作的通知), which requires the local taxation authorities further strengthening administration on the collection of LAT, particularly on the settlement of LAT, deductions and reduction of assessment and collection projects. On November 10, 2016, the SAT issued the Announcement on the Several Provisions on the Collection of Land Appreciation Tax after the Replacement of Business Tax with VAT (關於營改增後土地增值稅若干徵管規定的公告), which clarified several issues concerning administration of collection of LAT after replacement of business tax with VAT. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set out in the relevant PRC tax laws and regulations. We prepay 1.0% to 5.0% of the sales and pre-sale proceeds each year as required by the local tax authorities in accordance with prevailing market practice which varies by locality and property type.

RESULTS OF OPERATIONS

2019 Compared to 2018

Revenue

Our revenue increased by 27.7% to RMB8,602.3 million (US\$1,235.6 million) for 2019 from RMB6,735.9 million for 2018. Such increase was primarily attributable to the increase in our GFA delivered for the residential property for Delight Scenery in Nanchang, Prince Royal Family in Hefei and Royal Family and Redco Visionary in Jinan, and was partially offset by the decrease in the GFA delivered for Bluelake County and Imperial Mansion in Jinan and Royal Family in Nanchang.

The increase in our total revenue was also contributed by the increase in the recognised average selling price (the “ASP”) for the properties delivered for the year ended December 31, 2019. The ASP for properties delivered increased to RMB8,692 for the year ended December 31, 2019 from RMB7,390 for the year ended December 31, 2018, representing a 17.6% increase which was primarily due to the increase in GFA delivered in Greater Bay Area which recognized a relatively higher ASP.

A summary of our segment results is set forth below:

- Sales of properties: Our segment revenue for sales of properties increased by 26.6% to RMB8,128.8 million (US\$1,167.6 million) for 2019 from RMB6,419.1 million for 2018. Such increase was primarily due to the increase in contracted sales and GFA delivered in 2019.
- Construction services: Our segment revenue from construction services increased by 650.0% to RMB256.5 million (US\$36.8 million) for 2019 from RMB34.2 million for 2018. Such increase was primarily due to the completion of the construction service in Jinan and bring additional income to the Group.
- Property management services: Our segment revenue from property management services increased to RMB80.9 million (US\$11.6 million) for 2019 from nil for 2018. Such increase was primarily due to the new acquisition of property management group during 2019.
- Project management services: Our segment revenue from our project management services increased by 888.2% to RMB33.6 million (US\$4.8 million) for 2019 from RMB3.4 million for 2018. Such increase was primarily due to which the group’s new service line and provide professional project management service to third parties and diversify our business.
- Trading of construction materials: Our segment revenue from trading of construction materials decreased to nil for 2019 from RMB277.9 million for 2018. Such decrease was primarily due to no more trading service perform of the group for the year.
- Rental Income: Our segment revenue from rental income increased by 1,666.7% to RMB10.6 million (US\$1.5 million) for 2019 from RMB0.6 million for 2018. Such increase was primarily due to the increase in the rental income from the investment properties in Shenzhen.

- **Healthcare service:** Our segment revenue from healthcare service increased by 185.7% to RMB2.0 million (US\$0.3 million) for 2019 from RMB0.7 million for 2018. Such increase was primarily due to the growth in the healthcare business and in the future the group will continue to expand our scale of the Healthcare service.

Cost of sales

Our cost of sales increased by 29.9% to RMB5,648.2 million (US\$811.3 million) for 2019 from RMB4,348.2 million for 2018. Such increase was primarily due to the increase in GFA delivered to 975,094 sq. m. for 2019 from 868,680 sq. m. for 2018, and the increase in average land acquisition cost per sq. m. delivered amounted to RMB2,263 (US\$811.3) for 2019 from RMB1,137 for 2018. Such increase in average land acquisition cost per sq. m. delivered was primarily due to the increase in the GFA delivered for Imperial Mansion in Jinan with a relatively high land acquisition costs and decrease in the GFA delivered for Sunshine Coast in Tianjin with a relatively lower land acquisition cost.

Gross profit

As a result of the foregoing, our gross profit increased by 23.7% to RMB2,954.1 million (US\$424.3 million) for 2019 from RMB2,387.7 million for 2018. Our gross profit margin slightly decreased to 34.3% for 2019 from 35.4% for 2018. Such decrease was primarily attributable to the increase in average land acquisition cost in 2019, partially offset by the increase in ASP to RMB8,692 (US\$1,249) in 2019 from RMB7,390 in 2018.

Other gains, net

Our other gains, net increased by 79.2% to RMB445.2 million (US\$63.9 million) for 2019 from RMB248.5 million for 2018. The increase was primarily attributable to the gains on disposals of subsidiaries of RMB113.8 million (US\$16.3 million), gains on bargain purchase arising from the acquisition of subsidiaries of RMB72.9 million (US\$10.5 million) and re-measurement valuation gain of RMB286.6 million (US\$41.2 million) for 2019 and partially offset by the realized loss on the foreign exchange contracts of RMB45.3 million (US\$6.5 million) and decrease of gain on disposal of assets and liabilities held for sales of RMB304.3 million in 2018.

Selling and marketing expenses

Our selling and marketing expenses increased by 144.5% to RMB448.7 million (US\$64.5 million) for 2019 from RMB183.5 million for 2018. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such increase was mainly due to the increase in the marketing promotion activities for the projects and the increase in the sales agency fee as there was an increase in the contracted sales.

General and administrative expenses

Our general and administrative expenses increased by 21.8% to RMB516.7 million (US\$74.2 million) for 2019 from RMB424.2 million for 2018. Such increase was primarily due to the increase in salary expenses, and office and travelling expenses because of the increase in the number of projects located in different cities, partially offset by the decrease in legal and professional fees.

Fair value gain on an investment property

The fair value gain on investment properties represents the increase in the value on the commercial portion of the culture park in Tianjin and a portion of the Redco Building in Shenzhen which is held for rental. The fair value gain decreased by 24.3% to RMB63.7 million (US\$9.2 million) for 2019 from RMB84.2 million for 2018, primarily due to fair value growth of the Shenzhen office slow down, therefore, less fair value gain recognised in 2019.

Fair value gain on investment properties upon transfer from properties under development for sale

Our fair value gain on investment properties upon transfer from properties under development for sales increased to RMB62.4 million (US\$9.0 million) from nil in 2018, primarily attributable to the valuation gain for the commercial properties of Sunshine Coast in Tianjin when it changed from the properties under development for sales to investment properties.

Operating profit

As a result of the foregoing, our operating profit increased by 21.2% to RMB2,560.0 million (US\$367.7 million) for 2019 from RMB2,112.6 million for 2018.

Finance income

Our finance income increased by 28.9% to RMB122.5 million (US\$17.6 million) for 2019 from RMB95.0 million for 2018. Such increase was primarily attributable to the increase in our finance income from loans to independent third parties and the increase in interest income from bank deposits for 2019.

Finance costs

Our finance costs decreased by 72.1% to RMB20.0 million (US\$2.9 million) for 2019 from RMB71.7 million for 2018. Such decrease was mainly due to the decrease in interest expense which is not eligible to be capitalized for projects under development.

Share of (loss)/profit of investments accounted for using the equity method, net

Our share of profit of investments accounted for using the equity method, net reported a loss of RMB21.5 million (US\$3.1 million) for 2019 from profit of RMB77.5 million for 2018, which mainly due to the decrease of completion of GFA delivery for the joint control entities in 2019.

Profit before income tax

As a result of the foregoing, our profit before income tax for 2019 increased by 19.3% to RMB2,641.0 million (US\$379.4 million) from RMB2,213.5 million for 2018.

Income tax expense

Our income tax expense increased by 18.8% to RMB1,089.3 million (US\$156.5 million) for 2019 from RMB917.0 million for 2018. Such increase was primarily the increase in PRC enterprise income tax (“EIT”) for RMB153.8 million (US\$22.1 million) as a result of increased profit of the Group and increase in the PRC land appreciation tax for RMB195.3 million (US\$28.1 million) due to the increase in the gross profit for the GFA delivered, netted off by the decrease in deferred income tax for the Group.

Profit for the year

As a result of the foregoing, our profit for 2019 increased by 19.7% to RMB1,551.7 million (US\$222.9 million) from RMB1,296.4 million for 2018. The profit for 2019 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB474.4 million, Central and Western Regions of RMB299.7 million, Bohai Economic Rim of RMB576.0 million, Greater Bay Area of RMB201.3 million and the others segment for RMB0.3 million.

Profit for the year attributable to non-controlling interests

Profit attributable to non-controlling interests increased to RMB516.7 million (US\$74.2 million) for 2019 as compared with RMB305.7 million for 2018 which was mainly due to the increase in the profit from property development projects with other investors.

2018 Compared to 2017

Revenue

Our revenue slightly increased to RMB6,735.9 million for 2018 from RMB6,734.1 million for 2017. Such increase was primarily attributable to an increase of trading of construction materials and sales of properties.

A summary of our segment results is set forth below:

- Sales of properties: Our segment revenue for sales of properties increased by 1.5% to RMB6,419.1 million for 2018 from RMB6,325.0 million for 2017. Such increase was primarily attributable to the increase in our GFA delivered and the ASP for properties delivered.
- Construction and sea reclamantion services: Our segment revenue for construction and sea reclamantion services decreased by 91.0% to RMB34.2 million for 2018 from RMB378.4 million for 2017.
- Project management services: Our segment revenue for project management services decreased by 86.9% to RMB4.0 million for 2018 from RMB30.6 million for 2017. Such decrease was primarily attributable to the decrease in the number of the projects managed by us.
- Trading of construction materials and healthcare services: our segment revenue for trading of construction materials was RMB277.9 million for 2018, primarily attributable to our trading of construction materials to third parties. Our segment revenue for healthcare services was RMB0.7 million, primarily attributable to our provision of healthcare services in Nanchang. We expect to continue doing such businesses in the future.

Cost of sales

Our cost of sales decreased by 14.0% to RMB4,348.2 million for 2018 from RMB5,057.6 million for 2017. Such decrease was primarily due to the decrease in average land acquisition cost per sq. m. delivered to RMB1,137 for 2018 from RMB2,173 for 2017. Such decrease in average land acquisition cost per sq. m. delivered was primarily due to the decrease in the GFA delivered for Royal International in Shenzhen (being a first-tier city) with a relatively high land acquisition costs and the increase in the GFA delivered for Sunshine Coast in Jianjin with a relatively lower land acquisition costs.

Gross profit

As a result of the foregoing, our gross profit increased by 42.4% to RMB2,387.7 million for 2018 from RMB1,676.4 million for 2017. Our gross profit margin increased to 35.4% for 2018 from 24.9% for 2017. Such increase was primarily attributable to the increase in ASP from the newly obtained project and increase in GFA delivered for the commercial properties and the lower average land acquisition cost due to the decrease in the GFA delivered in Royal International in Shenzhen.

Other gains/(losses), net

Our other gains, net increased to RMB248.5 million for 2018 from net other losses of RMB15.8 million for 2017. Such increase was primarily attributable to the gain from (a) the disposal of a commercial properties project company for RMB304.3 million and (b) the realised gain from the USD forward contract of RMB50.5 million, partially offset by exchange losses for RMB126.4 million for 2018 while the exchange loss was RMB33.9 million and no gain from disposal of a subsidiary and forward contract in 2017.

Selling and marketing expenses

Our selling and marketing expenses decreased by 6.1% to RMB183.5 million for 2018 from RMB195.5 million for 2017. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such decrease was mainly due to the decrease in the marketing promotion activities for the projects, partially offset by the increase in the sales agency fee as there was an increase in the contracted sales.

General and administrative expenses

Our general and administrative expenses increased by 81.7% to RMB424.2 million for 2018 from RMB233.5 million for 2017, primarily due to the increase in legal expenses, staff cost and office and travelling expenses resulting from the increase in the number of projects located in different cities.

Fair value gain on an investment property

The fair value gain on investment properties represents the increase in the value on the commercial portion of the culture park which are under construction in Tianjin and a portion of the Redco Building in Shenzhen, which is held to earn rentals. The fair value gain decreased by 76.6% to RMB84.2 million for 2018 from RMB359.0 million for 2017. Such decrease was mainly due to that 2017 is the first year for Tianjin to transfer the culture park to investment property, therefore, the fair value gain was lower for 2018.

Impairment of goodwill

No impairment of goodwill for 2018. The impairment of goodwill amounting to RMB49.5 million for 2017 mainly represents certain premium paid in connection with our acquisition of an 80% equity interest in Changfeng Lianhua Real Estate Co., Ltd. (“Changfeng”), which holds Mix Kingdom Redco in Hefei. Our Directors performed impairment assessment of such goodwill and those goodwill are fully impaired in 2017.

Operating profit

As a result of the foregoing, our operating profit increased by 37.1% to RMB2,112.6 million for 2018 from RMB1,541.2 million for 2017.

Finance income

Our finance income increased by 112.5% to RMB95.0 million for 2018 from RMB44.7 million for 2017, primarily attributable to the increase in our finance income from loans to non-controlling interests, and an associate and a third party in 2018 and the increase in the interest income from bank deposit.

Finance costs

Our finance costs increased by 1.1% to RMB71.7 million for 2018 from RMB70.9 million for 2017. Such increase was mainly due to the increase in interest expense which is not eligible to be capitalized.

Share of profit of investments accounted for using the equity method, net

Our share of profit of investments accounted for using the equity method, net amounted to RMB77.5 million for 2018 as compared to RMB82.9 million for 2017. Such decrease was primarily due to (a) the profit decreased by the GFA delivery in Bluelake International in Nanchang, which is a joint-controlled real estate development project and becomes a subsidiaries of the Company from July 1, 2018 and; (b) the decrease in share of profit in relation to the fair value gain from the investment property held by Redco Industry (Jiangxi) Co., Ltd..

Profit before income tax

As a result of the foregoing, our profit before income tax increased to RMB2,213.5 million for 2018 from RMB1,597.9 million for 2017.

Income tax expense

Our income tax expense increased by 50.9% to RMB917.0 million for 2018 from RMB607.7 million for 2017. Such increase was primarily due to the reversal of an over provision of PRC land appreciation tax in prior years and net-off by the increase in PRC enterprise income tax as a result of increased profit of the Group and provision of PRC EIT for the gain on the disposal of a subsidiary.

Profit for the year

As a result of the foregoing, our profit increased by 30.9% to RMB1,296.4 million for 2018 from RMB990.1 million for 2017. The profit for the year ended December 31, 2018 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB417.5 million, Central and Western Regions of RMB127.5 million, Bohai Economic Rim of RMB967.7 million, which was partially offset by loss of Pearl River Delta Region of RMB9.2 million and others segment for RMB207.1 million.

Profit for the year attributable to non-controlling interests

Profit for the period attributable to non-controlling interests increased to RMB305.7 million for 2018 as compared with RMB127.9 million for 2017, mainly due to the increase in the profit from property development projects with other investors.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets out selected cash flow data from our consolidated statements of cash flows for the years indicated:

	For the year ended December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
	<i>(unaudited)</i>			
	<i>(in thousands)</i>			
Net cash generated from/(used in) operating activities	(134,871)	(2,256,071)	1,960,095	281,550
Net cash (used in) investing activities	(1,656,568)	(1,141,913)	(2,472,357)	(355,132)
Net cash (used in)/generate from financing activities	2,996,061	5,475,464	5,897,769	847,162
Net increase in cash and cash equivalents	1,204,622	2,077,480	5,385,507	773,580
Cash and cash equivalents at beginning of year	2,417,219	3,587,770	5,678,863	815,718
Currency translation differences	(34,071)	13,613	29,925	4,298
Cash and cash equivalents at end of year	<u>3,587,770</u>	<u>5,678,863</u>	<u>11,094,295</u>	<u>1,593,596</u>

Cash flows generated from/(used in) operating activities

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

For 2019, we had net cash generated from operating activities of RMB1,960.1 million (US\$281.6 million), which primarily comprised net cash generated from operations of RMB2,778.6 million (US\$399.1 million) offset by income tax paid of RMB818.5 million (US\$117.5 million). Our cash generated from operations prior to changes in working capital was RMB2,026.2 million (US\$291.0 million). Changes in working capital contributed to a net cash inflow of RMB752.4 million (US\$108.1 million), primarily due to an increase in contract liabilities of RMB8,907.4 million (US\$1,279.5 million), partially offset by properties under development for sale of RMB7,347.8 million (US\$1,055.4 million).

For 2018, we had net cash used in operating activities of RMB2,256.1 million, which primarily comprised income tax paid of RMB631.7 million and net cash used in operations of RMB1,624.3 million. Our cash generated from operations prior to changes in working capital was RMB1,873.5 million. Changes in working capital contributed to a net cash outflow of RMB3,497.9 million, primarily due to increase in company scale and increase in the cash for the net working capital.

For 2017, we had net cash used in operating activities of RMB134.9 million, which primarily comprised income tax paid of RMB466.2 million, partially offset by net cash generated from operations of RMB331.3 million. Our cash generated from operations prior to changes in working capital was RMB1,247.4 million. Changes in working capital contributed to a net cash outflow of RMB916.1 million, primarily due to an increase in trade and other receivables and prepayments of RMB1,752.6 million, a decrease in trade and other payables of RMB1,134.7 million and an increase in restricted cash of RMB132.2 million, partially offset by a decrease in properties under development for sale of RMB1,423.4 million, a decrease in completed properties held for sale of RMB408.4 million and a decrease in receipts in advance of RMB271.6 million.

Cash flows (used in) investing activities

Our cash inflows generated from investing activities primarily reflects repayment from non-controlling interests, disposal of subsidiaries and assets and liabilities held for sale and interest received. Our cash used in investing activities primarily reflect cash used for restricted cash in connection with guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of its Group's properties, cash used for term deposits with initial terms of over three months, acquisition of subsidiaries (net of cash acquired), advances to non-controlling interests, cash used for certain investment in financial assets, capital injection to joint ventures and associates, loans due from third parties, joint ventures and an associate and additions of property, plant and equipment.

For 2019, we had net cash used in investing activities of RMB2,472.4 million (US\$355.1 million), which primarily consisted of advances to non-controlling interests of RMB2,781.4 million (US\$399.5 million) and payments for investment in associates of RMB179.1 million (US\$25.7 million), partially offset by cash acquired from acquisition and step acquisition of subsidiaries, net of cash payment of RMB242.7 million (US\$34.9 million).

For 2018, we had net cash used in investing activities of RMB1,141.9 million, which primarily consisted of advances to non-controlling interests of RMB711.4 million, payments for acquisition of subsidiaries, net of cash acquired of RMB442.1 million and loans due from third parties of RMB207.6 million, partially offset by net inflows of cash in respect of the disposal of subsidiaries.

For 2017, we had net cash used in investing activities of RMB1,656.6 million, which primarily consisted of prepayment for business combinations, net of cash acquired of RMB516.7 million, prepayment for purchase of property, plant and equipment of RMB430.2 million, and payment for investment in associates of RMB275.7 million, partially offset by advances to joint ventures of RMB92.5 million and interest received of RMB19.0 million.

Cash flows generated from/(used in) financing activities

Our cash inflows from financing activities primarily reflect proceeds from bank borrowings and advance from shareholders and directors. Our cash outflows from financing activities primarily reflect repayment of bank borrowings, repayment to shareholders and directors and interest paid.

For 2019, we had net cash generated from financing activities of RMB5,897.8 million (US\$847.2 million), which was primarily due to proceeds from bank and other borrowings of RMB7,663.1 million (US\$1,100.7 million), issuance of the December 2019 Notes of RMB1,746.8 million (US\$250.9 million) and advances from non-controlling interests of RMB1,484.9 million (US\$213.3 million), partially offset by repayment of bank and other borrowings of RMB5,934.0 million (US\$852.4 million) and the repayment of 6.375% Senior Notes due 2019 of RMB2,021.7 million (US\$290.4 million).

For 2018, we had net cash generated from financing activities of RMB5,475.5 million, which was primarily due to the issuance of the February 2018 Notes of RMB2,277.4 million, proceeds from bank borrowings of RMB4,572.8 million, and advances from non-controlling interests of RMB2,007.2 million, partially offset by repayment of bank borrowings of RMB3,037.1 million, repayment of the 2017 Notes of RMB1,799.2 million and interest paid of RMB496.4 million.

For 2017, we had net cash generated from financing activities of RMB2,996.1 million, which was primarily due to proceeds from bank borrowings of RMB4,997.0 million, issuance of the 2017 Notes of RMB1,673.8 million, and advances from joint ventures of RMB74.5 million, partially offset by repayment of bank borrowings of RMB2,111.1 million and redemption of the February 2018 Notes of RMB900.0 million.

Cash and Cash Equivalents

As of December 31, 2017, 2018 and 2019, we had cash and cash equivalents of RMB3,587.1 million, RMB5,678.9 million and RMB11,094.3 million (US\$1,593.6 million), respectively, which consisted of cash at bank and on hand.

Restricted Cash

As of December 31, 2017, 2018 and 2019, we had restricted cash of RMB1,318.5 million, RMB2,186.1 million and RMB3,965.2 million (US\$569.6 million), respectively. Our restricted cash comprised (i) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of the Group's properties, (ii) guaranteed deposits for constructions of properties from certain property development companies of the Group that are required to place certain amount of presale proceeds of properties in designated bank accounts in accordance with relevant regulations issued by local State-Owned Land and Resource Bureau, and (iii) other bank deposits that are restricted in use as collateral for banking facilities of the Group.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Borrowings

The following table sets out a breakdown of our outstanding borrowings as of the dates indicated:

	As of December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in thousands)			
Long-term bank and other borrowings, secured	3,982,100	3,549,978	3,451,066	495,715
The August 29 2018 Notes	—	1,362,773	—	—
The May 2019 Notes	—	—	1,243,720	178,649
Portion of long-term bank and other borrowings, secured				
- due for repayment within one year, secured	1,002,286	3,246,900	3,173,759	455,882
- due for repayment within one year which contain a repayment on demand clause, secured	24,500	24,500	131,683	18,915
- due for repayment after one year which contain a repayment on demand clause, secured	139,336	125,768	—	—
Short-term bank and other borrowings, secured	472,300	592,540	3,152,063	452,766
The 2017 Notes ⁽¹⁾	1,622,697	—	—	—
The February 2018 Notes	—	2,048,688	—	—
The August 1 2018 Notes ⁽²⁾	—	108,534	—	—
The August 29 2018 Notes	—	—	2,150,741	308,935
The January 2019 Notes ⁽³⁾	—	—	1,746,112	250,813
The December 2019 Notes	—	—	1,733,549	249,009
Current borrowings, secured	3,261,119	6,146,930	12,087,907	1,736,319
Total borrowings	7,243,219	11,059,681	16,782,693	2,410,683

Note:

- (1) We issued US\$250,000,000 7.0% senior notes on November 15, 2017. The 2017 Notes matured and were fully repaid on November 14, 2018.
- (2) We issued US\$15,800,000 8.0% senior notes on August 1, 2018. The August 1 2018 Notes matured and were fully repaid on July 31, 2019.
- (3) We issued US\$250,000,000 13.5% senior notes on January 22, 2019. The January 2019 Notes matured and were fully repaid on January 22, 2020.

Our borrowings in 2017, 2018 and 2019 were denominated in both Renminbi, US dollar and Hong Kong dollar. As of December 31, 2017, 2018 and 2019, our total outstanding borrowings (including bank and other borrowings and the notes issuance) amounted to RMB7,243.2 million, RMB11,059.7 million and RMB16,782.7 million (US\$2,410.7 million), respectively. The overall increase in our borrowings was primarily due to the increasing needs to finance our property developments as we expanded the scale of our operations.

The following table sets out the maturity profiles of our borrowings (i.e. ignoring the effect of any repayment on demand clause) as of the dates indicated:

	As of December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in thousands)			
Amounts of borrowings that are repayable:				
- Within one year	3,121,783	6,021,162	12,087,907	1,736,319
- Between one to two years	2,113,509	4,553,060	2,558,545	367,512
- Between two to five years	2,007,917	485,459	2,136,241	306,852
	<u>7,243,219</u>	<u>11,059,681</u>	<u>16,782,693</u>	<u>2,410,683</u>

The carry amounts of all our borrowings as of the dates indicated below were denominated in the following currencies:

	As of December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
	(in thousands)			
US\$	3,879,876	5,960,995	9,300,170	1,335,886
RMB	3,199,507	4,948,417	7,346,406	1,055,245
HK\$	163,836	150,269	136,117	19,552
	<u>7,243,219</u>	<u>11,059,681</u>	<u>16,782,693</u>	<u>2,410,683</u>

Subsequent to December 31, 2019, we have, from time to time, in the ordinary course of business, entered into additional financial arrangements to finance our property developments or for general corporate purposes, including, without limitation, the May 2020 Notes and the 2020 Global Edge Facility, and repaid some of our borrowings. For a description of our material indebtedness, see “Description of Other Material Indebtedness.”

Contingent Liabilities

Guarantees on mortgage facilities

In 2017, 2018 and 2019, we had arranged for bank financing for certain purchasers of our properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the building ownership certificate to the purchaser; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, we would be responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and we would be entitled to take over the legal title and possession of the related properties. Our guarantee period starts from the date of grant of mortgage. Our Directors consider that the likelihood of default of payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. The following table shows our total mortgage guarantees as of the dates indicated:

	As of December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
				(in thousands)
Guarantees in respect of mortgage for certain purchasers of the Group's properties	<u>6,052,438</u>	<u>5,932,804</u>	<u>9,001,924</u>	<u>1,293,045</u>

Our directors confirm that it did not experience any material default on mortgage guarantees in 2017, 2018 and 2019.

As of December 31, 2019, we provided mortgage guarantees amounting to RMB9,001.9 million (US\$1,293.0 million) in respect of mortgage loans granted to purchasers of its developed properties. In addition, there were certain corporate guarantees provided by some of the Group's subsidiaries for certain other subsidiaries in respect of borrowings as of December 31, 2019. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities disclosed above, as of December 31, 2019, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities. The Company provides a corporate guarantee of AUD 70,000,000 to the subsidiary of Power Out International Ltd., a joint venture of the Group.

CONTRACTUAL OBLIGATIONS

As of December 31, 2017, 2018 and 2019, we had the following commitments that are contracted but not provided in respect of land acquisition and property development expenditures:

	As of December 31,			
	2017	2018	2019	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
				(in thousands)
Contracted but not provided for:				
Property development expenditures	2,244,062	6,045,822	9,517,520	1,367,106
Land use right	—	414,387	821,185	117,956
Leasehold improvement	—	1,628	1,819	261
Acquisition of subsidiaries	146,446	—	—	—
Capital injection to a joint venture	5,357	—	—	—

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are, in the ordinary course of its business, exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. Our overall risk management program focuses on unpredictability of financial markets and seeks to minimize the relevant potential adverse effects on our performance.

Market Risks

We are exposed to various types of market risks, including foreign exchange risk and cash flow interest rate risk.

Foreign exchange risk

We mainly operate in the PRC, with most of our transactions settled in the Renminbi. Foreign exchange risk would arise when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency. We are exposed to foreign exchange risk primarily with respect to the Hong Kong dollar and the United States dollar.

As of December 31, 2017, 2018 and 2019, certain of our cash and bank balances were denominated in the Hong Kong dollar and the United States dollar.

As of December 31, 2017, 2018 and 2019, we were exposed to foreign exchange risk primarily with respect to certain of our borrowings which were denominated in the Hong Kong dollar and US dollar. The Renminbi experienced certain depreciation and appreciation against the Hong Kong dollar and US dollar during the periods, which was the major reason for the exchange differences recognized by us in 2017, 2018 and 2019. Future appreciation or depreciation of the Hong Kong dollar and US dollar against the Renminbi will affect our results of operations and financial position.

Cash flow interest rate risk

Our cash flow interest rate risk is mainly due to its bank borrowings. Borrowings of variable rates expose us to cash flow interest rate risk. We have not hedged our cash flow interest rate risk. Our management does not anticipate significant impact to our interest-bearing assets resulting from changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

Credit Risk

Our credit risk arises from bank deposits and other receivables. All our bank deposits are placed with banks with sound credit ratings to mitigate the risk. We do not hold any collateral as security. For other receivables, financial assets at fair value through profit and loss, amounts due from related parties and amounts due from non-controlling interests, we assess the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Our management also regularly review the recoverability of these receivables and follow up on the disputes or amounts overdue, if any. Our Directors are of the opinion that the risk of default by counterparties is low.

We typically provide guarantees to banks in connection with our customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand us to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, we are able to retain the customers' deposit and resell the property to recover any amounts paid by us to the bank. In this regard, our Directors consider that our credit risk is significantly reduced.

Liquidity Risk

The capital intensive nature of our business operations exposes us to liquidity risk. In managing our liquidity risk, we regularly and closely monitor our current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by our management to finance our operations and to maintain sufficient cash to meet our business development requirements.

Our management has periodically prepared cash flow projections and it has a number of alternative plans to offset the potential impact on our business development and current operations, should there be circumstances in which the anticipated cash flow may be affected by any unexpected changes in the economic conditions of the PRC. Our Directors consider that we will be able to maintain sufficient financial resources to meet our needs.

Inflation

Recent inflation and deflation have not materially affected our business, despite relatively significant increases in inflation since December 31, 2016. Deflation could adversely affect our business, as it might be a disincentive for prospective purchasers to purchase our properties.

NON-GAAP FINANCIAL MEASURES

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

- finance income/costs;
- amortization of intangible assets and land use rights;
- impairment of goodwill;
- share of loss of a joint venture;
- income tax expense; and
- depreciation.

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

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

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

	For the year ended December 31,			
	2017	2018	2019	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(US\$)</i>
				<i>(unaudited)</i>
	<i>(in thousands, except for percentages)</i>			
Profit before tax	1,597,867	2,213,472	2,640,985	379,354
Adjustments:				
Less:				
Other losses/(gains), net	15,803	(248,469)	(445,194)	(63,948)
Share of (profit)/loss of investments accounted for using the equity method, net	(82,870)	(77,468)	21,545	3,095
Finance income	(44,729)	(95,025)	(122,486)	(17,594)
	<u>1,486,071</u>	<u>1,792,510</u>	<u>2,094,850</u>	<u>300,907</u>
Add:				
Finance costs	70,945	71,662	19,981	2,870
Capitalized interest included in cost of sales	408,935	293,776	379,960	54,578
Depreciation	6,597	9,930	18,998	2,730
Impairment of goodwill	49,535	—	—	—
EBITDA	<u>2,022,083</u>	<u>2,167,878</u>	<u>2,513,789</u>	<u>361,085</u>
EBITDA margin	30.03%	32.18%	29.22%	29.22%

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

INDUSTRY OVERVIEW

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

OVERVIEW OF THE PRC ECONOMY

China has experienced significant economic growth since the adoption of the reform and opening-up policy by the PRC government in 1978. China's nominal GDP grew at a CAGR of 11.4% from 2008 to 2017, reaching approximately RMB82,712 billion in 2017 and making China one of the fastest growing economies in the world.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Nominal GDP										
(RMB in billion) . . .	31,405	34,090	40,151	47,288	51,932	56,885	64,397	68,905	74,413	82,712
Population (million) . . .	1,328	1,335	1,341	1,347	1,354	1,361	1,368	1,375	1,383	1,390
Fixed asset investment										
(RMB in billion) . . .	17,283	22,460	27,812	31,149	37,468	44,707	51,202	56,200	60,647	63,168
Per capita GDP (RMB) . . .	23,708	25,608	30,015	35,181	38,354	41,805	47,203	50,251	53,980	59,660
Real GDP growth rate										
(%)	9.0	8.7	10.3	9.2	7.8	7.7	7.3	6.9	6.7	6.9

Sources: China Statistic Yearbook, National Bureau of Statistics of China ("NBSC")

Before the global financial crisis in 2008, China's nominal GDP grew at a CAGR of approximately 18.3% between 2003 and 2008. Following the global financial crisis in 2008, China further strengthened its economy by loosening macroeconomic policies and launching its RMB4 trillion stimulus package in 2008. Starting in 2010, in order to cope with rising inflation and unbalanced economic growth, China implemented a series of economic austerity measures to slow down its overheated economy by adjusting interest rates, bank deposit reserve ratio and austerity measures for the housing market. From 2015 to 2017, China's real GDP grew at an annual growth rate of approximately 6.9%, 6.7% and 6.9% respectively.

The PRC's annual real GDP growth rate target set by the PRC government in recent years has been 6.5% between 2016 and 2020. However, as mentioned above, the actual real GDP growth rate of the country consistently surpassed the targeted level from 2015 to 2017.

In March 2013, the PRC government announced a real GDP growth rate target of 6.5% for 2017. After years of high but unbalanced economic growth, the PRC government has set a more moderate annual growth rate target which aims to improve the quality of economic growth and to promote economic restructuring as a way to sustain longer-term growth.

OVERVIEW OF THE REAL ESTATE MARKET OF THE PRC

Recent developments of real estate policies in the PRC

In order to avoid over-heating of the real estate market, the PRC government has promulgated various restrictive measures to stabilize housing prices. For details of recent developments of real estate policies in the PRC, please refer to the section headed “Regulation — Measures on stabilizing housing price” in this offering memorandum.

Key growth drivers of the real estate market in the PRC

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Urban population (million)	624.03	645.12	669.78	690.79	711.82	731.11	749.20	771.20	793.00	813.50
Urbanization rate (%) . . .	47.0	48.3	50.0	51.3	52.6	53.7	54.8	56.1	57.3	58.5
Per capita disposable income of urban households (RMB)	15,781	17,175	19,109	21,810	24,565	26,955	28,844	31,195	33,616	36,396

Sources: National Bureau of Statistics, World Bank

The cities in which our existing and planned property developments and investments are situated also experienced significant GDP growth. The tables below illustrate the nominal GDP in these cities for the years indicated:

	2008		2009		2010		2011		2012		2013		2014		2015		2016		2017	
	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate	Nominal GDP	Nominal growth rate
	(RMB bn)	(%)	(RMB bn)	(%)	(RMB bn)	(%)	(RMB bn)	(%)	(RMB bn)	(%)	(RMB bn)	(%)	(RMB bn)	(%)	(RMB bn)	(%)	(RMB bn)	(%)	(RMB bn)	(%)
China	31,405	18.1	34,090	8.6	40,151	17.8	47,288	17.8	51,932	9.8	56,885	9.5	64,397	8.2	68,905	7.0	74,413	8.0	82,712	11.2
Nanchang	166	19.4	184	10.7	221	20.1	269	21.8	300	11.6	334	11.2	367	9.8	400	9.1	440	8.9	500	13.7
Tianjin	635	26.6	750	18.1	911	21.4	1,119	22.9	1,289	15.1	1,437	11.4	1,573	9.4	1,654	5.2	1,789	8.1	1,860	3.9
Jinan	302	18.4	335	10.9	391	16.7	441	12.7	481	9.2	523	8.7	577	10.3	610	5.7	654	7.1	720	10.1
Yantai	343	19.1	373	8.7	436	16.9	491	12.6	528	7.5	561	6.3	600	7.0	645	7.4	693	7.4	734	5.9
Hefei	167	25.6	210	25.7	270	28.6	364	34.8	416	14.3	467	12.3	518	10.9	566	9.3	627	10.8	721	15.0
Xianyang	77	30.5	87	13.0	110	26.4	136	23.6	162	19.1	186	14.8	208	11.7	216	3.8	240	11.1	234	(2.5)
Shenzhen	781	15.4	820	5.0	951	16.0	1,150	20.9	1,295	12.6	1,450	12.0	1,600	10.4	1,750	9.4	1,949	11.4	2,244	15.1

Sources: China Statistic Yearbook, NBSC, Local Bureaus of Statistics

Furthermore, demand for real estate property is also driven by the emergence and growth of the mortgage lending market in China. Due to this favorable market environment, investment in real estate development in China rose from approximately RMB3,120 billion in 2008 to approximately RMB10,980 billion in 2017, representing a CAGR of approximately 15.0%.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real estate development										
Investment (RMB in billion)	3,120	3,624	4,826	6,180	7,180	8,601	9,054	9,598	10,258	10,980
GFA of commodity properties sold (million sq.m.)	660	948	1,048	1,094	1,113	1,306	1,206	1,285	1,573	1,694
GFA of residential properties sold (million sq.m.)	593	862	934	965	985	1,157	1,502	1,124	1,375	1,448
Average selling price of commodity properties (RMB per sq.m.)	3,800	4,681	5,032	5,357	5,791	6,237	6,324	6,793	7,476	7,892
Average selling price of residential properties (RMB per sq.m.)	3,576	4,459	4,725	4,993	5,430	5,850	5,933	6,472	7,203	7,614
Total sales revenue of commodity properties (RMB in billion)	2,507	4,436	5,272	5,859	6,446	8,143	7,629	8,728	11,763	13,370
Total sales revenue for residential properties (RMB in billion)	2,120	3,843	4,412	4,820	5,347	6,769	6,241	7,277	9,906	11,024

Source: National Bureau of Statistics

The average selling price of commodity properties sold in China increased from approximately RMB3,800 per sq.m. in 2008 to approximately RMB7,892 per sq.m. in 2017, while the average selling price of residential properties increased from approximately RMB3,576 per sq.m. in 2008 to approximately RMB7,614 per sq.m. in 2017.

Development of the Western Taiwan Straits Economic Zone

On May 6, 2009, the State Council promulgated the Several Opinions in relation to Supporting Fujian Province to Accelerate the Development of the Western Taiwan Straits Economic Zone (Guo Fa [2009] No. 24) (關於支持福建省加快建設海峽西岸經濟區的若干意見(國發[2009] 24號)), pursuant to which the PRC government intends to accelerate the development of the Western Taiwan Straits Economic Zone in order to boost the nation's coastal economy as a whole, channel overseas capital to western and central China and to forge stronger economic cooperation with Taiwan.

The Western Taiwan Straits Economic Zone includes Fuzhou, Xiamen, Zhangzhou, Quanzhou, Putian, Sanming, Nanping, Longyan and Ningde in Fujian Province; Wenzhou, Lishui, Quzhou in Zhejiang Province; Shantou, Meizhou, Chaozhou, Jieyang in Guangdong Province; and Shangrao, Yingtan, Fuzhou, Ganzhou in Jiangxi Province.

Over the past few years the Economic Zone has focused on port logistics to largely improve its basic infrastructure and cargo-handling capacity through restructuring and central management. We believe that Fujian Province and neighboring Jiangxi Province are the key constituents of the Western Taiwan Straits Economic Zone. Adjacent to the Taiwan Straits, we believe that these two provinces are well positioned to act as the hub of the Western Taiwan Straits Economic Zone linking together the Pearl River Delta and the Yangtze River Delta as well as the vast area of Central China.

For 2017, per capita GDP of Fujian Province reached RMB82,976, while per capita disposable income of urban households reached RMB39,001, representing a growth of 12.2% and 8.3% over 2016 respectively. For 2017, per capita GDP of Jiangxi Province reached RMB45,187 and per capita disposable income reached RMB31,198, representing a growth of 12.7% and 8.8% over 2016, respectively. We believe that the strong economic performance will lead to increasing demand in the property market in the region.

For purposes of this offering memorandum, we have defined the Greater Western Taiwan Straits Economic Zone to include Fujian Province, Jiangxi Province, Wenzhou, Lishui and Quzhou in Zhejiang Province and Shantou, Meizhou, Chaozhou and Jieyang in Guangdong Province.

Development of the Bohai Economic Rim

The Bohai Economic Rim consists of three provinces and two municipalities surrounding the Bohai Rim area, namely Beijing, Tianjin municipality, Hebei province, Shandong Province and Liaoning Province. On December 21, 2010, the State Council promulgated the Notice in relation to the Issuance of the National Plan for Priority Development Zones (Guo Fa [2010] No. 46) (國務院關於印發全國主體功能區規劃的通知(國發[2010] 46號)), pursuant to which the PRC government aims to develop the Bohai Economic Rim into the gateway for international trade and commerce and the leading economic engine in Northern China, constituting one of China's three major economic regions with development priority, with the other two being the Pearl River Delta and the Yangtze River Delta.

In 2017, the State Council has approved the guideline on the development of the Bohai Economic Rim, which urges the construction of major infrastructures to build a modern network of transportation, energy, water resources and information. Local governments will mainly focus on upgrade of industries. We believe that Tianjin municipality and bordering Shandong Province possess great economic growth potential that is conducive to a robust real estate market. For 2017, per capita GDP of Tianjin Municipality reached RMB119,238 and per capita disposable income of urban households reached RMB40,278, representing a growth rate of 3.6% and 8.5% over 2016, respectively. For 2017, per capita GDP of Shandong Province reached RMB72,851 and per capita disposable income of urban households reached RMB36,789, representing a growth of 7.6% and 8.2% over 2016, respectively.

Development of the Central and Western Regions

The Central and Western regions encompass vast areas of inland China, and have been targeted by the central government for the implementation of major economic reform and development policies. On August 31, 2010, the State Council issued the Guiding Opinions of the State Council on Central and Western Regions' Undertaking of Industrial Transfer (Guo Fa [2010] No. 28) (國務院關於中西部地區承接產業轉移的指導意見(國發[2010] 28號)), providing guidelines for the migration of industries towards the Central and Western Regions with the aim of promoting further urbanization and economic growth. On February 13, 2012, the State Council circulated the Official Reply of the State Council on the 12th Five-Year Plan for the Large-Scale Development of the Western Regions (Guo Fa [2012] No. 8) (國務院關於西部大開發“十二五”規劃的批覆(國發[2012] 8號)), setting out the plan for long-term sustainable economic development and the goal of achieving a GDP growth rate higher than that of the national average. On August 27, 2012, the State Council further promulgated the Several Opinions of the State Council on Vigorous Implementation of the Strategy of Promoting the Rise of the Central Region (Guo Fa [2012] No. 43) (國務院關於大力實施促進中部地區崛起戰略的若干意見(國發[2012] 43號)), pursuant to which the PRC government intends to continue economic policy support for the region. On January 5, 2017, the Stake Council circulated the Official Reply on the 13th Five-Year Plan for the Large-Scale Development of the Western Regions (Guo Han[2017]No. 1)(國務院關於西部大開發“十三五”規劃的批復(國函[2017]1號)) to provide further support for

development of the region in various aspects such as taxation, project development, financing, etc. From 2000 to 2017, the Chinese government invested RMB6.85 trillion in 317 major projects, mostly in infrastructure and energy, in western regions. In 2017 alone, RMB494.1 billion was invested in 17 major projects in western regions, according to the National Development and Reform Commission.

We believe that the Central and Western Regions have benefited and will continue to benefit from policy support from the central government with the aim of nurturing long-term economic growth and promoting urbanization, which will help unlock growth potential in the real estate market of these regions.

Development of Sydney

Sydney is the economic and cultural center of Australia. It is made up of 658 suburbs, 40 local government areas and 15 contiguous regions. Sydney has an advanced market economy with strengths in finance, manufacturing and tourism. It is promoted as one of Asia Pacific's leading financial hubs due to a significant concentration of multinational corporations.

According to the Australian Bureau of Statistics, Sydney had a population of approximately 5.1 million at the end of 2017. In 2017, its GDP reached approximately A\$418 billion, representing a per capita GDP of A\$81,300. The table below sets forth selected economic indicators relating to Sydney for the years indicated:

	Sydney									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (AUD Bn)	306	309	316	323	333	341	349	361	371	418
Per Capita GDP (AUD)	69,203	68,706	69,296	69,926	71,148	71,433	71,823	72,992	73,740	81,300
Per Capita Disposable Income (AUD)	45,585	46,208	47,131	48,672	49,346	50,001	50,854	51,369	51,030	N/A

Sources: Australian Bureau of Statistics

Residential properties industry has experienced continuous development over the past decade, with both house price and properties sold showing an upward trend. The table below illustrates key figures relating to the residential real estate market in Sydney for the years indicated:

	Sydney									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
House Price Index	85.1	96.8	102.2	98.9	103.4	119.9	133.4	151.9	167.6	174.0
Apartment Properties Sold Index	N/A	1	2	2	1	1	2	5	5	N/A

Sources: Australian Bureau of Statistics, Real Capital Analytics

Nanchang

Nanchang is the capital of Jiangxi Province in southeastern China. Due to its central location relative to the Yangtze River Delta and Pearl River Delta regions, it is a major railroad hub and a regional hub for agricultural production in Jiangxi Province.

According to the Nanchang Municipal Bureau of Statistics, Nanchang had a population of approximately 5.5 million as of the end of 2017. In 2017, its GDP reached approximately RMB500 billion, representing a per capita GDP of RMB91,575. The table below sets forth selected economic indicators relating to Nanchang for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billion)	166	184	221	269	300	334	367	400	440	500
Per capita GDP (RMB)	36,105	39,669	47,174	53,023	58,715	64,678	70,373	75,879	82,472	91,575
Per capita disposable income of urban households (RMB)	15,112	16,472	18,276	20,741	23,602	26,151	29,091	31,942	34,619	

Source: Nanchang Municipal Bureau of Statistics

The GFA of completed residential properties in Nanchang was approximately 3.9 million sq.m. in 2017, representing an increase of approximately 15.0% over 2016. The total residential GFA sold in Nanchang was approximately 16.1 million sq.m. in 2017, representing an increase of approximately 29.4% over 2016, while the average selling price increased by approximately 5.2% from approximately RMB7,707 per sq.m. in 2016 to approximately RMB8,106 per sq.m. in 2017.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA of residential properties completed (million sq.m.)	3.0	3.3	3.1	3.9	3.3	3.1	4.3	3.5	3.4	3.9
Total GFA of commodity properties (residential) sold (million sq.m.)	3.3	4.6	4.9	4.4	6.0	N/A	7.5	8.2	12.4	16.1
Average selling price of commodity properties (residential) (RMB per sq.m.)	3,361	3,637	4,331	5,323	5,880	N/A	6,225	6,955	7,707	8,106

Source: China Statistic Yearbook

Local restrictive measures

In January 2011, the Nanchang municipal government issued the Notice on Further Implementation of the Supplemental Opinions on General Real Estate Control Policies and Help the Stable and Healthy Growth of the Real Estate Market (關於進一步貫徹落實國家宏觀調控政策促進房地產市場平穩健康有序發展的補充意見的通知), pursuant to which each household is allowed to purchase only one new residential property in the five downtown areas of Nanchang city after February 1, 2011.

In February 2011, the Nanchang municipal government further issued Opinions on Nanchang City's Implementation of State Council's Notice on Further Conducting Real Estate Market Control Work (南昌市貫徹落實國務院辦公廳關於進一步做好房地產市場調控工作有關問題的意見), pursuant to which, for purchases of properties in Nanchang city:

- i. the minimum down payment in respect of mortgage loans on purchase of the second residential properties is 60% of the purchase price and the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate; and
- ii. it is not allowed to sell properties to the Nanchang resident households who have already purchased two or more residential properties or non-Nanchang resident households who have purchased one or more residential properties or non-Nanchang resident households who are not able to provide a local tax payment certificate or social security certificate for more than one year.

In December 2013, the Nanchang Central Sub-branch of the PBOC promulgated the Notice of Adjusting the Differentiated Credit Extension Policies Based on Housing Types in Nanchang City (關於調整南昌市差別化住房信貸政策的通知), which raises the percentage of the minimum down payment for second-home purchases from 60% to 70% of the total purchase price from December 15, 2013.

In October 2016, the General Office of Nanchang municipal government issued the Several Opinions on Facilitating the Continuous Stable and Healthy Development of the Real Estate Market (關於促進我市房地產市場持續平穩發展的若干意見), which introduces a quota policy of housing purchase within specific region, sets the minimum down payment ratio in respect of commercial mortgage loans for the first home purchasers to 30%, and suspends the mortgage loans lending to non-resident households for second residential housing purchases or to any third residential housing purchasers.

In March 2017, the General Office of Nanchang municipal government issued the Notice of Further Improving Control over the Residential Real Estate Market (關於進一步做好房地產住宅市場調控工作的通知), which places further restrictions on the mortgage loans.

In September 2017, the General Office of Nanchang municipal government issued the Notice of Further Strengthening Control over the Residential Real Estate Market (關於進一步加強房地產住宅市場調控工作的通知), which provides that from September 23, 2017, all newly traded residential properties in the whole Nanchang city shall not be transferred again within two years after obtaining the property ownership certificate.

Tianjin

Tianjin is one of the four centrally-administered municipalities in the PRC. Tianjin is strategically located in the Bohai Economic Rim region with an area of approximately 11,947.0 sq.km.

According to the Tianjin Municipal Bureau of Statistics, Tianjin had a population of approximately 15.6 million at the end of 2017. In 2017, its GDP reached approximately RMB1,860 billion, representing a per capita GDP of RMB119,441. The table below sets forth selected economic indicators relating to Tianjin for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP										
(RMB in billion) . . .	635	750	911	1,119	1,289	1,437	1,573	1,654	1,789	1,860
Per capita GDP (RMB) .	55,473	62,403	70,402	82,616	91,181	97,609	105,231	107,960	114,494	119,441
Per capita disposable income of urban households										
(RMB)	19,423	21,430	24,293	26,921	29,626	32,658	28,844	31,195	33,616	37,022

Source: Tianjin Municipal Bureau of Statistics

The GFA of completed residential properties in Tianjin was approximately 14.7 million sq.m. in 2017, representing a decrease of approximately 32.8% over 2016. The total residential GFA sold in Tianjin was approximately 14.8 million sq.m. in 2017, representing a decrease of approximately 41.2% over 2016, while the average selling price increased by approximately 17.6% from approximately RMB12,870 per sq.m. in 2016 to approximately RMB15,139 per sq.m. in 2017.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA of residential properties completed (million sq.m.)	14.9	15.8	16.0	16.5	19.1	21.2	21.3	21.8	21.9	14.7
Total GFA of commodity properties (residential) sold (million sq.m.) . .	11.4	14.6	13.0	13.7	15.1	N/A	14.8	16.7	25.2	14.8
Average selling price of commodity properties (residential) (RMB per sq.m.)	5,598	6,605	7,940	8,548	8,010	N/A	8,828	9,931	12,870	15,139

Source: China Statistic Yearbook

Local restrictive measures

In February 2011, the General Office of Tianjin municipal government issued the Notice on Implementation of the Spirit of the Document of the General Office of the State Council and Further Carrying Out Well the Real Estate Control Policies In Our City (關於貫徹國務院辦公廳文件精神進一步做好我市房地產市場調控工作實施意見的通知). Pursuant to the Notice, the minimum down payment in respect of mortgage loans on purchase of second residential properties is 60% of the purchase price and the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate.

Moreover, (i) Tianjin resident households who have already purchased one residential property and (ii) non-Tianjin residents who are able to provide one year's tax payment certificate and social security payment certificate are only allowed to purchase one residential property per household. No properties are allowed to be sold to (a) Tianjin resident households who have already purchased two or more residential properties, (b) non-Tianjin resident households who have purchased one or more residential properties or (c) non-Tianjin resident households who are unable to provide a local tax payment certificate or social security certificate for more than one year.

In September 2016, the General Office of Tianjin municipal government issued the Opinion of Further Improving Stable and Healthy Development of the Real Estate Market (關於進一步促進我市房地產市場平穩健康發展的實施意見), which restricts any non-resident households with one or more residential properties in Tianjin to purchase another residential property within specific areas of the city.

In March 2017, the General Office of Tianjin municipal government issued the Opinion of Further Improving Control over the Real Estate Market (關於進一步深化我市房地產市場調控工作的實施意見), which blocks non-residential second home purchasers, residential third home purchasers, and any unmarried or divorced persons holding at least one residential property to purchase another residential property in Tianjin city except Binhai New District.

Jinan

Jinan is the capital city of Shandong province. The city, which holds sub-provincial administrative status and a major regional economic and transportation hub, is about 400 kilometers from Beijing with an area of 8,177.0 million sq.m.

According to the Jinan Municipal Bureau of Statistics, Jinan had a population of approximately 7.3 million at the end of 2017. In 2017, its GDP reached approximately RMB720 billion, representing a per capita GDP of RMB98,967. The table below sets forth selected economic indicators relating to Jinan for the years indicated:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Nominal GDP										
(RMB in billion) . . .	302	335	391	441	481	523	577	610	654	720
Per capita GDP (RMB) . .	45,724	50,376	57,947	64,331	69,574	74,725	82,052	85,919	90,999	98,967
Per capita disposable income of urban households (RMB) . . .	20,802	22,722	25,321	28,892	32,570	35,648	38,763	39,889	33,909	36,872

Sources: *Jinan Municipal Bureau of Statistics; Shandong Yearbook*

The GFA of completed residential properties in Jinan was approximately 4.9 million sq.m. in 2017, representing a decrease of approximately 38.8% over 2016. The total residential GFA sold in Jinan was approximately 9.7 million sq.m. in 2017, representing a decrease of approximately 20.8% over 2016, while the average selling price increased by approximately 15.6% from approximately RMB8,405 per sq.m. in 2016 to approximately RMB9,712 per sq.m. in 2017.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA of residential properties completed (million sq.m.)	2.3	3.7	2.0	4.2	3.7	6.1	3.8	3.7	8.0	4.9
Total GFA of commodity properties (residential) sold (million sq.m.)	3.3	4.0	4.8	5.4	5.6	N/A	7.2	9.2	12.3	9.7
Average of commodity properties (residential) selling price (RMB per sq.m.)	4,155	4,790	6,100	6,664	6,651	N/A	7,158	7,527	8,405	9,712

Source: *China Statistic Yearbook*

Local restrictive measures

In January 2011, the Jinan municipal government issued the Notice on the Further Implementation of the Real Estate Control Policies and Helping the Stable and Healthy Growth of the Real Estate Market (關於進一步貫徹落實房地產調控政策促進房地產市場健康平穩發展的通知), pursuant to which the minimum down payment in respect of mortgage loans on purchase of the residential properties is 30% of the purchase price, the purchase of second residential properties is increased to 50% of the purchase price; and the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate. Further, each Jinan or non-Jinan resident household is allowed to purchase only one new residential property in the seven downtown area of the Jinan city until December 31, 2011.

In February 2011, the General Office of Shandong Province government issued the Notice on Implementation of the Guo Ban Fa [2011] No.1 and Further Improving and Strengthening the Real Estate Control Policies (關於貫徹國辦發[2011]1號文件進一步改進和加強房地產市場調控的通知). Pursuant to the Notice, in principle, it is not allowed to sell properties (i) to the Jinan resident households who have purchased two or more residential properties or (ii) to non-Jinan resident households who have purchased one or more residential properties or non-Jinan resident households who are not able to provide a local tax payment certificate or social security certificate for more than one year.

In October 2016, the General Office of Jinan municipal government issued the Notice of Further Strengthening Control over the Real Estate Market (關於進一步加強房地產市場調控工作的通知), pursuant to which the minimum down payment ratio for commercial mortgage loans would be raised from 20% to 30% for first home purchasers, and the minimum down payment ratio for commercial mortgage loans would be raised from 30% to 40% for second home purchasers. Non-residential households can only purchase one residential property and residential households can hold up to three residential properties.

In April 2017, the General Office of Jinan municipal government issued the Notice of Further Perfecting the Control Policies to Improve the Stable and Healthy Development of Real Estate Market (關於進一步完善調控措施促進我市房地產市場平穩健康發展的通知), pursuant to which the minimum down payment ratio for commercial mortgage loans would be raised to 60% for non-residential households, and from the date of such notice, all newly traded residential properties in specific areas shall not be transferred again within 2 years after obtaining the property ownership certificate.

Yantai

Yantai is a prefecture-level city in Shandong Province. Located on the southern coast of Bohai sea and the eastern coast of Laizhou Bay, Yantai is a robust economic center in the Bohai Economic Rim region.

According to the Yantai Municipal Bureau of Statistics, Yantai had a population of approximately 7.1 million at the end of 2017. In 2017, its GDP reached approximately RMB734 billion, representing a per capita GDP of RMB103,706. The table below sets forth selected economic indicators relating to Yantai for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billion)	343	372.9	436	491	528	561	600	645	693	734
Per capita GDP (RMB)	49,012	53,066	62,264	70,339	75,672	80,358	85,795	91,979	98,389	103,706
Per capita disposable income of urban households (RMB)	19,350	21,125	23,288	26,542	30,045	32,956	33,309	35,907	38,7444	41,837

Source: Yantai Municipal Bureau of Statistics

The total residential GFA sold in Yantai was approximately 9.5 million sq.m. in 2017, representing an increase of approximately 15.7% over 2016, while the average selling price increased by approximately 9.9% from approximately RMB5,682 per sq.m. in 2016 to approximately RMB6,242 per sq.m. in 2017.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA of residential properties completed (million sq.m.)	2.3	3.9	3.1	4.5	4.0	N/A	N/A	N/A	4.0	3.0
Total GFA of commodity properties (residential) sold (million sq.m.)	5.6	6.3	10.4	11.8	9.6	N/A	6.9	6.7	8.2	9.5
Average selling price of commodity properties (residential) (RMB per sq.m.)	3,242	3,748	3,954	4,834	5,265	N/A	5,689	5,624	5,682	6,242

Sources: Yantai Statistic Yearbooks, China Regional Statistic Yearbook

Local restrictive measures

In August 2017, the General Office of Yantai municipal government issued the Opinion of Further Improving the Healthy Development of Real Estate Market (關於進一步促進房地產市場健康發展的意見), which sets the minimum down payment ratio for housing provident funding loans at 30% for first home purchasers and 40% for second home purchaser, and the interest rate of the housing provident funding loan for the second home shall not be lower than that of the housing provident funding loan for the first home.

Hefei

Hefei is the capital of Anhui Province. It is located in the central region of China between Yangtze and Huaihe Rivers and is close to the fast developing Yangtze River Delta Region. The city covers an area of 7,029 sq.km. It possesses a strategically important location easily accessible from all directions of the country, and connects the vast area of Central China.

According to the Hefei Municipal Bureau of Statistics, Hefei had a population of approximately 8.0 million at the end of 2017. In 2017, its GDP reached approximately RMB721 billion, representing a per capita GDP of RMB91,113. The table below sets forth selected economic indicators relating to Tianjin for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billion)	167	210	270	364	416	467	518	566	627	721
Per capita GDP (RMB)	34,482	41,543	47,392	48,563	55,186	61,555	67,689	73,102	80,138	91,113
Per capita disposable income of urban households (RMB)	15,591	17,158	19,051	22,459	25,434	28,083	29,348	31,989	34,852	37,972

Source: Hefei Municipal Bureau of Statistics

The GFA of completed residential properties in Hefei was approximately 7.8 million sq.m. in 2017, representing a decrease of approximately 9.4% over 2016. The total residential GFA sold in Hefei was approximately 9.6 million sq.m. in 2017, representing an decrease of approximately 43.7% over 2016, while the average selling price increased by approximately 22.9% from approximately RMB9,312 per sq.m. in 2016 to approximately RMB11,442 per sq.m. in 2017.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA of residential properties completed (million sq.m.)	4.6	4.8	5.8	6.6	7.3	10.7	7.0	7.1	8.6	7.8
Total GFA of commodity properties (residential) sold (million sq.m.)	8.7	11.8	8.6	10.6	11.2	N/A	13.3	12.9	17.1	9.6
Average selling price of commodity properties (residential) (RMB per sq.m.).	3,425	4,095	5,502	5,608	5,754	N/A	6,917	7,512	9,312	11,442

Source: China Statistic Yearbook

Local restrictive measures

In June 2016, the General Office of Hefei municipal government issued the Notice of Further Improving Control over the Residential Real Estate Market (關於進一步做好我市房地產住宅市場調控工作的通知), which provides that the minimum down payment ratio for commercial individual loans is 25% for first home purchasers, but in other situation, the minimum down payment ratio for commercial individual loans would be varied from 40% to 60%.

In October 2016, the General Office of Hefei municipal government forwarded the Opinion of Further Improving the Stable and Healthy Development of Real Estate Market (關於進一步促進我市房地產市場平穩健康發展的意見) jointly issued by multiple local authorities, which raises the minimum down payment ratio for commercial individual loans to 30% for first home purchasers and suspends the commercial individual loans lending to the residential households with two or more residential properties and non-residential households with one or more residential properties.

Xianyang

Xianyang is a prefecture-level city in Shanxi Province. It borders with the capital of Shanxi, Xi'an, to the east and shares the same international airport with Xi'an. It's part of the Xi'an metropolitan area, one of the main urban agglomerations in inland China. This integration with Xi'an was further supported by the recent governmental initiative of "Integration of Xi'an and Xianyang."

According to the Xianyang Municipal Bureau of Statistics, Xianyang had a population of approximately 4.4 million at the end of 2017. In 2017, its GDP reached approximately RMB234 billion, representing a per capita GDP of RMB53,546. The table below sets forth selected economic indicators relating to Xianyang for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal GDP (RMB in billion)	76	87	110	136	162	186	208	216	240	234
Per capita GDP (RMB)	15,286	17,429	21,900	27,705	32,847	37,695	41,971	43,426	48,016	53,546
Per capita disposable income of urban households (RMB)	13,208	16,404	18,914	22,224	25,758	30,374	27,137	29,425	31,662	34,246

Source: Xianyang Municipal Bureau of Statistics

The total residential GFA sold in Xianyang was approximately 1.8 million sq.m. in 2017, representing a decrease of 14.0% over 2016, while the average selling price decrease by approximately 5.4% from approximately RMB4,030 per sq.m. in 2016 to approximately RMB4,262 per sq.m. in 2015.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GFA of residential properties completed (million sq.m.)	0.7	0.5	0.9	0.9	0.2	N/A	N/A	N/A	N/A	N/A
Total GFA of commodity properties (residential) sold (million sq.m.)	1.0	1.3	2.1	2.1	1.4	2.0	2.2	2.2	2.0	1.8
Average selling price of commodity properties (residential) (RMB per sq.m.)	2,290	2,719	3,749	2,108	3,761	N/A	4,182	4,262	4,030	N/A

Sources: Xianyang Statistic Yearbooks

Local restrictive measures

As of the date of this offering memorandum, the local government of Xianyang has not issued notices or implemented any local regulations to carry out more restrictive measures than nationwide restrictions on purchases of properties in Xianyang.

Shenzhen

Shenzhen is a sub-provincial level city situated immediately north of Hong Kong in Guangdong Province. The country's first special economic zone - the brainchild of late Chinese leader Deng Xiaoping - was established in Shenzhen in 1980. Covering 1,991.64 square kilometers of land, Shenzhen has been a touchstone for China's reform and opening-up policy since then and has become an economic powerhouse of Southern China.

According to the Shenzhen Municipal Bureau of Statistics, Shenzhen had a population of approximately 12.5 million at the end of 2017. In 2017, its GDP reached approximately RMB2,244 billion, representing a per capita GDP of RMB183,127. The table below sets forth selected economic indicators relating to Shenzhen for the years indicated:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Nominal GDP (RMB in billion)	781	820	951	1,150	1,295	1,450	1,600	1,750	1,949	2,244
Per capita GDP (RMB)	89,814	92,771	98,711	110,387	123,247	136,947	149,495	157,985	167,411	183,127
Per capita disposable income of urban households (RMB)	26,729	29,244	32,380	36,505	40,742	44,653	40,948	44,633	48,695	52,938

Source: Shenzhen Bureau of Statistics

The GFA of completed residential properties in Shenzhen was approximately 1.8 million sq.m. in 2017, representing a decrease of approximately 34.5% over 2016. The total residential GFA sold in Shenzhen was approximately 6.7 million sq.m. in 2017, representing an increase of approximately 1.7% over 2016, while the average selling price increased by approximately 6.9% from RMB45,498 in 2016 to approximately RMB48,622 per sq.m. in 2017.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total GFA of residential properties completed (million sq.m.)	4.4	2.7	2.5	2.3	2.9	2.0	2.7	2.0	2.8	1.8
Total GFA of commodity properties (residential) sold (million sq.m.)	4.1	7.2	4.1	4.7	4.9	N/A	4.7	7.5	6.6	6.7
Average selling price of commodity properties (residential) (RMB per sq.m.)	12,823	14,389	18,954	21,037	18,996	N/A	24,040	33,661	45,498	48,622

Source: China Statistic Yearbook

Local restrictive measures

Subject to the Supplementary Circular of the Office of Shenzhen Municipal People's Government on Further Implementation of the Circular by State Council for Strict Control on Excessive Growth of Housing Price (關於進一步貫徹落實國務院文件精神堅決遏制房價過快上漲的補充通知) (Shen Fu Ban [2010] No.82) promulgated and implemented by the Shenzhen municipal people's government on September 30, 2010, a household with a local registered residence of Shenzhen shall only be allowed to purchase up to two houses in Shenzhen, while a household without a local registered residence of Shenzhen is only allowed to purchase one house, if the latter could provide tax payment proof or social insurance payment proof evidencing at least 12 months of continuous payment. Any household who falls into any of the following cases is not allowed to purchase any house in Shenzhen temporarily: (i) any household with a local registered residence of Shenzhen who already owned two or more houses, or (ii) any household without a local registered residence of Shenzhen who already owned one or more houses, or (iii) any household without a local registered residence of Shenzhen who could not provide eligible tax payment proof or social insurance payment proof.

Pursuant to the Circular of the Office of Shenzhen People's Government on Further Improvement of Control over Our Real Estate Market to Guarantee the Annual Target of Controlling New Housing Price (深圳市人民政府辦公廳關於進一步做好我市房地產市場調控工作確保年度新建房價控制目標的通知) (Shen Fu Ban [2011] No.30) promulgated and implemented by the Shenzhen municipal people's government on March 29, 2011, the tax payment proof provided by any household without a local registered residence of Shenzhen at the time of house purchase must fulfill the condition of continuous payment in the recent 12 months or more (excluding delayed payment). For the social insurance payment proof provided by any household without a local registered residence at the time of house purchase, it must satisfy one of the following conditions: (i) the continuous payment of pension and medical insurance in the recent 12 months or more; (ii) the continuous payment of pension and work injury insurance in the recent 12 months or more; (iii) the continuous payment of medical insurance and work injury insurance in the recent 12 months or more.

On October 31, 2013, the Shenzhen Central Sub-branch of the PBOC promulgated the Notice of Adjusting the Differentiated Credit Extension Policies Based on Housing Types in Shenzhen City (關於調整深圳市差別化住房信貸政策的通告), which raises the percentage of the minimum down payment for second-house purchase from 60% to 70% of the total purchase price effective as of November 6, 2013.

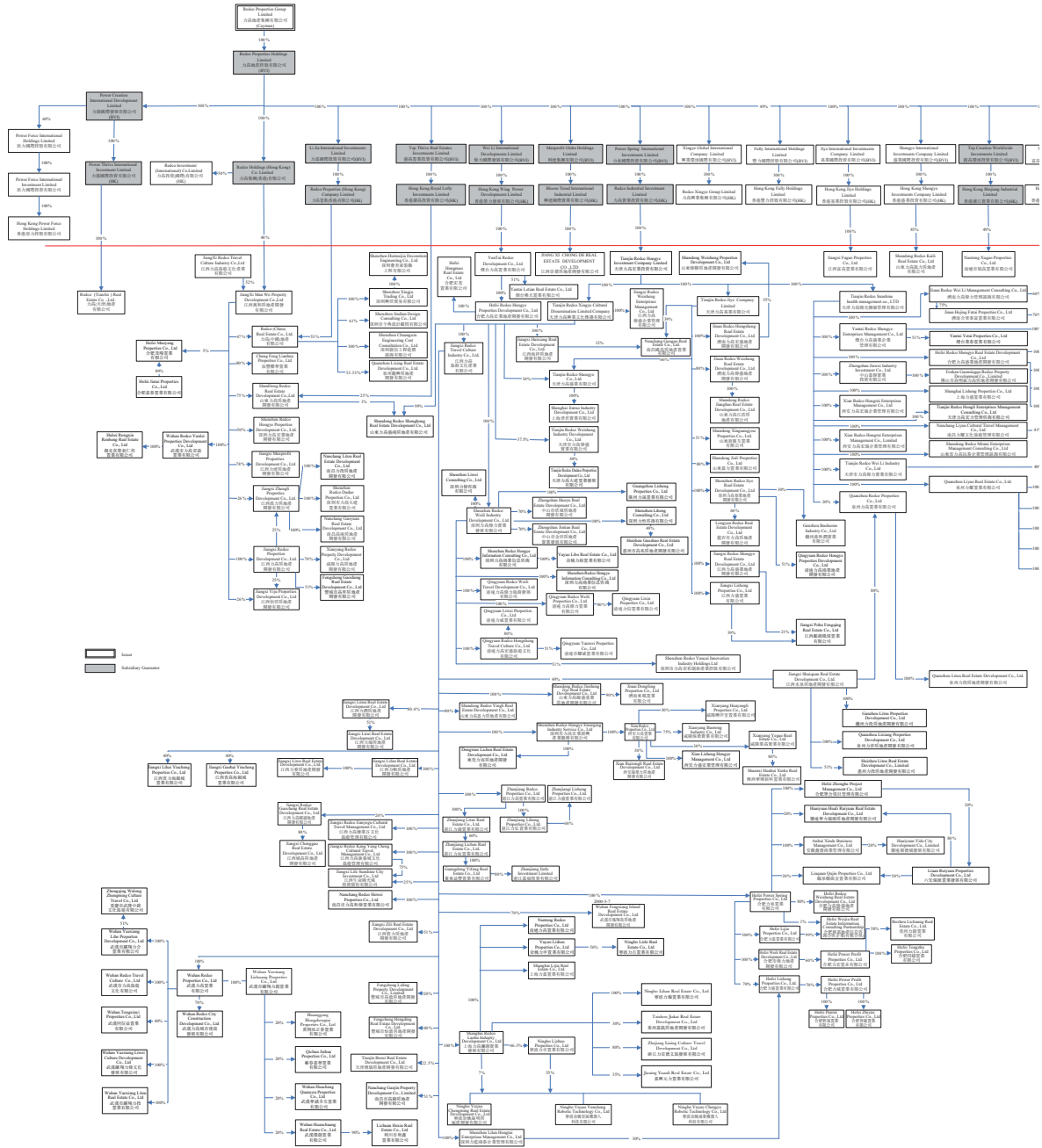
In March 2016, the General Office of Shenzhen municipal government issued the Opinion of Perfecting Housing Security System and Improving the Stable and Healthy Development of Real Estate Market (關於完善住房保障體系促進房地產市場平穩健康發展的意見), pursuant to which the minimum down payment ratio for the mortgage loans is 30% for purchasers without any residential housing in Shenzhen and any record of residential property loans in the past two years, and the minimum down payment ratio for the mortgage loans is 40% for (1) purchasers having no residential housing in Shenzhen but with record of residential property loans in the past two years; or (2) purchasers having one residential property in Shenzhen without existing housing loans.

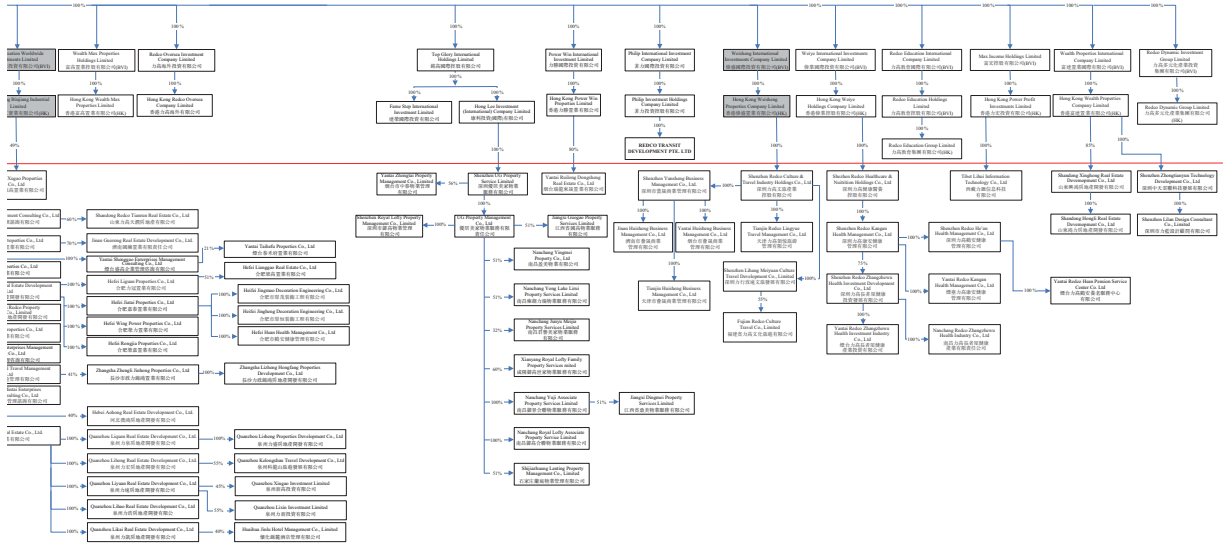
Competition in the real estate market of the PRC

We believe that the real estate market in the PRC is highly fragmented. Competition in the real estate market in the PRC has intensified over the past few years. Industry participants in different cities in the PRC include national, regional and local real estate developers. We compete with other real estate developers on the basis of a number of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors. As a China Top 100 real estate developer, we primarily compete with other China Top 100 real estate developers who focus on residential property development in the PRC. Our competitors may have more experience and resources than we do. We believe that the real estate market in the PRC still has large growth potential. We believe major barriers to enter into these markets include a potential new entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. We believe that, with our solid experience in real estate development since we commenced property development operations in 1995, our strategic focus on cities with high GDP growth and population growth potential, our reputable brand name and our effective management team, we are able to react promptly and effectively to challenges in the PRC property market. Please refer to the section headed "Business — Competition" in this offering memorandum for further details on the competitive landscape of the real estate market in the PRC.

CORPORATE STRUCTURE

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





* Development Co., Ltd.
發展有限公司

BUSINESS

OVERVIEW

We are an integrated residential and commercial property developer primarily focusing on residential property development in the PRC. We have successfully established our presence in a number of key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region.

We believe that we have successfully established our “Redco” brand in the cities where we have built our presence. In 2019, we were awarded the title of “2019 TOP10 Hong Kong-listed Mainland China Real Estate Company in terms of Wealth Creation Capability (2019中國大陸在港上市房地產公司財富創造能力TOP10)” and “2019 Real Estate Enterprises Worth Paying Attention to in the Capital Market (2019值得資本市場關注的地產企業)” jointly organized by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy. In 2018, we were recognized as “2018 PRC Investment Value Real Estate Enterprise” (2018中國年度投資價值地產企業) by Guandian.cn (觀點地產新媒體). In 2017, we were recognized as “Top 100 Comprehensive Strength Listed Real Estate Enterprise of China for 2017” (2017年中國房地產上市公司綜合實力100強) by China Real Estate Association (中國房地產業協會). In 2016, we were recognized as “the Most Valuable Listed Real Estate Enterprise of China for 2016” (2016中國最具價值地產上市企業) by Guandian.cn (觀點地產新媒體). In 2015, we were recognized as “2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment” (2015中國大陸在港上市房地產公司投資價值TOP 10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院). In addition, our property projects have also received numerous awards from different organizations. We have been selected as a constituent of the “Hang Seng Composite SmallCap Index of the Hang Seng Composite Index”, “Shenzhen-Hong Kong Stock Connect”, “MSCI China SmallCap Index” and “Hang Seng Stock Connect Big (Greater) Bay Area Composite Index”. We believe that becoming a constituent of these indexes represents the recognition of our business performance, stock liquidity and growth prospect by the market.

Since we commenced property development operations in 1995, we have successfully executed our multi-regional strategy and demonstrated a proven track record of success by developing in strategically selected cities that we believe possess high growth potential across the PRC. Subsequent to our initial success in Quanzhou, Fujian Province, we deliberately expanded and quickly replicated our success in strategically targeted key economic cities, including Shenzhen, Zhongshan, Shanghai, Tianjin, Hefei, Nanchang, Jinan, Yantai and Xianyang. We also established presence in Australia by jointly developing a residential community in Sydney with a recognized local developer. For the years ended December 31, 2017, 2018 and 2019, we recognized revenue from property development and investment projects covering certain key economic cities in China. As of December 31, 2019, we had 89 property development and investment projects with an aggregate GFA of approximately 14.6 million sq.m.



● Cities with property development projects from which we recognized revenue during 2017, 2018 and 2019

- **The Greater Western Taiwan Straits Economic Zone**

In the Greater Western Taiwan Straits Economic Zone, we have strategically targeted the key economic cities including Nanchang, and Quanzhou. Nanchang is the provincial capital of Jiangxi Province. As of December 31, 2019, we had a land bank comprising 31 property development and investment projects in the Greater Western Taiwan Straits Economic Zone with an aggregate GFA of 4,273,805 sq.m.

- **The Bohai Economic Rim**

In the Bohai Economic Rim, we have property development projects in Tianjin, Jinan and Yantai. As of December 31, 2019, we had a land bank comprising 19 property development and investment projects in the Bohai Economic Rim with an aggregate GFA of 4,305,512 sq.m.

- **The Central and Western Regions**

In the Central and Western Regions, we have property development projects in Hefei, Fuyang, Xianyang, Nantong, Suzhou, Lianyungang, Ningbo, and Wuhan. Hefei is the provincial capital of Anhui Province. Under the government initiative, “Integration of Xi’an and Xianyang”, favorable governmental policies are being implemented to allow Xi’an and Xianyang to develop into an integrated central commercial hub in Western China. As of December 31, 2019, we had a land bank comprising 30 property development projects in the Central and Western Regions with an aggregate GFA of approximately 5,404,723 sq.m.

- **The Pearl River Delta Region**

In the Pearl River Delta Region, we have property development projects in Shenzhen, Foshan and Zhongshan. Shenzhen is a first-tier city in China, and Foshan and Zhongshan are fast-growing cities in East Guangdong. As of December 31, 2019, we had a land bank comprising 8 property development projects in the Pearl River Delta Region with an aggregate GFA of 480,987 sq.m.

- **Others**

In addition to the four major regions above, we have also established our presence in Sydney, the economic and cultural center of Australia. As of December 31, 2019, we had a land bank comprising one property development project in Sydney with an aggregate GFA of 28,656 sq.m.

While we continue to strengthen our market position in strategically targeted key economic cities in these regions, we intend to leverage our experience and expertise to expand our operations and replicate our success in other cities with high GDP and population growth potential where we do not have any presence currently. We believe that our strategic focus on the selected key economic cities with high growth potential will enable us to benefit from the sustained economic growth and accelerating urbanization in these cities in the coming years.

We have established diversified land acquisition strategies that complement each other, including acquisitions from third parties and listings-for-sale. We have also employed other land acquisition strategies including: (i) incorporating cultural concepts to develop properties that meet the needs of the local communities; (ii) early involvement in areas encouraged by the local governments; leveraging on our track record in developing quality property projects to acquire additional land in the same geographical area; (iv) acquisition of local property developers that have a land reserve suitable for our development strategy; and (v) incorporating the concepts of healthcare and elderly nursing to develop properties that meet the needs of the local communities.

For example, we successfully incorporated the cultural concept of the Mazu goddess (媽祖) to acquire land in Tianjin, a coastal city in the Bohai Economic Rim. Through Mr. Wong's strong ties with various Mazu cultural organizations, we gained deep insights into the importance of Mazu culture in Tianjin. Leveraging on such knowledge and in line with the Tianjin local government's desire to facilitate Mazu culture and economic development in Taiwan and the PRC, we formed a joint venture company with the largest Mazu worshipping temple in Taiwan to acquire our first parcels of land in coastal Tianjin for our Sunshine Coast and Land Lot Nos. A1 and A2 projects.

COMPETITIVE STRENGTHS

We have demonstrated a proven track record of multi-regional success by focusing on key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region

We have demonstrated a track record of success in the execution of our multi-regional business model since we commenced property development operations in 1995. Among property developers in China, we were an early adopter of a multi-regional expansion strategy. Subsequent to our initial success in Quanzhou, Fujian Province, we made the deliberate strategic decision to expand our business in 1999 to other cities where we had identified opportunities.

In our recent expansion, we strategically targeted key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region. These include the municipality of Tianjin, Shanghai and Shenzhen, provincial capital cities such as Nanchang, Hefei and Jinan, as well as other cities in these regions such as Zhongshan, Xianyang and Yantai. With high GDP and population growth potential, these cities present profitable opportunities for property development. We will continue to benefit from the favorable macroeconomic environment in the PRC, including sustained economic growth and accelerating urbanization in the cities that we have strategically targeted. Generally, we have focused on developing mid-to-high-end properties, which we believe meet the needs of the growing middle class in these cities looking to either purchase their first homes or upgrade their living environment.

Our relatively early expansion into various cities in these regions has allowed its management to gain valuable experience in the course of overcoming the multitude of challenges associated with developing properties across multiple regions and cities. Over the years, we have accumulated extensive knowledge of the mechanisms of developing a new market as well as the business environment and particularities of each of the local markets it has entered into. We have also developed extensive working relationships with the respective local governments and business partners, including reputable design firms such as AECOM and Belt Collins. We believe that such knowledge and relationships will serve as a solid foundation to support the execution of our multi-regional strategy as we expand.

We have acquired quality land bank at competitive costs

We have established diversified land acquisition strategies that complement each other, which enabled us to acquire land at competitive costs. In 2017, 2018 and 2019, our average land acquisition cost per sq.m. delivered represented 29.6%, 15.4% and 26.9%, respectively, of our average selling price for the respective periods.

Historically, we primarily acquired land through acquisition from third parties and listings-for-sale. We have generally been able to acquire land from original project owners who typically were able to make land acquisitions at an early stage when land costs were relatively low. We have also employed diversified land acquisition strategies to acquire land at competitive costs by selectively engaging in property development projects that we believe are compatible with local government policies or other local interests. In particular, our land acquisition strategies include: (i) incorporating cultural concepts to develop properties that meet the needs of the local communities; (ii) early involvement in areas encouraged by the local governments; (iii) leveraging on our track record in developing quality property projects to acquire further land in the same geographical area; (iv) acquisition of local property developers that have a land reserve suitable for its development strategy; and (v) incorporating the concepts of healthcare and elderly nursing to develop properties that meet the needs of the local communities.

For example, we successfully introduced the cultural concept of the Mazu goddess to acquire land in Tianjin. Mazu is considered the most influential and widely worshiped goddess of the sea among coastal Chinese people. Through Mr. Wong's strong ties with Mazu cultural associations, it gained deep insights into the importance of Mazu culture to Tianjin, a coastal city in the Bohai Economic Rim. Leveraging such knowledge and in line with the Tianjin local government's desire to facilitate Mazu culture and economic development in Taiwan and the PRC, we formed a joint venture company with the largest Mazu worshipping temple in Taiwan to acquire our first parcels of land in coastal Tianjin for its Sunshine Coast and Land Lot Nos. A1 and A2 projects.

We also succeeded in acquiring land at competitive costs through early involvement in areas encouraged by the respective local governments in Yantai and Jinan. Moreover, we successfully leveraged on our track record in developing quality property projects to acquire further land in the same geographical area. Our past success in building quality property developments in a targeted city demonstrates our commitment to growing together with the city, thereby placing us in a competitive position to acquire further land for development.

Furthermore, we obtained the land for Nanchang Imperial Mansion and Nanchang Imperial Metropolis by acquiring local property development companies that held such land at that time. Acquiring land through acquisition of local developers that hold suitable land reserve will expand the scope of land we can acquire for property development and make us better able to find the right site. We also plan to acquire land by incorporating the concepts of healthcare and elderly nursing to develop properties that meet the needs of local communities and to implement our strategy to provide full-cycle services to home buyers.

Set forth below is a summary of our land bank in terms of GFA in the respective regions as of December 31, 2019:

Region	Total GFA
	<i>(sq.m.)</i>
The Greater Western Taiwan Straits Economic Zone	4,273,805
The Bohai Economic Rim	4,305,512
The Central and Western Regions	5,404,723
Pearl River Delta Region	480,986
Others	28,656
Total	14,562,982

We have been successful in establishing the “Redco” brand in the cities where we have built up our presence

In 2019, we were awarded the title of “2019 TOP10 Hong Kong-listed Mainland China Real Estate Company in terms of Wealth Creation Capability (2019中國大陸在港上市房地產公司財富創造能力TOP10)” and “2019 Real Estate Enterprises Worth Paying Attention to in the Capital Market (2019值得資本市場關注的地產企業)” jointly organized by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy. In 2018, we were recognized as “2018 PRC Investment Value Real Estate Enterprise” (2018中國年度投資價值地產企業) by Guandian.cn (觀點地產新媒體). In 2017, we were recognized as “Top 100 Comprehensive Strength Listed Real Estate Enterprise of China for 2017” (2017年中國房地產上市公司綜合實力100強) by China Real Estate Association (中國房地產業協會). In 2016, the Group was recognized as “the Most Valuable Listed Real Estate Enterprise of China for 2016” (2016中國最具價值地產上市企業) by Guandian.cn (觀點地產新媒體). In 2015, we were recognized as “2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment” (2015中國大陸在港上市房地產公司投資價值TOP 10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院).

Our strong and growing reputation is partly attributable to our emphasis on the design and quality of our property development projects. We aim to maximize the value of each parcel of land by constructing properties suiting our particular features as well as local preferences. Over the years, we have engaged a number of professional design firms for our projects enhancing the quality of design of our property projects which in turn boosts the recognition of its “Redco” brand. We have also leveraged the landmark properties we have built to enhance our brand image. A prime example is our Crowne Plaza Nanchang Riverside Hotel, the first international five-star hotel in Jiangxi Province, which is located adjacent to our Crown International project in Nanchang.

Our property development projects have received recognitions for our quality and designs. For example, Bluelake County in Shandong was recognized as “Charming and Fashion Real Estate Community in Shandong” (山東地產魅力時尚社區) in 2016 by Shandong Daily (山東商報) for being a well-known, well received and stylish property project; and the Sunshine Coast in Yantai was recognized as “2016 Property Received the Most Attention in Yantai” (2016年煙台最受關注樓盤) by Ythouse.com (煙台房地產網) owing to our personalized design, attention to details and quality construction materials.

Our standardized property designs and business protocols allow us to swiftly capture new market opportunities in the key economic cities

We have accumulated over the years a diverse portfolio of standardized property designs and business protocols that give us the flexibility to expand quickly in the key economic cities that we have targeted. In particular, we have been focusing on three well-defined property series: (i) city-center apartment developments; (ii) integrated multi-purpose developments with residential and commercial properties; and (iii) “ecological-city” styled residential developments comprising multi-story apartments and high-rise residential apartments and ancillary facilities. We actively fine-tune the concepts and designs for each individual project so that we consistently maintain the quality of our product offerings. Our standardized property designs and business protocols allow us to swiftly capture new market opportunities in the key economic cities.

We have implemented prudent financial management policies with diversified financing channels

We have been able to maintain our financial performance through prudent financial management. We have implemented various financial policies to maintain adequate cash flow. We closely monitor our capital structure, assets and indebtedness, actively explore diversified financing sources, including bank loans, equity and debt financing, to control financing costs and maintain a prudent gearing ratio. As of December 31, 2017, 2018 and 2019, our net gearing ratio, calculated as net debt (total borrowings less cash and bank balance (including cash and cash equivalent and restricted cash)), divided by total capital (calculated as total equity plus net debt), was approximately 33.7%, 32.4% and 15.2%, respectively.

We have established cooperative relationships with, and received loans and financings from, major PRC and international banks. Through our initial public offering in 2014 and the subsequent offerings of the senior notes, we have able to further diversify our financing sources and obtain funding through accessing the domestic and international capital markets.

We also take a prudent approach towards investment. We have established comprehensive investment management procedures. We set our budget for capital expenditure and submit our capital expenditure plan to board of directors for review and approval. When making an investment decision, we consider various factors, including investment return, integration and synergies with our existing core business, improvement of overall business performance and management of risks.

Our multiple financing channels will provide us with flexibility to fund its operations and enhance our liquidity position. Our prudent financial policies will enable us to further expand in our target markets, provide us with greater flexibility in capital management and help us achieve sustainable long-term growth.

We provide full life-cycle services to clients leveraging the brand recognition

We provide full life-cycle services in response to various customer needs to enhance the value and competitiveness of our property development projects. We build the elements of healthcare, cultural tourism and education into our property development projects to achieve synergies across the value chain. We have established a one-stop education eco-system which provides education resources and services to customers of all ages, with a coverage from kindergarten to university of the third age. We integrate tourist attractions and commercial properties with the residential projects we develop to

expand our sources of revenue. To better attract and serve elderly customers, we provide healthcare consultation services and comprehensive medical care services at our community-based healthcare management centers. By creating a caring neighborhood culture, we believe we can get a higher average selling price and a better profit margin, as well as further strengthen its “Redco” brand.

We have a management team with strong execution capabilities and extensive industry experience

The strong execution capabilities of our management team have been instrumental in executing our business strategies and achieving our current market position. Our management team have an average of 15 years of industry experience. The executive Directors of our Board have served our Group for over a decade, which facilitates the promotion of common corporate values and operating philosophy. Our management team comprises professionals with expertise in a wide range of fields, including real estate development, planning, design, engineering, finance, project investment, operations and marketing and sales. Throughout the years, we have endeavored to recruit and train employees who have potential to contribute to our growth.

BUSINESS STRATEGIES

Further expand business operations in the key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region as well as other regions in China

We have located our projects in strategically targeted key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, the Central and Western Regions and the Pearl River Delta Region. We will continue to strengthen our market position in these cities while further expanding our operations by:

- leveraging our experience and expertise in the cities where we have established our presence as well as our understanding of our target customers and our strong relationships with local governments and business partners, to acquire new parcels of land and develop new projects in these cities;
- seeking to enter into the property markets in other cities with high GDP and population growth potential in the three regions where we currently do not have any presence; and
- identifying and capturing new business opportunities in the other regions of the PRC, including first-tier and second-tier cities in the Yangtze River Delta Region and the Pearl River Delta Region.

Continue diversified land acquisition strategies with a view to allocating financial resources to the most profitable opportunities

We intend to continue to follow our diversified land acquisition strategies. We intend to continue prioritizing our financial resources towards the most profitable opportunities by selectively targeting land that has high growth potential and acquiring such land at competitive costs. In particular, we intend to continue to leverage our experience with land acquisition strategies such as: (i) incorporating cultural concepts to develop properties that meet the needs of the local communities, in particular, the cultural concept of the Mazu goddess; (ii) early involvement in areas encouraged by the local government; (iii) leveraging our past success in developing quality property projects to acquire further land in the same geographical area; (iv) acquisition of local property developers that

have a land reserve suitable for our development strategy; and (v) incorporating the concepts of healthcare and elderly nursing to develop properties that meet the needs of the local communities. As part of our expansion, we may also make strategic investment and acquisitions that complement our operations.

Strengthen the layout overseas and actively explore the growth of performance

The boom of Chinese overseas investment in real estate is in the ascendant. In 2019, the Group's Sydney project Prime was successfully delivered, which has accumulated valuable overseas expansion experience for the Group. Meanwhile, the Group actively responded to the national "One belt one Road" initiative, and worked with the Makati City Government of the Philippines to improve the local rail transit environment and enhance the quality of urban life. It has provided an excellent foundation and protection for the Group's local development in the future.

Continue to focus primarily on residential property development while achieving an optimal and diversified portfolio by developing a higher proportion of commercial property development projects

Historically, we focused primarily on residential properties. We intend to continue to further diversify our product mix by engaging in a higher proportion of commercial property development projects in the coming years. We intend to continue developing landmark properties such as high-grade office buildings and hotels at prime locations, which we will enhance the image of its "Redco" brand. We intend to sell most of our commercial property projects to support the expansion of our operations while strategically retaining high quality commercial properties as investment properties for generating rental income. Diversified product mix will enhance our ability to expand and will enable us to effectively respond to any macro-economic policy affecting the PRC residential property sector.

Further strengthen "Redco" brand by providing quality products to customers and continuing to engage in projects that entail the construction of landmark properties

We intend to solidify our reputation in the cities where we have established a presence as well as its other strategically targeted cities. We intend to remain focused on creative architectural planning and innovative product designs to provide superior value to our customers, which will in turn enhance our reputation. We also intends to expand our collaborations with reputable design firms to further enhance the recognition of our "Redco" brand. Furthermore, we aim to engage in more projects that entail building landmark properties such as well-recognized hotels or office buildings at prime locations. We also plan to continue to organize promotional events such as economic forums to promote our "Redco" brand.

Provide services satisfying demand along the full lifecycle of home buyers

In order to satisfy the increasingly diversified service demands, we will develop and provide more featured services and enhance the overall community experience of home buyers. We will continue to provide community support, education and community medical services for the elderly for the convenience of residents. Moreover, we will continue to upgrade our one-stop education eco-system and provide all-age education services from kindergarten to university of the third age. In addition to the existing featured services, we will stay attentive to the needs of home buyers and further expand our scope of services. We aim to create a hospitable community environment and a caring community culture, to preserve and increase the property value, enhance our competitiveness and boost our brand awareness.

Continue to recruit, retain and motivate a talented workforce

In order to support our growth and expansion, we aim to attract and recruit employees with a wide range of expertise including real estate development, project planning, design, finance and marketing and sales. We emphasize the long-term development of a quality workforce and the alignment of the interests of our workforce with those of the Company. We will continue to recruit, retain and motivate a talented workforce by offering our staff performance-based compensation packages, on-the-job training programs, opportunities to advance and a strong corporate culture that promotes the interests of all stakeholders including shareholders, employees and the society at large.

Recent Developments

Acquisition of a 35% Equity Interest in MCSI (as defined below)

On February 18, 2020, (i) our subsidiary, Hong Kong Binjiang Industrial Limited (“HK Binjiang”), (ii) Philippine Infradev Holdings, Inc. (“Infradev”), a Philippine company whose shares are listed on the Philippine Stock Exchange, Inc., and (iii) Makati City Subway, Inc. (“MCSI”), a wholly owned subsidiary of Infradev, entered into a share purchase agreement. Under the share purchase agreement, upon completion of certain shares transfer and subscription and satisfaction of certain conditions, HK Binjiang will acquire a 35% equity interest of MCSI and make MCSI an associate of our Group in a total consideration of US\$102.0 million to be paid in installments. The remaining 65% equity interest of MCSI will be still held by Infradev. Pursuant to the MCSI shareholders’ agreement, HK Binjiang has agreed, among others, to procure a reputable third party financial institution or its affiliates to provide MCSI with a US\$200 million credit facility which shall be based on commercial terms.

Pursuant to the share purchase agreement, HK Binjiang has agreed to be part of the consortium led by Infradev to undertake a project of construction, normal operation and maintenance of the Makati subway system as well as other related development work (the “Philippine Project”). Also on February 18, 2020, HK Binjiang, MCSI, which owns all parcels of land for the Philippine Project, and Aggregate Business Group (ABG) Holdings Inc., a Philippine company which owns a 75.1% equity interest in Infradev (“ABG”) entered into a development agreement, pursuant to which, HK Binjiang and ABG have agreed, among other things, through the establishment of a joint venture named Makati Redco Transit Development Corporation (“MRTD”) in the Philippines, to be jointly responsible for the development and construction of the required land. Upon establishment, HK Binjiang and ABG will directly hold an equity interest of 51% and 49% in MRTD, respectively.

We expect that the transactions will enable us to cooperate with local Philippine government and corporate entities in the property development sector and facilitate our expansion of property development business in the overseas market. Expansion into new market may expose us to various risks. For details, see “Risk Factors — Risks Relating to Our Business — We may not be successful in managing our expansion into new geographical locations, and as a result our business, results of operation and financial condition may be materially and adversely affected.”

The Recent COVID-19 Outbreak

At the end of December 2019, public health officials from China informed the World Health Organization that an unknown, new virus was causing pneumonia-like illness in the city of Wuhan. On March 11, 2020, the World Health Organization declared COVID-19 outbreak a pandemic. As of the date of this offering memorandum, more than 80,000 cases have been confirmed in China and more than 4 million cases had been confirmed worldwide. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly

infectious COVID-19. The COVID-19 outbreak has affected our business operation and financial condition. During the three months ended March 31, 2020, our revenue and contracted sales declined as compared to the corresponding period in the prior year due to the impact of COVID-19. However, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries have also gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. As a consequence, we experienced a recovery in our contracted sales in April 2020. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and the extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See “Risk Factors — Risks Relating to Conducting Business in the PRC — The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.”

Full Repayment of the January 2019 Notes

On January 22, 2020, the January 2019 Notes matured and were fully repaid by us.

Issuance of the May 2020 Notes

On May 27, 2020, we issued the May 2020 Notes. For details, see “Description of Other Material Indebtedness — May 2020 Notes.”

Repurchase of a Portion of the August 29 2018 Notes

On June 1, 2020, we completed the offer to purchase the August 29 2018 Notes. After cancellation of the August 29 2018 Notes repurchased pursuant to the offer, US\$190,399,000 in aggregate principal amount of the August 29 2018 Notes remains outstanding.

OUR PROPERTY DEVELOPMENT PROJECTS

Overview

As of December 31, 2019, we had 89 property development and investment projects under various stages of development in various cities in the Bohai Economic Rim (Tianjin, Jinan and Yantai), the Greater Western Taiwan Straits Economic Zone (Nanchang), the Central and Western Regions (Hefei and Xianyang), the Pearl River Delta Region (Shenzhen and Zhongshan) and the other region (Australia).

We mainly categorize our residential properties as follows:

- multi-story apartments (多層洋房住宅) — which are typically buildings with four to seven stories;
- low-rise apartments (小高層住宅) — which are typically buildings with eight to 18 stories;
- high-rise apartments (高層住宅) — which are typically buildings with 19 to 33 stories; and
- townhouses (聯排住宅) — which are typically houses with no more than three stories connected to each other.

Property Series

We categorize our property development projects into five series depending on the features of the property for the purpose of delineating the different positioning of each project. Key features of each of our property series are set forth below:

- Aristocratic series (君御系): combining residential and commercial space and serviced by transportation facilities;
- Lake series (瀾湖系): combining various features to increase the living standard of customers;
- Sunshine series (陽光系): targeting the market of improved type of properties with splendid view of the nearby coast;
- TOP series (TOP系): targeting the market of improved type of properties and located near precious natural environment; and
- Complex series (綜合體): integrating multiple functions of urban living with commercial and residential properties.

Classification of Our Property Developments projects

The table below sets forth our classification of properties, respectively:

This offering memorandum	Financial statements
<i>Completed projects:</i> projects or phases for which we have received the relevant certificates of completion issued by the relevant governmental authorities.	<ul style="list-style-type: none">• Completed properties held for sale
<i>Projects under development:</i> projects or phases for which we have received the relevant construction works commencement permits but construction works have not yet been completed.	<ul style="list-style-type: none">• Properties under development for sale
<i>Projects for future development:</i> projects or phases for which construction works has not yet commenced and we have: (a) received the relevant land use rights certificates, (b) signed the relevant land grant contracts but not yet obtained land use rights certificates, or (c) received the confirmation letter on bidding for granting land use rights but not yet signed the relevant land grant contracts.	<ul style="list-style-type: none">• Prepayment for leasehold land• Land use rights under Properties under development for sale
<i>Projects with framework agreements or letters of intent signed:</i> projects or project phases for which we have entered into an framework agreements or letters of intent based on our overall strategies and business development plans with the relevant government authorities, which sets forth the general development conditions relating to the site, including project type, site area and plot ratio.	<ul style="list-style-type: none">• Not applicable

Since some of our property development projects comprise multiple-phase developments, a single project may include different phases falling into any one or more of the above categories.

The names of our property development projects used in this offering memorandum are those project names which we have used, or intend to use, to market our properties. Some of the names of our property development projects may be different from the names registered with the relevant authorities. Some of the names are subject to approval by the relevant authorities and are therefore subject to change. The English names of our property projects are for reference and marketing purposes only.

In this offering memorandum, the figures for land site area and the information setting out the construction period of our property development projects are based on the relevant documents issued by the PRC government, survey reports or our own internal records, as applicable.

The following figures are based on our internal records, internal estimates and business plans: (i) figures for saleable GFA pre-sold, planned GFA and GFA without land use rights certificates; and (ii) information regarding estimated construction commencement date, estimated pre-sale commencement date, estimated construction completion date, development costs incurred and future development costs to be incurred. The actual figures and construction or pre-sale schedules may differ in the future in material respects from our current estimates.

A property is considered to be sold after we have executed the relevant pre-sales contract, completed construction works in respect of the property and delivered the property to our customer. A property is considered to be pre-sold after we have executed the relevant pre-sales contract but have not yet delivered the property to our customer. A property is considered to be delivered to our customer when our customer has signed the written confirmation of the delivery of the property. Our customers are required to acknowledge receipt of delivery of properties in accordance with the terms under their respective sale and purchase agreements.

Summary Information Regarding Our Property Projects

We have obtained all the relevant land use rights certificates for our completed properties and properties under development. As of the date of this offering memorandum, the land premiums for all of our property projects have been paid in full.

PORTFOLIO OF OUR PROPERTY DEVELOPMENT PROJECTS

The table below is a summary of portfolio of our property development projects as of December 31, 2019.

Project	City	Attributable interest	Site area ⁽¹⁾	Total GFA	Saleable GFA remaining unsold	Actual/Expected completion date	Type
			(sq.m.)	(sq.m.)	(sq.m.)		
Spain Standard 力高國際城	Nanchang	100%	466,665.3	861,274.2	3,193.5	Q4 2014	Residential and commercial
Riverside International 濱江國際	Nanchang	100%	37,346.0	163,999.9	1,960.9	Q4 2014	Residential and commercial
Bluelake County 瀾湖郡 . .	Nanchang	100%	135,285.0	286,794.7	15,139.9	Q3 2016	Residential and commercial
Riverlake International 濱湖國際	Nanchang	51%	68,373.0	168,752.5	9,152.3	Q2 2017	Residential and commercial
Imperial Metropolis 君禦都會	Nanchang	51%	84,093.3	210,142.7	38,536.7	Q4 2017	Residential and commercial
Imperial Mansion 君禦華府	Nanchang	78%	41,993.3	103,594.8	8,370.3	Q4 2016	Residential and commercial
Bluelake International 瀾湖國際	Nanchang	51%	47,151.0	113,323.0	5,696.7	Q4 2017	Residential and commercial
The Garden of Spring 十裡春風	Nanchang	42%	30,378.0	15,278.0	12,749.4	Q2 2018	Residential and commercial
Scenery Bay 麗景灣	Nanchang	40%	51,919.0	177,985.0	177,985.0	Q3 2020	Residential and commercial
Delight Scenery 悅景臺 . .	Nanchang	51%	62,455.0	123,856.6	58,941.3	Q4 2019	Residential and commercial
YONG Lake Scenic Center 雍湖景畔	Nanchang	51%	132,505.0	412,507.2	412,507.2	Q1 2021	Residential and commercial
Life Sunshine Town 生命陽光城	Nanchang	100%	33,396.4	50,181.8	50,181.8	Q4 2020	Residential and commercial
The Phoenix 鳳凰新天 . . .	Nanchang	46%	16,295.3	78,177.8	41,732.9	Q4 2020	Commercial
Golden Mansion 金尊府 . .	Nanchang	40%	92,314.0	240,346.0	240,346.0	Q4 2020	Residential and commercial
Royal City 君譽城	Nanchang	16%	225,296.0	642,093.3	642,093.3	Q4 2021	Residential and commercial
Fifth Avenue 贛州第五大道	Ganzhou	30%	107,814.9	642,971.9	642,971.9	Q4 2020	Residential and commercial
Sunshine Coast 陽光海岸 .	Tianjin	100%	481,394.0	1,445,893.2	1,013,858.9	Q4 2028	Residential and commercial
Land Lot Nos. A1 and A2 A1及A2號地塊	Tianjin	100%	69,336.2	55,469.0	55,469.0	Q2 2018	Residential and commercial
Perfection Ocean 理想海 .	Tianjing	18%	159,465.9	316,654.0	316,654.0	Q3 2020	Residential and commercial
Luminescence Ocean 拾光海	Tianjing	23%	68,827.0	130,921.7	130,921.7	Q3 2020	Residential and commercial
Cloud Metropolis 雲都會 .	Ningbo	41%	132,701.0	411,708.1	411,708.1	Q2 2022	Residential and commercial
Bluelake County 瀾湖郡 . .	Jinan	80%	68,066.0	256,658.6	4,834.9	Q4 2018	Residential and commercial
Royal Family 君禦世家 . .	Jinan	51%	30,682.0	131,919.7	21,239.4	Q4 2018	Residential and commercial

Project	City	Attributable interest	Site area ⁽¹⁾ (sq.m.)	Total GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Actual/Expected completion date	Type
Imperial Mansion 君禦華府	Jinan	90%	44,966.0	125,742.3	15,471.2	Q4 2018	Residential and commercial
Redco Visionary 力高未來城	Jinan	85%	90,616.9	283,008.7	165,774.0	Q4 2018	Residential and commercial
Redco Visionary II 力高未來城二期	Jinan	85%	236,992.1	607,995.8	607,995.8	Q4 2021	Residential and commercial
Spring Villa 雍泉府	Jinan	60%	268,113.0	596,669.4	596,669.4	Q2 2022	Residential and commercial
Sunshine Coast - Phase I 陽光海岸一期	Yantai	100%	51,693.7	93,512.7	10,495.3	Q2 2016	Residential and commercial
Sunshine Coast - Phase II 陽光海岸—第二期	Yantai	100%	21,371.0	34,388.3	3,068.2	Q4 2018	Residential and commercial
Sunshine Coast - Phase III 陽光海岸—第三期	Yantai	100%	33,142.0	81,358.2	5,349.0	Q2 2019	Residential and commercial
Sunshine Coast - Phase IV 陽光海岸—第四期	Yantai	100%	63,411.0	213,814.7	213,814.7	Q4 2020	Residential and commercial
Mix Kingdom Redco 力高•共和城	Hefei	80%	395,596.4	823,818.0	69,635.8	Q2 2017	Residential and commercial
Prince Royal Family 君禦世家	Hefei	100%	88,025.5	300,887.9	33,359.4	Q2 2017	Residential and commercial
Royal International 君禦國際	Hefei	80%	43,873.0	114,894.0	36,783.1	Q2 2019	Residential and commercial
Blelake City 瀾湖前城	Hefei	70%	76,058.8	229,941.8	167,075.5	Q2 2020	Residential and commercial
Royal View City 禦景前城	Hefei	60%	67,931.0	198,138.0	198,138.0	Q2 2020	Residential and commercial
Funan Huaan City 阜南華安城	Fu Yang	20%	165,601.7	496,943.5	496,943.5	Q2 2020	Residential and commercial
Redco Courtyard 雍湖灣	Wuhan	70%	100,411.0	112,217.4	94,429.1	Q3 2020	Residential and commercial
Youthfulness 雍華年	Wuhan	40%	61,450.2	113,693.4	113,693.4	Q2 2020	Commercial
Royal City - Phase I 禦景灣一期	Xianyang	70%	69,466.8	205,541.0	9,700.6	Q3 2017	Residential and commercial
Majestic Mansion 天悅華府	Xianyang	75%	88,319.8	171,000.0	171,000.0	Q4 2020	Residential and commercial
Royal Family 君禦世家	Xianyang	30%	27,588.1	78,431.6	78,431.6	Q4 2020	Residential and commercial
Royal International 君禦國際	Shenzhen	51%	33,035.3	138,833.9	11,438.5	Q2 2016	Residential and commercial
Jinhai Mansion 靜海府	Nantong	49%	56,499.6	108,074.0	108,074.0	Q2 2020	Residential and commercial
Royal Family 君禦世家	Zhongshan	70%	30,819.6	95,493.7	42,883.1	Q2 2019	Residential and commercial
Bluelake Landmark 瀾湖峯景	Zhongshan	70%	28,113.0	69,275.2	19,959.3	Q3 2019	Residential and commercial
Bayview 觀悅灣	Quan Zhou	33%	18,306.0	53,034.1	4,439.1	Q4 2019	Residential and commercial
Yuchau Mansion 鬱洲府	Lianyuengang	40%	86,778.3	266,775.6	266,775.6	Q2 2020	Residential and commercial
Prime	Sydney, Australia	26%	15,830.0	56,579.0	28,656.0	Q1 2010	Residential and commercial

Project	City	Attributable interest	Site area ⁽¹⁾ (sq.m.)	Total GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Actual/Expected completion date	Type
Leisure's Mansion 君逸府	Jinan	100%	34,290.0	85,725.0	85,725.0	Q4 2021	Residential and commercial
Jiyang II 濟陽大二期	Jinan	100%	166,967.4	389,510.0	389,510.0	Q4 2023	Residential and commercial
Royal Mansion 君譽府	Qingyuan	100%	13,611.1	36,217.4	36,217.4	Q2 2022	Residential and commercial
Enjoy Peak 悅峰台	Quan Zhou	100%	13,336.0	58,647.7	58,647.7	Q3 2021	Residential and commercial
Center Mansion 君熙府	Foshan	100%	17,428.0	74,617.7	74,617.7	Q4 2021	Residential and commercial
Royal Universe 君禦天下	Hefei	85%	83,478.3	125,217.5	125,217.5	Q2 2022	Residential and commercial
Grand Mansion 君悅首府	Jinan	70%	60,940.0	175,440.0	175,440.0	Q3 2021	Residential and commercial
Leisure's Mansion 君逸府	Quan Zhou	64%	40,279.0	151,406.0	151,406.0	Q1 2021	Residential and commercial
Dragon Bay 譽瓏灣	Quan Zhou	55%	99,407.0	178,932.6	178,932.6	Q4 2026	Residential and commercial
Leisure's Mansion 君逸府	Ganzhou	55%	49,335.6	135,797.5	135,797.5	Q4 2021	Residential and commercial
Royal Central 君譽中央	Quan Zhou	55%	15,376.0	48,596.1	48,596.1	Q3 2021	Residential and commercial
Cloud Terrace 雲湖印	Hefei	51%	47,925.5	130,636.2	130,636.2	Q4 2021	Residential and commercial
Eastern Aesthetics 悅麓蘭庭	Shijiazhuang	51%	105,115.2	310,991.2	310,991.2	Q4 2023	Residential and commercial
The Phoenix - Phase II 鳳凰新天二期	Nanchang	51%	39,030.5	155,617.8	155,617.8	Q4 2020	Residential and commercial
Scenery Mansion 山水華府	Chongqing	51%	47,012.0	201,516.0	201,516.0	Q4 2021	Residential and commercial
Sky Terrace 雲峰閣	Huizhou	49%	27,820.0	85,791.7	85,791.7	Q3 2022	Residential and commercial
YONG Lake Scenic Center 雍湖景畔	Nanchang	41%	132,505.0	412,507.2	412,507.2	Q2 2022	Residential and commercial
Changsha Phoenix 長沙鳳凰新天	Changsha	41%	18,002.1	99,011.4	99,011.4	Q2 2022	Residential and commercial
One Riverside Glory 君譽濱江二期	Nanchang	40%	52,896.0	158,124.3	158,124.3	Q4 2022	Residential and commercial
Two Riverside Glory 君譽濱江一期	Nanchang	40%	42,301.0	100,623.2	100,623.2	Q4 2021	Residential and commercial
Golden Mansion 金尊府	Fengcheng	40%	92,314.0	240,346.0	240,346.0	Q3 2021	Residential and commercial
Eastern Grand 東方博園	Fengcheng	40%	66,667.0	214,244.0	214,244.0	Q3 2021	Residential and commercial
Sky Palace 雲築花園	Huizhou	33%	48,179.0	168,627.0	168,627.0	Q3 2022	Residential and commercial
Royal Redco 力高君樾	Xian	30%	35,118.6	59,701.6	59,701.6	Q4 2021	Residential and commercial
Royal Family 君禦世家	Xianyang	30%	27,588.1	78,431.6	78,431.6	Q4 2020	Residential and commercial

Project	City	Attributable interest	Site area⁽¹⁾	Total GFA	Saleable GFA remaining unsold	Actual/Expected completion date	Type
			<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>		
Riviera One 環頤灣	Taizhou	30%	223,245.0	645,806.7	645,806.7	Q4 2023	Residential and commercial
Cathay Palace 泰和府 . . .	Yantai	21%	57,991.0	182,230.0	182,230.0	Q4 2021	Residential and commercial
Eastern Imperial Garden 東方璽園	Fengcheng	20%	49,225.0	165,979.0	165,979.0	Q4 2021	Residential and commercial
Bauhinia Residence 紫荊府	Hefei	20%	56,185.5	140,610.5	140,610.5	Q2 2021	Residential and commercial
Eastern Crystal 東方璞園 .	Fengcheng	20%	57,876.0	177,645.0	177,645.0	Q4 2021	Residential and commercial
Eastern Harmony 東方和園	Fengcheng	20%	31,422.0	97,757.0	97,757.0	Q3 2021	Residential and commercial
Eastern Exquisite 東方玲瓏園	Fengcheng	20%	23,209.0	58,023.0	58,023.0	Q2 2021	Residential and commercial
Sunshine Capital 陽光首府	Nanchang	20%	93,824.1	206,413.1	206,413.1	Q4 2022	Residential and commercial
TOTAL					<u>14,562,982</u>		

Note:

- Information for “Site area” is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).

PROJECTS WITH FRAMEWORK AGREEMENTS OR LETTERS OF INTENT SIGNED

In addition to our existing property development projects, we are actively exploring opportunities for additional property development projects in the PRC. As of the date of this offering memorandum, we entered into the following framework agreements or letters of intent for the purpose of acquiring parcels of land in Tianjin, Yantai and Xianyang for potential future development as follows:

Location	Counterparty(ies)	Planned use	Site area	Permitted GFA	Estimated attributable interest to our Group
Parcels of land in Gaoxin District, Yantai, Shandong Province	Management Committee of Yantai Hi-tech Industrial Development Zone (煙台高新技術產業園區管理委員會) and Villagers Committee of Beizhai Village of Mashan Sub-district Office in Yantai Hi-tech Industrial Development Zone (煙台高新技術產業園區馬山街道辦事處北寨村村民委員會)	Residential	706.1 mu (approximately 471,000.0 sq.m.)	1,200,000.0 sq.m.	100%

Notwithstanding the agreements or letters of intent we entered into, we are still required to go through the public tender, auction or listing-for-sale procedures (as the case may be) under the relevant PRC rules and/or obtain relevant government approvals before can obtain the land use rights with respect to the land parcels under such agreements or letters of intent. As such, there is no assurance that we will be successful in securing the land grant contracts and obtaining the relevant land use rights certificates or the relevant approvals. Please refer to the section headed “Risk Factors — Risks relating to our business — We may not be able to obtain land use rights of parcels of land with respect to which framework agreements or letters of intent have been entered into, and as a result, there may be a material adverse effect on our business, results of operation and financial condition” in this offering memorandum for further details.

RESETTLEMENT OPERATIONS

We engage in property development projects whereby either or the original land use rights owner are responsible for resettlement operations including compensation and resettlement of affected local residents, demolition of existing structures and clearing of land of the relevant areas. For 2017, 2018 and 2019, we have not encountered any material difficulties with respect to its resettlement operations. Please refer to the section headed “Risk Factors — Risks relating to our business — We engage in resettlement operations that involve the resettlement of existing residents and the resettlement process may be delayed or not be completed as planned, and as a result the land acquisition and development process may be materially and adversely affected” in this offering memorandum. Details of our resettlement project are set out below.

Yantai Beizhai Village Resettlement Project

With a view to acquiring land in Beizhai Village in Yantai, Shandong Province, in March 2013, Yantai Redco Development entered into cooperation agreements with the villagers committee of Beizhai Village (the “Beizhai Villagers Committee”) in respect of parcels of land with an aggregate site area of 706.1 mu (or 471,000.0 sq.m.) and an aggregate GFA of 1,083,600.0 sq.m. (the “Beizhai Village Land”). It was agreed that if Yantai Redco Development successfully acquires the Beizhai Village Land in the subsequent public tender, listing-for-sale or auction, it shall provide the Beizhai Villagers Committee with units with an aggregate GFA of 355,900.0 sq.m. to be constructed on such land, 95,500 sq.m. of which is for resettlement housing and the remaining 260,400 sq.m. is for

commercial and residential use. The Beizhai Villagers Committee shall be responsible for site clearing operations including the demolition of existing structures, entering into resettlement agreements with the affected villagers and the distribution of such resettlement housing to the affected villagers in accordance with the relevant guidelines of the local government. Accordingly, we are not required to enter into and have not entered into any resettlement agreements with the affected local residents. In December 2013, Yantai Redco Development further entered into a supplemental agreement with the Beizhai Villagers Committee, pursuant to which it agreed that in the event that Yantai Redco Development is unable to obtain all of the Beizhai Village Land, the resettlement housing to be constructed and delivered to the Beizhai Villagers Committee by Yantai Redco Development should be adjusted in proportion to the size of the land acquired by Yantai Redco Development.

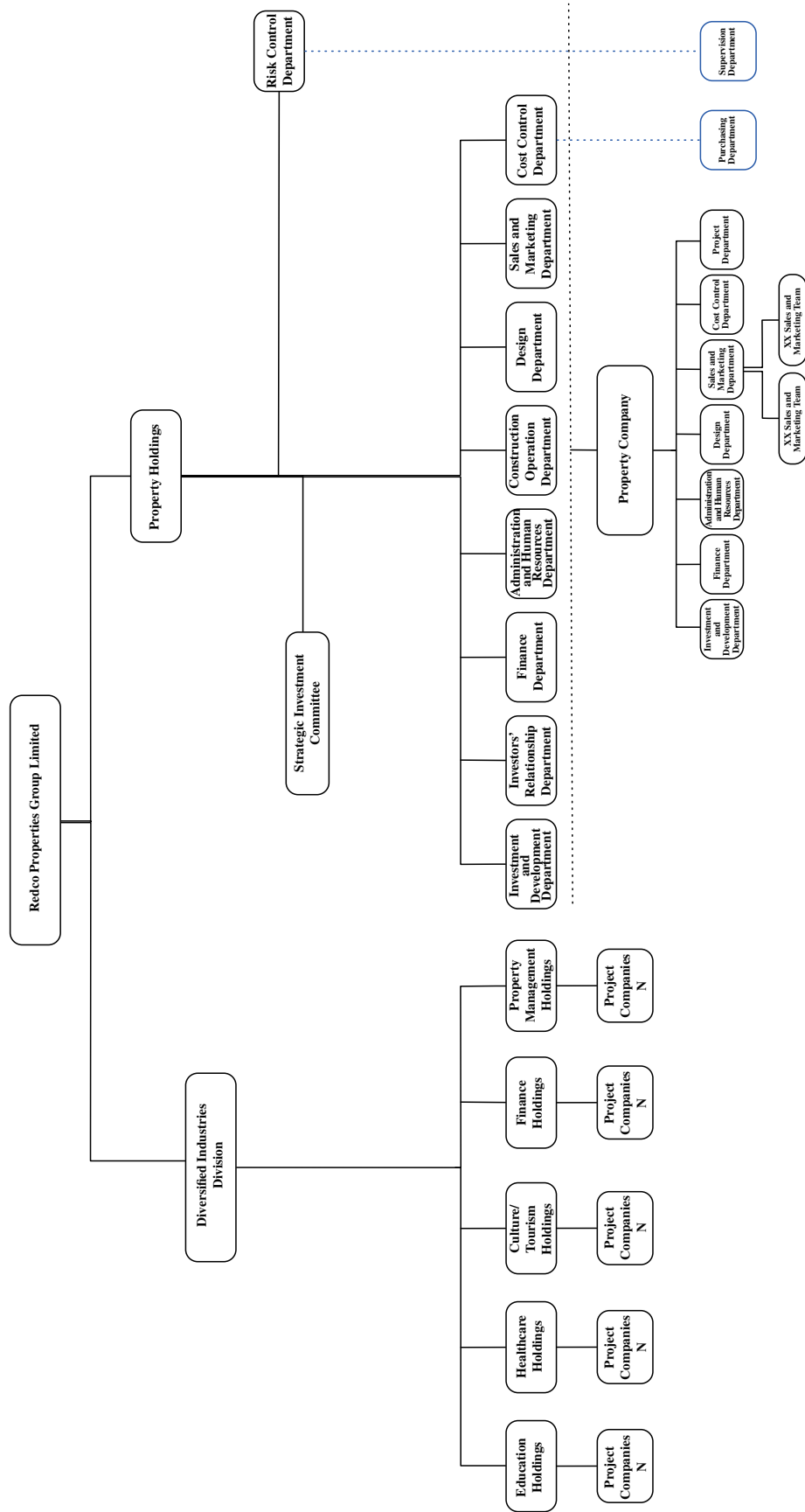
In March 2013, Yantai Redco Development entered into an agreement with the Management Committee of Yantai Hi-tech Industrial Development Zone (the “Management Committee”), the relevant governmental authority responsible for the administration of Beizhai Village, which provided that a portion of the Beizhai Village Land with a site area of 606 mu would be listed for sale in various stages and at the land grant price of no more than RMB2.1 million per mu. The agreement further provided that the land grant premium paid by Yantai Redco Development upon each listing-for-sale of the relevant parcels of land will be partially refunded. The first parcel of land, which meets listing-for-sale requirements, with a site area of 77 mu would be listed for sale shortly after the signing of such agreement. In September 2013, we successfully acquired the parcel of land through listing-for-sale and entered into the land grant contract in respect of a parcel of land with a site area of 51,693.7 sq.m. (approximately 77 mu) and a planned GFA of 183,727.5 sq.m. at the land grant premium of RMB205.8 million, which has been settled in full. This parcel of land forms Phase I of our Sunshine Coast project in Yantai. We commenced to construct resettlement housing with an aggregate GFA of 95,500 sq.m. for the affected villagers of Beizhai Village on such land in accordance with the said agreements in the first quarter of 2014 and the construction has been completed in the third quarter of 2016.

In September 2013, Yantai Redco Development entered into an agreement with the Management Committee, whereby it was agreed that the Management Committee will conduct site clearing operations in respect of a portion of the Beizhai Village Land with a site area of 606 mu in order to prepare the relevant land for subsequent listing-for-sale. Yantai Redco Development agreed to provide a sum of RMB110.0 million (the “Site Clearing Fees”) to the Management Committee to finance its site clearing operations. The Site Clearing Fees shall be returned to Yantai Redco Development without interest upon the full settlement of the land grant premium to be paid by the successful bidder at the subsequent listing-for-sale. The Management Committee further guaranteed that Yantai Redco Development would be granted land use rights in respect of the Beizhai Village Land. We intend to participate in the listing-for-sale process in respect of such remaining portion of the Beizhai Village Land, which, if successful, will be used as future phases of Sunshine Coast in Yantai.

As of December 31, 2019, we paid an amount of RMB61.5 million as part of the Site Clearing Fees which has been accounted for as other receivables, and acquired four parcels of land with RMB927.8 million. Under the various agreements entered into with the Beizhai Villagers Committee and the Management Committee, the major obligations of Yantai Redco Development include: (i) payment of the Site Clearing Fees or deposits in accordance with the terms of the relevant agreements, (ii) participation in the subsequent public tender, listing-for-sale or auction, and (iii) upon successfully obtaining land use rights in respect of the Beizhai Village Land, construction and delivery of resettlement housing and other housing in accordance with the relevant agreements.

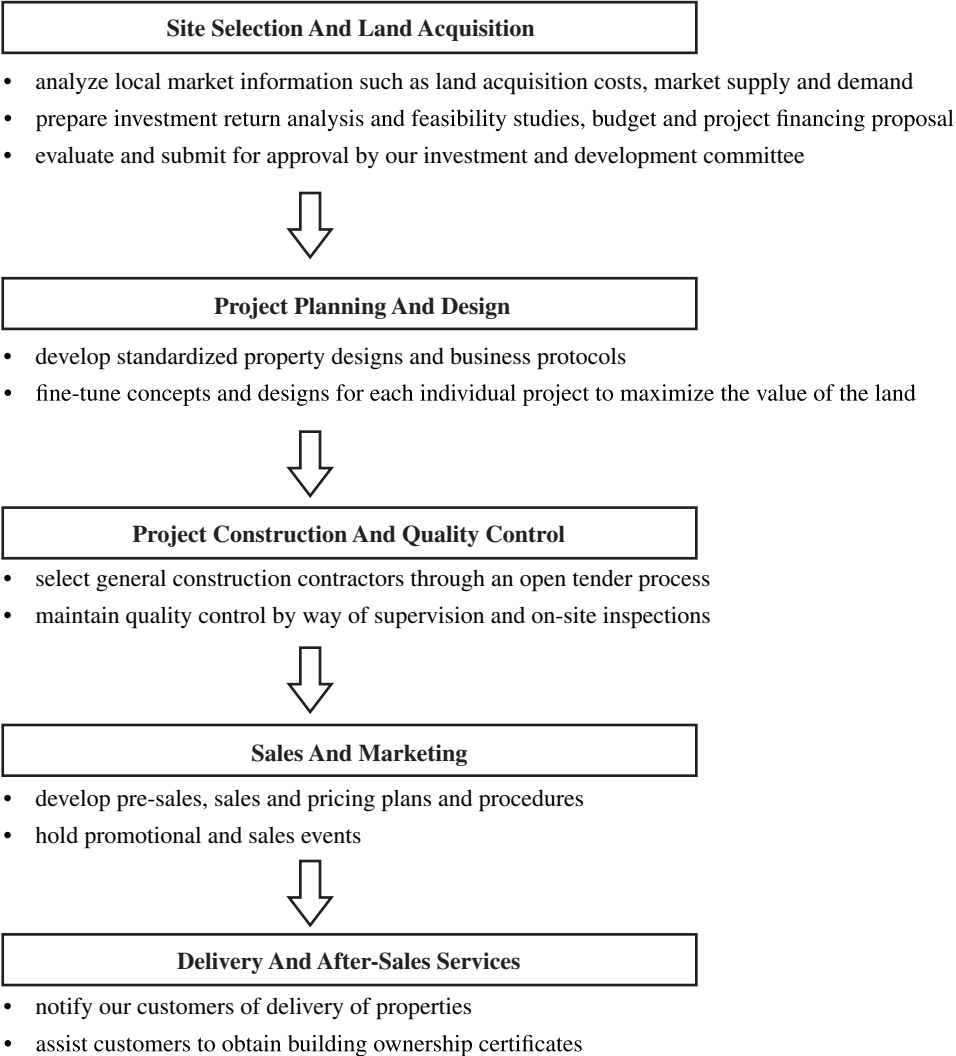
OUR PROPERTY DEVELOPMENT MANAGEMENT

The following chart sets forth the management and reporting structure of our Group:



We have detailed procedures, well-established organizational structure and tailored policies setting out clear reporting pipelines and responsibilities with a view to facilitating efficient communications, prompt decision-making and responsiveness to changing market conditions. We have established various departments for our Property Holdings, including the Investment and Development Department (投資發展中心), Investors' Relationship Department (投資者關係部), Administration and Human Resources Department (行政及人力中心), the Finance Department (財務管理中心), the Design Department (設計管理中心), the Construction Operation Department (工程運營中心), the Cost Control Department (成本控制中心) and the Sales and Marketing Department (營銷管理中心) to oversee and coordinate different aspects of our operations. Our headquarters and our regional project companies work closely together on developing property development projects.

OUR PROPERTY DEVELOPMENT PROCESS



City and Site Selection

Our investment and development committee (投資發展委員會) meets on a monthly basis and is responsible for identifying and evaluating a range of regions or cities in the PRC for potential development, and approving site selection decisions. In order for the investment and development committee to make an informed decision, we conduct due diligence on the local markets regarding land acquisition costs, pricing trends and market supply and demand, following which we prepare investment return analysis and feasibility studies regarding the positioning of our property development projects, budget and project financing proposal. We also engage third-party research companies to analyze the merits of new cities we plan to enter into.

We consider various factors in our city and site selection including: (a) general socio-economic conditions such as economic growth, population, market supply and demand and the purchasing power of local residents; (b) any preferential governmental policies, such as areas identified by the PRC government as the key development areas; (c) the site area and location, such as its proximity to downtown and availability of public transport and amenities; (d) in respect of the acquisition of land from third-party project owners, whether there are any legal risks or technical difficulties identified; (e) the estimated project development, financing and marketing timetable; (f) the estimated investment return; and (g) whether the potential site fits the Group's strategic planning.

Land Acquisition

We have established diversified land acquisition strategies that complement each other. We primarily acquire land through acquisition from third parties and listings-for-sale from the PRC government in accordance with relevant PRC laws and regulations. Over the years we have generally been able to acquire land from original project owners who typically were able to make land acquisitions at an early stage when land costs were relatively low.

We have also employed land acquisition strategies to acquire land at competitive costs by selectively engaging in property developments that compatible with local government policies or other local interest. In 2017, 2018 and 2019, we have acquired land through (i) incorporating cultural concepts to develop properties that meet the needs of the local communities; (ii) early involvement in areas encouraged by the local governments; (iii) leveraging our past track record in developing quality property development projects to acquire further land in the same geographical area; (iv) acquisition of local property developers that have a land reserve suitable for our development strategy; and (v) incorporating the concepts of healthcare and elderly nursing to develop properties that meet the needs of the local communities.

Project Planning and Design

Over the years, we have accumulated a diverse portfolio of business protocols and standardized property designs for our property developments. In particular, we have been focusing on five clear product lines consisting of a variety of themed residential properties: (i) the Aristocratic series, (ii) the Lake series, (iii) the Sunshine series, (iv) the TOP series and (v) the Complex series. To maintain the quality of our product offerings, we engage third-party professional design firms to formulate detailed project designs and construction plans while actively fine-tune the concepts and designs for each individual project in order to maximize the value of the land. During its selection of design firms, we would consider a number of factors including our past cooperation experience, track record, prices quoted and estimated design cycle. In the past, we have cooperated with a number of reputable design firms such as AECOM and Belt Collins.

Project Construction

Appointment of Construction Contractors

We outsource construction works of all our property development projects to qualified third-party general construction contractors. Such construction works include, among other things, foundation digging, general construction and installation of equipment. The general construction contractors of our property developments are selected through an open tender process. The tender process is managed by the Cost Control Department and the Construction Operation Department of our headquarters and the respective regional companies. We conduct due diligence procedures on our contractors, such as inspecting their credentials and paying site visits of their offices and property projects, and only those contractors who have passed such due diligence procedures are invited to participate in the tender. In selecting the winning bid, we typically consider the contractor's professional qualifications, technical capabilities, industry reputation, track record and prices tendered. We also entered into memoranda of cooperation with four of our construction contractors. The memoranda of cooperation have a term of three years with no commitment to renew upon expiry. Under the memoranda of cooperation, the parties have agreed to establish communication channels and meet regularly with a view to facilitating business cooperation.

Quality Control and Construction Supervision

We require our contractors to comply with the relevant PRC laws and regulations relating to construction quality as well as our internal quality control standards and specifications. The construction department of our project companies, by itself or together with construction contractors and certified third-party construction supervision companies engaged by us, monitor the on-site progress regularly and conduct monthly inspections and reviews to ensure the quality and safety of construction works.

During the tender process, we typically require the construction contractor to set out the composition of the management team of the property development project, and any change in the composition of the management team after winning the bid is subject to our prior consent. In order to ensure that the property development project meets the construction completion schedule and quality and safety requirements, we may also request the construction contractor to change its management personnel if we consider their performance unsatisfactory. Under our typical contracts, contractors are subject to warranties stipulated in the relevant contracts in respect of construction works completion schedule and the quality of works in accordance with the relevant PRC laws and regulations. Our contractors are also required to pay fines in the event of a delay and bear the costs of rectifying any defects.

Procurement

Our contractors are responsible for procuring substantially all of the construction materials such as steel and cement for our property development projects. We typically provide our specifications regarding construction materials to contractors and require contractors to set out the brands or manufacturers of construction materials in tender documents. We may also purchase certain specialized building materials such as doors, windows and elevators directly from designated reputable and reliable brands or manufacturers to ensure quality. Payment methods vary in the procurement of different construction materials, and payment is typically settled in stages within ten days of completion of a certain stage of installation works. When selecting suppliers, we would consider their technical qualifications and accreditations, track record, financial condition, average supply cycle and quality of construction materials. Upon completion of each property development project, we conduct an evaluation of our suppliers to decide whether to continue procuring

construction materials from them. For construction materials procured by our contractors, the risk of price fluctuations is absorbed by them so long as the fluctuations are within a certain percentage of the contract price (such as 5%). In the event that the price exceeds the agreed percentage, we may be required to reimburse our contractors for any shortfall.

We have also entered into framework agreements with several suppliers for the supply of electric cables of different specifications with reputable suppliers. The framework agreements have a term of one year, renewable upon the parties' mutual agreement one month prior to the expiry of the term. Under the framework agreements, we are required to source electric cables used in our property development projects solely from these suppliers. We are not subject to any minimum purchase commitment. No adjustments can be made if market price fluctuates within 5% of the contract price. If market price fluctuates by more than 5% of the contract price, the parties may agree to adjust the contract price accordingly.

Sales and Marketing

Sales and Marketing Plan

We determine our per unit sales price with reference to the sales price of market comparables, market conditions and our development costs. Our sales and marketing personnel are incentivized by performance-based compensation packages to contribute to the success of our property development projects.

We have established a membership club, Redco Club (力高會), for our customers. Members are entitled to enjoy deductions to the purchase price of their properties. For pre-sales of some of our property development projects, we also offer customized incentives through our referral programs.

We hold promotional and sales events at our property development project premises and invite potential customers to visit exhibit units. Customers of some of our property development projects are entitled to enjoy discounts and free property management services. We also organize promotional events such as economic forums to increase public awareness of our "Redco" brand.

Pre-sale

In line with market practice in the PRC, we normally commence pre-sales of our property development projects before completion of the entire project. Our pre-sales typically comprise multiple phases in accordance with our marketing strategies and plans. Our pre-sale contracts are prepared in accordance with applicable PRC laws and regulations. Purchasers are typically required to pay deposits in several installments according to the schedule stipulated in the sales contract.

Payment Arrangements

Our customers may choose to pay the purchase price of our properties by one lump sum payment or by mortgage financing. Customers choosing to settle the purchase price by one lump sum payment will be required to fully settle the purchase price shortly after the execution of the sales contract. Customers choosing to settle the purchase price of residential properties by mortgage financing shall, according to the terms stipulated in the relevant sales contract, normally pay a down payment of no less than 30% of the purchase price upon the execution of the sales contract in accordance with the applicable PRC laws and regulations. Depending on the processing time required by mortgagee banks, the balance of the purchase price will typically be paid by the mortgagee bank shortly after the date of execution of the sales contract.

In line with market price in the PRC, we have arrangements with various banks for the provision of mortgage financing and where required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the transfer of the building ownership certificate to the purchaser, or the satisfaction of mortgage loans by the relevant purchaser. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan. We do not conduct credit checks on our customers but rely on credit checks conducted by relevant banks.

Delivery and After-sales Services

Delivery of Completed Properties

We closely monitor the progress of construction works at our projects under development. If we fail to deliver the completed properties within the stipulated timeframe due to our default, we may be liable to pay a certain percentage of the purchase price as penalty in accordance with the terms of the relevant sales contracts. Under current PRC laws and regulations, we are required to obtain a completion certificate before delivering properties to our customers. After a property development project has passed the requisite completion and acceptance inspections, we shall notify and make arrangements with our customers in respect of the inspection and delivery of properties. Under our typical sales contracts, customers failing to accept delivery of properties within ten to 15 days from the date of notification shall be deemed to have accepted delivery of our properties. We also undertake under our sales contracts to deliver individual building ownership certificates for our properties and such process is typically completed within six months from the date of delivery. We may also be liable to compensate our customers for any delay in the delivery of individual building ownership certificates.

After-sales services

Our customer service personnel provide after-sales services such as assisting customers to obtain building ownership certificates and handling customers complaints. Our customers may also join our Redco Club to participate in our activities and obtain first-hand information regarding our new property development projects.

PROPERTY MANAGEMENT SERVICES

In 2015, and the 11 months ended November 30, 2016, we provided property management services to manage our and external property development projects through Shenzhen Youju Meijia Property Services Co., Ltd. (深圳優居美家物業服務有限公司) (“Shenzhen Youju Meijia”) and its subsidiaries. We disposed of part of its equity interest in Shenzhen Youju Meijia on December 1, 2016, and ceased providing property management service since the same date. Certain of our property development projects are managed by independent property management companies. In June 2019, we acquired new property management business and our revenue generated from property management services was RMB80.9 million (US\$11.6 million) in 2019.

AWARDS AND RECOGNITIONS

Over the past years, we have received recognition from various industry associations and the public.

Year	Award/recognition	Awarding body
2019	Billboard for Real Estate Developers with Brand Value of China for 2019 (2019 中國房地產品牌價值卓越榜)	Guandian.cn (觀點地產新媒體)
2019	Top 100 in “Billboard for Top 200 Comprehensive Strength Real Estate Enterprise of China for 2019 (2019 中國房企綜合實力TOP200榜單)	EH Consulting (億翰智庫)
2019	Billboard for Top 100 Brand Value of China Listed Companies for 2019 (2019 中國上市公司品牌價值榜•地產TOP100)	National Business Daily (每日經濟新聞) and ARCHINA.com (鏗刻地產)
2019	2019 Real Estate Enterprises Worth Paying Attention to in the Capital Market (2019 值得資本市場關注的地產企業)	The Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院)
2019	2019 Top 10 Hong Kong-listed Mainland China Real Estate Company in terms of Wealth Creation Capacity (2019中國大陸上市房地產公司財富創造能力 TOP 10)	The Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院)
2019	2019 Estate Enterprises Worth Paying Attention to in the Capital Market (2019值得資本市場關注的地產企業)	The Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院)
2018	2018 PRC Investment Value Real Estate Enterprise (2018中國年度投資價值地產企業)	Guandian.cn (觀點地產新媒體)
2018	Listed Companies with the Most Growth Potential of 2017 (2017最具潛力上市公司大獎)	China Financial Market (中國融資)
2017	Top 100 Comprehensive Strength Listed Real Estate Enterprise of China for 2017 (2017年中國房地產上市公司綜合實力100強)	China Real Estate Association (中國房地產業協會)
2017	Listed Companies with the Most Growth Potential of 2016 (2016最具潛力上市公司大獎)	China Financial Market (中國融資)
2017	Top 30 Comprehensive Strength Listed Real Estate Companies of Yantai for 2016 (2016年煙臺市房地產行業綜合實力三十強企業)	Yantai Real Estate Association (煙臺房地產企業協會)
2016	Listed Companies with the Most Growth Potential of 2015 (2015最具潛力上市公司大獎)	China Financial Market (中國融資)
2016	The Most Valuable Listed Real Estate Enterprise of China for 2016 (2016中國最具價值地產上市企業)	Guandian.cn (觀點地產新媒體)
2016	Top 100 Real Estate Developers of China for 2015 (2015年度中國房地產卓越100)	Guandian.cn (觀點地產新媒體)
2016	Top 100 Real Estate Developers with Brand Value of China for 2015 (2015年度中國房地產品牌價值卓越100)	Guandian.cn (觀點地產新媒體)

Year	Award/recognition	Awarding body
2016	Redco • Lanhu Jun — Shandong Real Estate Star Enterprises (力高•瀾湖郡 — 山東地產明星企業)	Shandong Daily (山東商報)
2015	2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment (2015中國大陸在港上市房地產公司投資價值TOP 10)	The Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院)
2015	2015 Highest Growth Value Award (2015最具成長價值獎)	China Finance Summit Organising Committee (中國財經峰會組委會)
2015	2015 Top 100 PRC Real Estate Companies (2015年中國房地產業綜合實力100強)	Chinese Real Estate Federation (中國房地產業聯合會), China Industry Information Statistics Association (中國行業信息統計協會) and the Centrechina.com (焦點中國網)
2013	2013 Top 10 Brands of South China Real Estate Companies (2013中國華南房地產公司品牌價值 TOP 10)	The Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院)
2010-2013 .	Top 100 PRC Real Estate Developers (中國房地產100強)	The Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院)

COMPETITION

The PRC property industry is highly fragmented and competitive. As a China Top 100 listed real estate developer, we primarily compete with other China Top 100 real estate developers focusing on the development of residential properties in the PRC. We compete on a broad range of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors. In recent years, property developers from the PRC and overseas have entered the property development markets in the cities where we have operations, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector.

INTELLECTUAL PROPERTY RIGHTS

As of the date of this offering memorandum, we had 24 trademarks which were registered in the PRC and two trademarks which were registered in Hong Kong.

INSURANCE

According to applicable PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. We typically require the construction contractors of our property development projects to purchase construction in progress insurance for our projects under development. We have not maintained insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group, as such is not required under the applicable PRC laws and regulations.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Environmental Matters

We are subject to a number of environmental and safety laws and regulations in the PRC including the PRC Environmental Protection Law (中華人民共和國環境保護法), the PRC Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the PRC 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 these laws and regulations, we have engaged independent third-party environmental consultants to conduct environmental impact assessments at all of our construction projects, and such environmental impact assessments were submitted to relevant governmental authorities for approval before commencement of development. Upon completion of construction works, we are required to apply for an examination and acceptance with respect to environmental matters from the relevant governmental authorities. Only property development projects which have passed such examination and acceptance can be delivered.

Under its typical construction contracts, we require our contractors to strictly comply with relevant environmental and safety laws and regulations. We inspect the construction sites regularly and require its contractors to immediately rectify any default or non-compliance identified. We also provide training to our employees regarding environmental issues from time to time.

Social, Health and Work Safety

In respect of social responsibilities, in particular health, safety and social insurance, we have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations.

We maintain social welfare insurance for our full-time employees in the PRC, including pension insurance, medical insurance, personal injury insurance, unemployment insurance and maternity insurance, in accordance with relevant PRC laws and regulations. Our employees' manual contains policies and procedures regarding work safety and occupational health issues. We provide our employees with annual medical checks and safety training, and our construction sites are equipped with safety gloves, boots and hats.

LEGAL PROCEEDINGS AND COMPLIANCE

We are in compliance in all material respects with the applicable laws and regulations in all jurisdictions where we operate businesses. We have obtained all material approvals, permits, licenses and certificates for our operations from the relevant government authorities, all of which are valid and current or to be renewed upon its expiry. We have not been subject to significant fines or legal action involving non-compliance with any laws or regulations relating to our business. So far as we are aware, there are no pending or threatened actions against us by any regulatory authority in the PRC.

From time to time we may be involved in legal proceedings or disputes in the ordinary course of business, including claims relating to our guarantees for the mortgage loans we provide to our customers and contract disputes with our customers and suppliers. We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. We are not aware of any material disputes with any parties or disagreements with regulatory bodies as of the date of this offering memorandum.

REGULATION

SUMMARY OF PRINCIPAL PRC LAWS AND REGULATORY PROVISIONS

The following is a summary of the principal PRC laws, regulations, policies and administrative directives to which we are subject.

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the PRC Law on Administration of Urban Real Estate (中華人民共和國城市房地產管理法), or the Urban Real Estate Law, promulgated by the NPC on July 5, 1994, effective on January 1, 1995 and amended on August 30, 2007, August 27, 2009 and August 26, 2019, a real estate development enterprise is defined as an enterprise that engages in the development and sale of real estate for the purpose of making profits. Under the Regulations on Administration of Development and Operations of Urban Real Estate (城市房地產開發經營管理條例), or the Development Regulations, promulgated and implemented by the State Council on July 20, 1998 and recently amended on March 27, 2020, an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1.0 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom should hold relevant qualification certificates.

The Development Regulations also stipulate that the local government of a province, autonomous region or provincial-level municipality may, based on local circumstances, impose more stringent requirements on the registered capital and the number of professional personnel of a real estate development enterprise.

Pursuant to the Development Regulations, to establish a real estate development enterprise, the developer shall apply for registration with SAIC. The developer shall also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license.

On September 9, 2015, the State Council promulgated the 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), according to which the minimum capital ratio is 20% for affordable housing and ordinary commodity residential projects, and 25% for other property projects.

FOREIGN-INVESTED REAL ESTATE DEVELOPMENT ENTERPRISE

Pursuant to the Development Regulations, where a foreign-invested enterprise is to be established to engage in the development and sale of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Foreign Investment Industrial (Revised in 2011) (外商投資產業指導目錄), or the Foreign Investment Catalog, promulgated by MOFCOM and NDRC on December 24, 2011, effective on January 30, 2012,

- the development of a whole parcel of land (limited to equity joint ventures and cooperative joint ventures) as well as the construction and operation of high-end hotels, premium office buildings, international conference, exhibition centers, the secondary market transactions in real estate sector and real estate intermediaries or agents fall within the category of industries in which foreign investment is subject to restrictions;
- the construction and operation of villa falls under the category of industries in which foreign investment is prohibited; and
- other real estate developments fall within the category of industries in which foreign investment is permitted.

However, such restriction measures imposed upon FRIIEs were deleted by the Foreign Investment Catalog amended in 2015.

Pursuant to the Special Management Measures (Negative List) for the Access of Foreign Investment (Edition 2019) (外商投資准入特別管理措施(負面清單) (2019年版)) (the“Negative List (Edition 2019)”) promulgated by MOFCOM and NDRC on June 30, 2019 and came into effect on July 30, 2019, which finally abolished and superseded the negative list of the amended Foreign Investment Catalog promulgated by MOFCOM and NDRC on June 28, 2017 and became effective on July 28, 2017, real estate development does not fall within the Negative List (Edition 2019) and the restrictive measures for construction of large-scale theme park, golf courses and villas are equally applicable to domestic and foreign investment.

Subject to the approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise by the foreign investor in accordance with the PRC laws and regulations governing foreign-invested enterprises.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued 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), or the 171 Opinion, which states that, among other things, a foreign entity or individual investing in the PRC property other than for self-use, must apply for the establishment of a FIREE in accordance with the applicable PRC laws and can only conduct operations within the authorized business scope. The 171 Opinion attempts to impose additional restrictions on the establishment and operation of a FIREE by measures including regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of a FIREE or the transfer of its projects and prohibiting the borrowing of money from domestic and foreign lenders where, among other things, the registered capital is not paid up, land use rights are not obtained, or the capital fund is less than 35% of the total investment amount in the intended development project. In addition, the 171 Opinion also limits the ability of certain foreign individuals to purchase residential properties in China.

On May 23, 2007, MOFCOM and SAFE jointly issued the Circular on Further Strengthening and Regulating the Approval and Supervision on Foreign Direct Investment in Real Estate Sector (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), or Circular 50, which states that, among other things, foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled. According to Circular 50, before applying for the

establishment of FIREEs, (i) both the land use rights certificates and property ownership certificates should have been obtained or (ii) contracts for obtaining land use rights and property ownership rights should be entered into. Also, acquisitions of domestic real estate entities and foreign investment in real estate sector in a way of a round-trip investment channel should be strictly regulated, and foreign investors may not bypass approval procedures through changes in actual controlling persons. In addition, existing foreign-invested enterprises need to obtain approval before expanding their business operations into the real estate sector and existing FIREEs need to obtain new approval in case they wish to expand their existing real estate business operations. SAFE authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements or sales regarding capital account items to those entities failing to file with the MOFCOM or failing to pass the joint annual reviews of foreign-invested enterprises. On October 28, 2015, the Circular 50 is amended and the above words “or failing to pass the joint annual reviews of foreign-invested enterprises” are removed. For those FIREEs, which are wrongfully approved by local authorities for their establishment, (i) the MOFCOM will carry out investigation, order punishment and corrections, and (ii) SAFE authorities should not carry out foreign exchange registrations for these entities.

The Notice on the Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Filed with MOFCOM (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) issued by SAFE on July 10, 2007 (“Notice 130”), which restricts the ability of FIREEs to raise funds through foreign debt, was abolished on May 13, 2013 by the Notice on Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and Its Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) (“No. 21 Notice”) which was promulgated by SAFE on May 11, 2013. However, most of the restriction measures on the foreign debt of FIREEs stipulated in Notice 130 have been reflected in the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) (“No. 19 Notice”) issued by SAFE on April 28, 2013. According to No. 19 Notice, local branches of SAFE must not register any foreign debt of a FIREE if it obtained approval certificate from competent commercial departments and filed with MOFCOM on or after June 1, 2007.

In connection with the filing requirement, on June 18, 2008, the MOFCOM issued the Notice on Properly Archiving the Filings for Foreign Investment in Real Estate Sector (關於做好外商投資房地產業備案工作的通知) which was abolished on January 1, 2020. According to the notice, since July 1, 2008, the MOFCOM entrusts its provincial level branch to review the filing materials with respect to FIREEs and check and confirm the legality, authenticity and accuracy of the materials. The MOFCOM will archive the filing after receiving the archival form duly completed and submitted by the provincial level branches. The notice also requires that the establishment (including the increase of registered capital) of an enterprises with foreign investment must comply with the principle of one project company engaging in one approved real estate project only.

Moreover, on November 22, 2010, the General Office of MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment in Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知), which provides that, among other rights, in the case that a real estate enterprise is established within the PRC with oversea capital, it is prohibited to purchase and/or sell real estate properties completed or under construction within the PRC for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in the real estate development and management.

On June 24, 2014, MOFCOM and SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知) to simplify the procedures of registration of foreign investment in real estate. On November 6, 2015, MOFCOM and SAFE jointly issued the Circular on Further Improving the Record-filing for Foreign Investments in Real Estate (關於進一步改進外商投資房地產備案工作的通知) to cancel the online record filing-procedure maintained by MOFCOM. The above Notice and Circular were both abolished on January 1, 2020.

On August 19, 2015, MOHURD and other authorities jointly promulgated the Circular on Adjusting Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), which removed the special requirement of ratio of registered capital to total investment imposed on FIREEs. The Circular further removed the requirement that the registered capital of FIREEs shall be paid in full before such FIREE may apply for domestic loans or offshore loans.

According to the Decision of Amending Four Laws including the Wholly Foreign-owned Enterprises Law of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國外資企業法》等四部法律的決定) promulgated by the Standing Committee of the NPC on September 3, 2016, the establishment of foreign-invested enterprise and its subsequent changes should be filed with relevant authorities instead of obtaining approvals from relevant commerce authorities, except for the foreign-invested enterprise which are subject to the special administrative measures regarding foreign investment. 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 promulgated by MOFCOM On October 8, 2016, and amended on July 30, 2017, and June 29, 2018 further detailed the relevant filing procedures.

However, the Wholly Foreign-owned Enterprises Law of the PRC was abolished by the Foreign Investment Law of the PRC (中華人民共和國外商投資法) which was promulgated on March 15, 2019 and became effective on January 1, 2020. The Foreign Investment Law of the PRC stipulates that the state applies the administrative system of pre-establishment national treatment plus negative list to foreign investment. And as stated in the Foreign Investment Law of the PRC and the Regulation for Implementing the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) which was issued by the State Council on January 1, 2020, the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors.

On December 30, 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (外商投資信息報告辦法), which came into effect on January 1, 2020 and replaced the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-Invested Enterprises. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to the aforesaid measures.

QUALIFICATIONS OF A REAL ESTATE DEVELOPMENT ENTERPRISE

Under the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定), or the Provisions on Administration of Qualifications, promulgated by Ministry of Construction and implemented on March 29, 2000 and amended on May 4, 2015, a real estate development enterprise must apply for registration of its qualification according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of

properties without a qualification classification certificate for real estate development. Ministry of Construction oversees the qualifications of real estate developers with national operations, and local Ministry of Construction authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, the qualification of a real estate development enterprise is classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualifications should be examined and approved by corresponding authorities.

- Class 1 qualifications are subject to preliminary examination by Ministry of Construction authorities at the provincial level and the final approval of Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Class 2 or lower qualifications are regulated by Ministry of Construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a total GFA of less than 250,000 sq.m. subject to confirmation by Ministry of Construction authorities at the provincial level.

Under the relevant PRC laws and regulation, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employment, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer within any specific qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the competent authorities will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year since its issuance, and MOHURD authorities may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The real estate developer should apply for qualification of classification to the relevant authorities within one month before expiration of its provisional qualification certificate.

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be subject to annual inspection. The construction authority under the State Council or its entrusted institution is responsible for carrying out the annual inspection of the qualification of class 1 real estate developers. Procedures for annual inspection of developers of class 2 or lower qualifications shall be formulated by the construction authorities under the people's government of the relevant province, autonomous region or provincial-level municipality.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Promoting the Adjustment and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), pursuant to which the qualification certificates and the sources of capital of real estate development enterprises will be censored. If a real estate development enterprise fails to obtain a construction permit and fails to start construction two years after the land is provided, the land will be confiscated and fines will be imposed accordingly.

DEVELOPMENT OF A REAL ESTATE PROJECT

Commencement of Development of a Property Project

According to the Administrative Measures for the Approving and Filing of Foreign-Funded Projects (外商投資項目核准和備案管理辦法), promulgated by the NDRC on May 17, 2014 and amended on December 27, 2014, foreign-funded projects shall be subject to management by approval of or filing with relevant authorities. Pursuant to Catalog of Investment Projects Subject to the Approval of Governments of the year 2016 (政府核准的投資項目目錄(2016年本)), or the Catalog of Approval, promulgated by the State Council on December 12, 2016, for investment in the construction of fixed-asset investment projects listed in the Catalogue of Approval, the enterprises must report to relevant authorities for approval. Where enterprises invest in the construction of projects beyond Catalogue of Approval, such projects shall be subject to filing procedures.

According to the Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment (關於進一步做好利用外資工作的若干意見), promulgated by the State Council on April 6, 2010, except where approval by the relevant departments under the State Council is required by the Foreign Investment Catalog, foreign investment in encouraged and permitted industries with a total investment of US\$300 million or less must be examined and approved by NDRC branches at the provincial level.

Grant of Land Use Rights

In April 1988, NPC amended the PRC Constitution (中華人民共和國憲法) to permit the transfer of land use rights for value. And in December 1988, NPC amended the Land Administration Law (土地管理法) to permit the transfer of land use rights for value. The acquisition of state-owned land use rights from relevant government authorities is commonly referred to as the primary market, and the acquisition of land use rights from entities which hold land use rights granted by relevant government authorities is commonly referred to as the secondary market.

In March 2007, NPC adopted the Property Rights Law of the People's Republic of China (中華人民共和國物權法), or the Property Rights Law, which became effective on October 1, 2007. According to the Property Rights Law, 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, use such land use rights as equity contributions or collateral for financing. If the state reclaims the properties owned by entities or individuals, it must compensate the property owner in accordance with laws and regulations and protect the lawful rights and interests of the owners.

Under the Interim Regulations of the People's Republic of China on Grant and Assignment 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), or the Interim Regulations on Grant and Assignment, promulgated by the State Council in May 1990, China adopted a system to grant and assign the rights to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the terms of use. Under the Urban Real Estate Law and the Interim Regulations on Grant and Assignment, the land administration authority at the city or county level may enter into a land grant contract with land user to provide for the grant of land use rights. Land user must pay the land premium as provided by the land grant contract. After payment in full of the land premium, land user may register the land use rights for a site intended for real estate development. Land use rights may be obtained through grant, except for land intended for purposes

subject to premium-free allocation by the PRC government pursuant to the PRC laws and regulations. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

Under the Regulations on Grant of State-Owned Land Use Rights by Agreement (協議出讓國有土地使用權規定) promulgated by MLR on June 11, 2003, except for the project that must be granted through public tender, auction and listing-for-sale as required by the relevant laws and regulations, land-use rights may be granted via transfer agreements, and the land premium for the transfer agreements of the state-owned land use rights must not be lower than 70% of the benchmark land price. The Criteria on Grant of State-owned Land Use Right by Agreement (For Trial Implementation) (《協議出讓國有土地使用權規範》(試行)) issued by the MLR on May 31, 2006 and came into effect on August 1, 2006 further clarifies the specific due procedures and requirements related to grant of state-owned land use right by agreement.

Under current PRC laws and regulations on land administration, land for real estate development may be obtained only by grant except for land-use right obtained through allocation. Under the Regulations on the Grant of State-Owned Land Use Right through Public 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), issued by MLR on May 9, 2002 and as amended in September 2007, land for industry and commercial use, tourism, entertainment and commodity housing development or on which there are two or more intended land users must be granted by way of public tender, public auction or listing-for-sale. The procedures are as follows:

- The land authority under the government of the city and county, as the grantor, must make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement must include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid.
- The grantor must 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 the competitive bidding, public auction or listing-for-sale, the grantor and the winning tender or winning bidder must then enter into a confirmation. The grantor should return the bidding or tender deposit to other bidding or auction applicants.
- The grantor and the winning tender or winning bidder must enter into a land grant contract 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 premium of the state-owned land use rights.
- The winning tender or winning bidder should apply for the land use rights registration after paying off the land premium in full under the land grant contract. The local governments at or above the county level will issue the land use rights certificates.

According to the Urban Real Estate Law, upon signing of the land grant contract, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local land and resource authorities for the issuance of the land use right certificate, and the land use right certificates may not be issued in proportion to the land premium paid under the land grant contract. Upon expiration of the term of grant, the grantee may apply for renewal of the term. If such application is approved, a new contract shall be entered into to renew the grant, and a grant premium shall be paid.

On April 1, 2017, the MOHURD and the MLR jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知), which provides, among others, that local authorities should adopt examination and approval procedure to insure that property developers use legitimate self-owned funds to acquire lands.

Pre-examination of the Construction Sites

When carrying out the feasibility study for a construction project, the construction entity or the developer must make a preliminary application for construction on the relevant site to the relevant land administration authorities in accordance with the Measures for Administration of Examination and Approval for Construction Land (建設用地審查報批管理辦法) promulgated by MLR in March 1999, as amended in November 2010 and November 2016, and the Measures for Administration of Preliminary Examination of Construction Project Land (建設項目用地預審管理辦法) promulgated by MLR in July 2001, as amended in October 2004, November 2008 and November 2016. After receiving the preliminary application, the land administration authorities will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authorities at the relevant city or county level will sign a land grant contract with land user and issue an approval to the construction entity or the developer.

Planning for a Real Estate Project

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by MOHURD in December 1992, as amended in January 2011, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (中華人民共和國城鄉規劃法) promulgated by the NPC in October 2007, effective as of January 1, 2008 and amended on April 24, 2015, and April 23, 2019 and local statutes on municipal planning. Before the construction of buildings, structures, roads, pipelines and other construction projects, the construction entity must apply to the planning administration authorities at the municipal or county level for a construction works planning permit. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

However, if a construction project is conducted without obtaining the planning permit on construction project or by violating the provisions of the planning permit on construction project, the competent department of urban and rural planning of the local 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% but no more than 10% of construction 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 or confiscate the real objects or the relevant income when impossible to dismantle it, and may also impose a fine of not more than 10% of construction cost.

Expropriation of and Compensation for Housing on State-owned Land

In accordance with the Regulations for the Expropriation of and Compensation for Housing on State-owned Land (國有土地上房屋徵收與補償條例) promulgated by the State Council and implemented in January 2011, with regard to the expropriation of the housing of entities and individuals on the State-owned land, the owners of the housing being expropriated shall be offered a fair compensation for the need of public interest.

Compensation offered by governments at municipal and county levels that make housing expropriation decision to parties with housing being expropriated includes: (i) compensation for the value of the housing being expropriated; (ii) compensation for relocation and temporary settlement caused by expropriation of housing; and (iii) compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

The amount of compensation for value of housing being expropriated shall not be less than market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated shall be appraised and determined by a real estate price appraisal institution with corresponding qualification according to the housing expropriation appraisal measures. A party that objects to the value of the housing being expropriated appraised and determined may apply to the real estate price appraisal institution for review of the appraisal. A party that objects to the review result may apply to the real estate price appraisal expert committee for authentication.

The parties with housing being expropriated may choose monetary compensation, or may choose to exchange the property right of housing. If the parties with housing being expropriated choose to exchange the property right of housing, governments at municipal and county levels shall provide housing used for the exchange of property right, and calculate and settle the difference between the value of housing being expropriated and the value of housing used for the exchange of property right. If residential housing of an individual is expropriated due to renovation of old urban district and individual chooses to exchange for the property right of housing in the area being renovated, governments at municipal and county levels that make the housing expropriation decision shall provide the housing in the area being renovated or the nearby area.

Construction of a Real Estate Project

When the construction site has been properly prepared and is ready for the commencement of construction works, a developer must apply for a permit for commencement of works from construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by MOHURD in June 2014 and effective in October 2014, and amended on September 28, 2018.

According to the Notice regarding Strengthening and Regulating the Administration of Newly-commenced Projects (國務院辦公廳關於加強和規範新開工項目管理的通知) issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.

Completion of a Real Estate Project

According to the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) promulgated and implemented by the State Council on January 30, 2000 and amended on October 7, 2017 and April 23, 2019, the Measures for Reporting Administration of Acceptance Examination upon Completion of Housing Construction Projects 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 MOHURD on October 19, 2009, and the Provisions on Acceptance Examination upon Completion of Housing Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by MOHURD on December 2, 2013, upon completion of construction of a project, a property developer must apply for the acceptance examination to the property development authority under government at the county level or above and report details of the acceptance examination, upon which a “Record of Acceptance Examination upon Project Completion” will be issued. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

In August 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings (民用建築節能條例), which regulates energy consumption and utilization efficiency of civil buildings. According to this regulation, the design and construction of new buildings must meet the statutory criteria on energy efficiency for buildings. A project which fails to meet such criteria may not receive approval for commencement of construction or completion acceptance.

IDLE LAND

According to the Measures on the Disposal of Idle Land (閒置土地處置辦法) promulgated by MLR on April 28, 1999, as amended in June 2012, a parcel of land can be defined as idle land under any of the following circumstances:

- the developer fails to commence development and construction of land after one year from the construction commencement date as stipulated in the state-owned construction land use rights grant contract or in the land allocation decision;
- the development and construction of the land has begun, but the area developed and constructed is less than one third of the total area to be developed or the invested amount is less than 25% of the total amount of investment, and development and construction has been continuously suspended for one year.

If the construction works have not yet started after one year from the prescribed date of commencement, an idle land fee of 20% of the land grant premium or allocation price may be imposed on the land user. If the construction works have not begun after two years from the prescribed date of commencement, the right to use the land can be taken back by the state without any compensation. However, the above sanctions may not apply if the delay in commencement of construction is caused by force majeure or acts of government.

On September 8, 2007, MLR promulgated the Notice on Strengthening the Handling of Idle Land (關於加大閒置土地處置力度的通知). This Notice provides the principles of dealing with idle land. The Grant of State-owned Land Use Right can only be transferred after the payment of compensation for land, settlement and completion of the land development at an earlier stage. The notice also prescribes that the State-owned Land Use Right Certificate shall not be issued before the land grant premium for acquisition of land has been paid in full, nor be issued separately according to the ratio of payment of land grant premium.

On January 3, 2008, the State Council issued a Notice on Promoting the Economic Use of Land (關於促進節約集約用地的通知) with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice calls for the full and effective use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on assessing idle land fees at a rate equal to 20% of the land premium for any land left idle for over one year but less than two years. The notice also establishes an additional land premium surcharges on idle land and authorizes MLR to formulate regulations to implement such surcharges. The notice further urges financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, to complete development of at least one-third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice indicates that the relevant governmental authorities will formulate and issue additional rules and regulations on these matters.

MLR 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 reiterates the above rules on idle land.

MEASURES ON LAND SUPPLY AND MANAGEMENT

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

According to the Opinions on Certain Issues relating to Voluntary Examination and Rectifying of Land Market (關於進一步治理整頓土地市場秩序中自查自糾若干問題的處理意見) promulgated by MLR on October 13, 2003, land must be restored to its original use if the development of such land fails to comply with the overall land use requirements, unless such land has been developed for construction and restoration is impossible to achieve, in which case the overall land use requirements shall be modified so the respective amount of basic farmland, cultivated land and land for building will remain unchanged. Similarly, restoration of land to farmland or to its original use is required when a land development project lacks construction feasibility or is short of project funding, even though a proper approval is in place. Idle land that has been supplied for construction purposes shall be disposed of according to relevant stipulation governing idle land. However, exceptions are allowed when pre-approval has been granted by local authorities, or if a project development contract has been

executed and between local authorities and developers prior to July 1, 2002. On March 31, 2004, MLR together with the Ministry of Supervision promulgated the Notice of Enforcing and Supervising the Transfer of Operative Land Use Rights through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), which expressively required that after August 31, 2004, no transfer of land use rights will be allowed in the form of agreement in the name of issues left over from the past.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知) issued by State Council on April 29, 2004 restated the principle of basic farmland protection and the strict administration of the approval process for construction land.

On August 31, 2006, the State Council issued the Notice on Issues relating to Strengthening of Land Control (關於加強土地調控有關問題的通知), which provides for the administration of receipt and disbursement of land premiums, tax policies modification relating to construction land, and establishment of a publicity system for price standards with respect to granted state-owned land use rights.

On September 30, 2007, MLR issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties in Housing of Urban Low-Income Family and Further Strengthening the Macro-control of Land Supply (關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知) as amended on December 3, 2010, to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economic housing and housing at low or medium price and of small or medium size must be no less than 70% of the total residential land supply of the current year; the land and resources authorities must control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the hoarding of land by property developers. Property developers must develop their land according to the terms of the relevant land grant contracts. Generally, the development period of each parcel of land may not exceed three years.

In order to control the land market and promote reasonable land utility, the MLR, the MOF and the PBOC jointly promulgated the Administrative Measures on Land Reserve (土地儲備管理辦法) on November 19, 2007, and amended on January 3, 2018, which regulates the land development and reserve by land reserve entities and affiliates of the land authorities at city or county level, before the land authorities grant land use rights according to relevant laws and regulations. The enterprises must be selected to conduct the preliminary land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

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

MLR promulgated the Notice on Problems Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) on March 8, 2010. According to this notice, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total residential construction land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. This notice also requires that the lowest land grant price should not be less than 70% of the benchmark land price in which the granted land is located and the real estate developers' bid deposit should not be less than 20% of the lowest grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within one month after the execution of the land grant contract. The remaining payment must be paid in accordance with the land grant contract, but not later than one year. If the land grant contract is not executed in accordance with the requirements above, the land may not be delivered and the deposit may not be returned. If no land premium is paid after the execution of the land grant contract, the land must be withdrawn.

On September 21, 2010, MLR and MOHURD jointly promulgated the Notice of 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 towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders (as defined under PRC laws) are prohibited from participating in land biddings 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) non-compliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) 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, MLR 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 residential 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 this year; (ii) land and resource authorities in local cities and counties will report to MLR 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 income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

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

Base on the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知), which was jointly promulgated by the MLR and the MOHURD and effective on July 19, 2012, all local governments shall strictly enforce the macroeconomic policy on real property market. The grant of real property land shall not exceed the upper limit of area and the grant of two or more bundled parcels of land or undeveloped lands is prohibited. The plot ratio of residential land shall not be less than one. Residential construction projects shall be commenced within one year from the land title delivery date which stipulated in the land allocation decision or land grant contract, and shall be completed within three years from the date of commencement. Inspection of land bidders' qualification shall be strictly implemented to preclude bank loans from being used to pay for the land premium. The competent authority of land and resources shall forbid the land users from participating the land bidding for a certain period if the land users: (1) fail to pay land premium in time; (2) leave the land idle; (3) reserve lands for future development or speculation; (4) commit to a construction scale beyond its actual development capacity; or (5) fail to perform land use contract.

According to the Provisions on the Economic and Intensive Use of Land (節約集約利用土地規定), which was promulgated by the MLR on May 22, 2014, effective since September 1, 2014, and amended on July 24, 2019 land users and land premium for commercial lands shall be determined by bidding. Land premium for compensable use of land shall not be less than lowest price standard for use of land stipulated by the State. Land premium shall not be reduced or relieved in any way, such as exchanging projects with land, returning fees after collecting, granting subsidies or rewards.

On April 1, 2017, the MOHURD and the MLR jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知), which provides, among others, that local government should adjust land supply on the basis of the inventory turnover cycle of the commercial residential property. If the cycle is longer than 36 months, no land shall be supplied; if the cycle lasts from 18 months to 36 months, land supply shall be reduced; if the cycle lasts from six months to 12 months, land supply shall be increased; if the cycle is shorter than six months, land supply shall be increased significantly. In addition, the circular stipulates that local authorities should adopt examination and approval procedure to insure that property developers use legitimate self-owned funds to acquire lands.

On 19 May 2018, the MOHURD issued the Notice on Further Improving the Macroeconomic Control of the Real Property Market (住房城鄉建設部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 that the proportion of the residential land shall be raised, and shall be no less than 25 per cent of the urban construction land. The proportion of the land used for public housing, rental housing and joint property rights housing shall reach 50 per cent or more in 3 to 5 years.

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 houses may include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Properties (城市商品房預售管理辦法), or the Urban Pre-sale Regulation, promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a presale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold. A commodity building may be sold before completion only if:

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

Commodity buildings may be put to post-completion sale and delivery after they have passed the completion examination and satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

According to the Urban Real Estate Law and the Urban Pre-sale Regulation, for the pre-sale of a commodity property, the developer must sign a contract on the pre-sale of the commodity property with the purchaser. The developer must, within 30 days of signing the contract, apply for registration and record of the contract for pre-sale of commodity property at the relevant departments of the county-level governments. Property administrative departments are required to use network information technology to gradually implement a web-based registration of pre-sale contracts.

On May 9, 2005, the General Office State Council issued the Circular on Forwarding the Opinion of MOHURD and Other Department on Doing Well on Stabilizing Residential Property Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作的意見的通知) which provides the following with respect to commodity property pre-sales and sales:

- The purchaser of a pre-sold commodity property is prohibited from transferring such property that is still under construction. Before a pre-sold commodity property is completed and delivered and the purchaser obtains the individual property ownership certificate, the property administrative department must not give effect to any transfer of the commodity property. If there is discrepancy between the name of the applicant for property ownership and the name of the purchaser in the sales contract, the property ownership registration administration must not record the application of property ownership; and
- A real name identification system must be applied to house purchase and an immediate record filing network system for pre-sale contracts of commodity buildings must be established.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (關於進一步加強房地產市場監管完善商品住房預售制度的有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity properties are not permitted to be pre-sold and the real estate developers are not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

Pursuant to the Sale Measures, a property developer shall not sell uncompleted commercial properties through after-sale lease guarantee or by any such means in covert forms. After-sale lease guarantee stipulated in the aforementioned regulatory measures refers to that a property developer sells commodity houses by making commitment to lease back or assist buyers in renting out commercial properties within a certain period after sale. A property developer may not sell commercial properties by means of cost-returned sale or any such means in disguised forms. The cost-returned sale in these measures refers to an arrangement under which a property developer sells commercial properties and refunds periodically to the purchaser certain portions of the sales proceeds.

On March 16, 2011, the NDRC promulgated the Regulations on Clearly Marking Price in the Sale of Commodity Houses (商品房銷售明碼標價規定), according to which the sale of commodity housing shall mark prices on a per unit basis, and show to the public the collection of handling fees and property management charges. A commodity house operator shall not charge any additional fees other than those clearly marked during the property sale. After the price of a commodity house is clearly marked, the developer may reduce the price or provide discounts, however, any increase in price shall be re-filed with the competent authority for record. These regulations also apply to the selling of second hand property by real estate agents.

According to 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) promulgated by MOHURD on October 10, 2016, real estate developers conducting improper operations will be subject to investigation and punishment according to the law. Improper operations include releasing and spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices through fabricating or spreading information on rising housing price, and other operations.

DOCUMENT OF TITLE

In the PRC, there are two registers for property interests. Land registration is achieved by the issuance of a land use right certificate by the relevant authority to the land user. It is evidence that the land user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issuance of a building ownership certificate (房屋所有權證) or a real estate ownership certificate (房地產權證) (the “Real Estate Ownership Certificate”) to the owner. It is evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land. According to the Land Registration Regulations (土地登記規則) (the “Registration Regulations”) promulgated by the State Land Administration Bureau (國家土地管理局) on December 28, 1995 and implemented on February 1, 1996 all land use rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in Shenzhen, Shanghai, Guangzhou and some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued evidencing the ownerships of both land use rights and the building erected thereon.

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

- The real estate authorities shall establish a uniform real estate registration book to record, among others, collective land ownership, ownership of constructions and structures, ownership of forests and woods, construction land use rights, sea use rights and mortgages; and
- The Ministry of Land and Resources shall in coordination with other related departments, establish a uniform management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform management platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county levels.

The Ministry of Land and Resources promulgated 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. The implementing rules authorize the real estate registration authority to perform site inspection following the acceptance of an application for real estate registration and set out regulations regarding information management of real estate registration.

LEASING OF BUILDINGS

The Measures for Administration of Lease of Commodity Housing (商品房屋租賃管理辦法) promulgated by the MOHURD on December 1, 2010 and implemented on February 1, 2011, requires parties to a leasehold arrangement of a property shall register the leasing agreement with property administrative authorities within 30 days after entering into such leasing agreement under local government at the city or county level where the property is situated. In addition, enterprise may be imposed a fine of RMB1,000 to RMB10,000 and individuals of RMB1,000 or less if they do not register leasing agreement within time limit required by competent authorities.

MORTGAGE OF REAL ESTATE

Under the Urban Real Estate Law, the Guarantee Security Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the NPC on June 30, 1995 and implemented on October 1, 1995, when a mortgage is created on a property legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the property is situated. The land use rights of state-owned lands acquired through means of grant, when being mortgaged, the properties on the land must also be mortgaged at the same time. The mortgager and the mortgagee must sign a mortgage contract in writing. According to Measures on the Administration of Mortgage of Urban Real Estate (城市房地產抵押管理辦法) promulgated by the Ministry of Construction of PRC on August 15, 2001, within 30 days after a property mortgage contract is signed, the parties to the mortgage must register the mortgage with the property administrative authority at the location where the property is situated. A property mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a building ownership certificate has been obtained, the registration authority must make an entry under the "third party rights" item on the original building ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity property put to pre-sale or under construction, the registration authority will record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved must re-register the mortgage of the property after issuance of the certificates evidencing the ownership of the property.

The Property Rights Law further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

LOAN FOR REAL ESTATE

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) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity properties as follows:

- The property loan by commercial banks to property enterprises must be granted only by the item of property development rather than cash flow loan item or other loan item. Any kind of loan cannot be granted for the projects which do not have land-use rights certificates, construction land planning permits, construction works planning permits and construction permits;
- Property loans may be granted to property enterprises who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans must be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and must be properly restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property enterprises with commodity houses of high vacancy rate and debt ratio, strict approval procedures must be applied to their new property development loans and their activities must also be subject to close monitoring;
- Commercial banks may not grant loans to property developers to pay off land premium;

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment must be increased; and
- When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection.

The first installment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area of 90 sq.m. or more, effective on March 26, 2005. See “— Measures on Stabilizing Housing Price” below.

In a Circular on Facilitating the Continuously Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知) issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development. They included, among others, strengthening efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on August 30, 2004, any property developer applying for property development loans must have at least 35% of capital required for the development.

According to the Notice of the PBOC on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposit (中國人民銀行關於調整商業銀行住房信貸政策和超額存款準備金存款利率的通知), promulgated by the PBOC on March 16, 2005, from March 17, 2005, in the cities and areas where the price of houses grows too quickly, the first installment of individual home loans increases from 20% to 30%. The commercial banks can independently determine the specific cities or areas under such adjustment according to special situations in different cities or areas.

In September 2007, the PBOC and the CBRC promulgated a Circular on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知). The circular aims to tighten the control over real-estate loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a commercial property buyer, (i) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (ii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, (iii) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are allowed flexibility based on its risk assessment;

- for a purchaser of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties;
- prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties;
- prohibiting commercial banks from lending to property developers solely for the payment of land premiums; and
- commercial properties purchased by loans must have been completed and passed completion acceptance inspection.

On December 5, 2007, PBOC and CBRC jointly issued the Supplemental Circular on Strengthening the Management of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的補充通知), which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his spouse and minor child.

On October 22, 2008, PBOC promulgated the Notice on Several Issues regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which provides that, as of October 27, 2008, the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity.
- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions.
- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective.
- The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

The Notice on Promoting Economic Use of Land through Finance (關於金融促進節約集約用地的通知) issued on July 29, 2008, emphasizes that the financial institutions should tighten their financing for construction projects, municipal infrastructures and industrial land use projects, rural collective construction land use projects, and commercial real estate projects. The commercial banks are prohibited from granting loans to property developers for payment of land premium and to the property projects such as the followings:

- construction projects that fall into the category of prohibited land use projects;
- property development projects on land earmarked for use as rural collective construction land; and
- property development projects where the relevant land has been idle for two years or more.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which, the minimum down-payment has been raised to 30% of or all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third or additional residential property. For a mortgage on the second residential property, the down-payment must not be less than 50% of the purchase price and the interest rates must not be less than 1.1 times the base rate. All banks are prohibited from lending for the purposes of new development projects by property companies that have a record of speculating on idle land, changing the land use and nature, delaying development time, manipulating market prices or performing other non-compliant conducts.

On November 2 2010, the Ministry of Finance, the MOHURD, the CBRC and the PBOC jointly issued the Notice on Regulations of Policies Concerning Personal Housing Provident Fund Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the GFA is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the GFA is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. On January 26, 2011, the State Council issued the Notice Concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment is raised to 60% for second-house purchases with the minimum lending interest rate at 110% of the benchmark rate.

On February 26, 2013, the General Office of the State Council promulgated the Notice to Further Enhance the Regulation and Control of the Real Estate Market (關於繼續做好房地產市場調控工作的通知), which provides, among other things, that in cities where the housing prices are increasing at an excessively high rate, the local counterparts of the PBOC may further increase down payment ratio and interest rates for loans to purchase second residential properties in accordance with the price control policies and targets of the corresponding local governments.

On September 29, 2014, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知), which stipulates that (i) the minimum mortgage loan interest rate for first-time purchasers of residential property is 70% of the benchmark lending interest rate; (ii) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (iii) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its

existing mortgage loans applies for a new mortgage loan to purchase 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, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

On March 30, 2015, the PBOC, the CBRC and the MOHURD jointly issued the Notice Concerning the Issues of the Policy of Personal Housing Loan (關於個人住房貸款政策有關問題的通知). The notice lowers the minimum down payment to 40% of the property price for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to buy a second residential property to improve its living conditions.

On August 27, 2015, the MOHURD, the Ministry of Finance and the PBOC jointly issued the Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund (關於調整住房公積金個人住房貸款購房最低首付款比例的通知). The notice lowers the minimum down payment rate payable by households from 30% to 20% when such households, which own a residential property and have settled the housing loans, apply for loans from the housing provident fund for a second residential property to improve living conditions.

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). The notice provides that, in cities where restriction on the purchase of residential property is not imposed, the minimum down payment is 25% of the property price for a household applying for personal housing commercial loans to purchase its first ordinary residential property, which may be further decreased 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%.

NDRC REGISTRATION

According to the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances (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) issued by the NDRC on September 14, 2015, a domestic enterprise or any overseas enterprise or branch office controlled by it plans to issue debt instruments (including bonds issued overseas, and medium- and long-term international commercial loans) outside the PRC with a term of one year or more, denominated at home or foreign currencies, and of which principal with interest are repaid as agreed, shall apply to the NDRC in advance for undergoing recordation registration formalities, and within ten working days after the completion of each issuance report issuance information to the NDRC.

According to the Notice on the Relevant Requirements for Recordation and Registration of Real Estate Enterprises' Applications for Issuance of Foreign Debts (國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知) issued by the NDRC on July 9, 2019, a real estate enterprise may issue foreign debts only for the purpose of replacing medium and long-term foreign debts that are to expire within the coming year.

REAL ESTATE MANAGEMENT

According to the Regulation on Property Management (物業管理條例) enacted by the State Council on June 8, 2003, effective September 1, 2003, and as amended on August 26, 2007 and on February 6, 2016 and March 19, 2018, the government implements a qualification scheme system in monitoring the property service enterprises. Under the Measures for the Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法) promulgated by the MOHURD in March 2004 and amended in November 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authorities. However, MOHURD promulgated the Notices on Cancelling Work Relating to Assessment of Qualification of Property Service Enterprise, which cancel the above-mentioned qualification. In March 8, 2018, the Measures for the Administration of Qualifications of Property Service Enterprises was abolished.

In accordance with the above-mentioned Regulation on Property Management and the Property Rights Law, owners in a property project may engage or dismiss its property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the project.

INSURANCE OF A PROPERTY PROJECT

There are no mandatory provisions under the PRC laws, regulations and government rules which require a real estate developer to take out insurance policies for its real estate developments.

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (關於切實穩定住房價格的通知) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In May 2005, the Ministry of Construction, NDRC, the MOF, the MLR, the PBOC, the SAT and the CBRC jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) with the following guidance:

- where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdiction.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted.

- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy all the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden.

In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filled with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the General Office of the State Council issued the Notice on Forwarding the Opinions of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices (國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知). The regulations on the property credit of this are as follows:

- Strictly impose credit conditions on property development. In order to suppress property development enterprises from storing up land housing resources by use of bank loans, commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, for example, having a project capital less than 35%. For property development enterprises that have much idle land and vacant commodity properties, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity property that has been idle for more than three years as collateral for loans; and
- From June 1, 2006, the proportion of initial payment of individual housing mortgage loans shall not be lower than 30%. However, considering the demands for housing by the medium and low-income population, the purchase of self-used housing with loans with gross floor area no more than 90 square meters is still subject to the provisions of the initial payment of housing at 20%.

In December 2008, the State Council issued the Opinions on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-occupied housing for the first-time by borrowing a mortgage loan must enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first time, if the GFA per person of that first housing is lower than the local average, such residents

may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate must be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

On January 7, 2010, the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

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

On September 29, 2010, the MOF, the SAT and MOHURD jointly issued the Notice on Adjustments to Deed Tax and Individual Income Tax on Real Estate Transactions (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), according to which, the deed tax will be reduced to 50% on the purchase of an ordinary residence for a family (including the purchaser, his/her spouse and children under 18) purchasing their first residence that is also the only housing belonging to the family; in such a case, if the unit floor area is less than 90 sq.m., the deed tax will be at 1%. Purchaser of a residence within one year after his/her sale of former residence will not enjoy the same individual income tax exemption.

On January 26, 2011, the General Office of 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) requiring, among other restrictive measures: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate (the "Specified Cities"), local residents (including their spouses and minor children) with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social security for a specified time period, are not permitted to purchase any (further) residential properties located in the Specified Cities.

In connection with the aforesaid notices issued by the State Council, various municipal governments where we have been developing real estate projects have promulgated measures to further control the property markets in their respective cities which include:

Nanchang

On January 20, 2011, the Nanchang municipal government issued the Notice on the Notice on Further Implementation of the Supplemental Opinions on General Real Estate Control Policies and Help the Stable and Health Growth of the Real Estate Market (關於我市進一步貫徹落實國家宏觀調控政策促進房地產市場平穩健康有序發展的補充意見的通知), under which each household is allowed to purchase only one new residential properties in the five downtown areas of the city since February 1, 2011.

On February 20, 2011, Nanchang municipal government further issued Opinions on Nanchang Municipal's Implementation of State Counsel's Notice on Further Conduct Real Estate Market Control Work (南昌市貫徹落實國務院辦公廳關於進一步做好房地產市場調控工作有關問題的意見), under which the minimum down payment in respect of mortgage loans on purchase of the second residential properties is 60% of the purchase price and the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate. In addition, properties are not allow to sell to the Nanchang resident households who have already purchased two or more residential properties or non-Nanchang resident households who have purchased one or more residential properties or non-Nanchang resident households who are not able to provide a local tax payment certificate or social security certificate for more than one year.

Jinan

On January 21, 2011, Jinan municipal government issued the Notice on Further Implementation of the Real Estate Control Policies and Help the Stable and Health Growth of the Real Estate Market (關於進一步貫徹落實房地產調控政策促進房地產市場健康平穩發展的通知), under which the minimum down payment in respect of mortgage loans on purchase of the residential properties is 30% of the purchase price. For the resident households who purchase the second residential properties, the minimum down payment in respect of mortgage loans increased to 50% of the purchase price and the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate. In addition, each Jinan or non-Jinan resident household is allowed to purchase only one new residential property in the seven downtown areas of the Jinan city until December 31, 2011.

On February 17, 2011, the General Office of Shandong Province government issued the Notice on Implementation of the Guo Ban Fa [2011] No.1 and Further Improving and Strengthening the Real Estate Control Policies (關於貫徹國辦發[2011]1號文件進一步改進和加強房地產市場調控的通知). Pursuant to the Notice, in principle, no properties are not allowed to sell to the Jinan resident households who have already purchased two or more residential properties or non-Jinan resident households who have purchased one or more residential properties or non-Jinan resident households who are not able to provide a local tax payment certificate or social security certificate for more than one year.

Tianjin

On February 18, 2011, the General Office of Tianjin municipal government issued the Notice on Implementation of the Spirit of the Document of the General Office of the State Council and Further Carrying Out Well the Real Estate Control Policies In Our City (關於貫徹國務院辦公廳文件精神進一步做好我市房地產市場調控工作實施意見的通知). Pursuant to the Notice, the minimum down payment in respect of mortgage loans on purchase of the second residential properties is 60% of the

purchase price and the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate. Moreover, the Tianjin resident households who have already purchased one residential property, non-Tianjin residents who are able to provide one year's tax payment and social security payment are allowed to purchase only one residential property. No properties are not allow to sell to the Tianjin resident households who have already purchased two or more residential properties or non-Tianjin resident households who have purchased one or more residential properties or non-Tianjin resident households who are not able to provide a local tax payment certificate or social security certificate for more than one year.

Quanzhou

On March 25, 2011, the Quanzhou municipal government office issued the Notice on Implementation Opinions of Further Carrying Out Well the Real Estate Control Work (關於進一步做好房地產市場調控工作的實施意見), pursuant to which, the minimum down payment in respect of mortgage loans on purchase of the second residential properties is 60% of the purchase price and the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate, the minimum down payment in respect of housing provident fund mortgage loans on purchase of the second residential properties is 50% of the purchase price and the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate.

Shenzhen

Pursuant to the Circular of the Office of Shenzhen People's Government on Further Improvement of Control over Our Real Estate Market to Guarantee the Annual Target of Controlling New Housing Price (深圳市人民政府辦公廳關於進一步做好我市房地產市場調控工作確保年度新建房價控制目標的通知) (Shen Fu Ban [2011] No.30) promulgated and implemented by the Shenzhen municipal government on March 29, 2011, the tax payment proof provided by any household without a local registered residence of Shenzhen at the time of home purchase must fulfill the condition of continuous payment in the recent 12 months or more (excluding delayed payment). For the social insurance payment proof provided by any household without a local registered residence at the time of home purchase, it must satisfy one of the following conditions: (i) the continuous payment of pension and medical insurance in the recent 12 months or more; (ii) the continuous payment of pension and work injury insurance in the recent 12 months or more; or (iii) the continuous payment of medical insurance and work injury insurance in the recent 12 months or more.

On October 31, 2013, the Shenzhen Central Sub-branch of the PBOC promulgated the Notice of Adjusting the Differentiated Credit Extension Policies Based on Housing Types in Shenzhen City (關於調整深圳市差別化住房信貸政策的通知), which raises the percentage of the minimum down payment for second-home purchases from 60% to 70% of the total purchase price from November 6, 2013. The notice also reiterates the relevant national differentiated credit extension policies based on housing types, namely the minimum down payment shall be 30% of the purchase price of the first commodity residential property, and commercial banks shall suspend granting mortgage loans to families that purchase a third or further residential property.

On March 30, 2015, the MOF and SAT jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (關於調整個人住房轉讓營業稅政策的 通知). Pursuant to the notice, business tax will be levied upon the transfer of a residential property by an individual within two years from the date of purchase and the business tax to be levied will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary

residential property after two years from the date of purchase, the business tax to be levied will be calculated based on the difference between the sale proceeds and the purchase price. An individual transferring an ordinary residential house after two years from the date of purchase will be exempt from the business tax.

The State Council General Office of the PRC promulgated the Notice on Further Regulation and Control of Real Estate Market (關於繼續做好房地產市場調控工作的通知) on February 26, 2013, introducing six policy measures to control the real estate market, including: (i) improving the accountability system for stabilization of house prices; (ii) strictly controlling over house purchase for speculation; (iii) increasing the supply of ordinary residential houses and the land supply for residential houses; (iv) accelerating the planning and construction of subsidized housing projects; (v) tightening the market regulations and forecast management; (vi) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

The highlights of the measure for “control over house purchase for speculation” under the notice are as follows:

- Continuous enforcement of stringent restrictions on commodity housing purchases;
- For cities with soaring house prices, the local branches of the PBOC may further increase the proportion of down payments and interest rates for second-home buyers according to the price control targets and policy requirements for newly-constructed commodity housing of the local governments;
- The taxation department and the housing and urban-rural development department shall work closely together to impose person income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data.

The notice also stipulated that if the number of small- and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their regulatory systems. For overpriced pre-sale commodity housing projects in breach of the guidance of the housing and urban-rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

In connection with the aforesaid notices issued by the State Council on February 26, 2013, municipal governments of various cities where we have current property development projects have promulgated measures to further control the respective local real estate markets as follows:

Nanchang

On November 23, 2013, the General Office of Nanchang municipal government issued the Opinions on Further Conduct Real Estate Market Control Work (關於進一步做好房地產市場調控工作的意見), introducing six policy measures to control the real estate market of Nanchang City: (i) increasing the land supply for residential houses; (ii) accelerating the construction of ordinary residential houses to ensure effective supply; (iii) controlling unconscionable housing consumption; (iv) guiding the property developers to price their properties rationally; (v) promoting the construction of subsidized housing projects; and (vi) strengthening the regulation of the real estate market.

The specific measures for “controlling unconscionable housing consumption” under the opinions include:

- the Nanchang branches of the PBOC will further increase the proportion of down payments for second-home buyers according to price control targets and policy requirements of Nanchang City; and
- on the basis of continuous enforcement of stringent restrictions on commodity housing purchases, the period of a local tax payment certificate or social security certificate for non-Nanchang resident households who are permitted to purchase any residential properties is increased from one year to two years.

In December 2013, the Nanchang Central Sub-branch of the PBOC promulgated the Notice of Adjusting the Differentiated Credit Extension Policies Based on Housing Types in Nanchang City (關於調整南昌市差別化住房信貸政策的通知), which raises the percentage of the minimum down payment for second-home purchases from 60% to 70% of the total purchase price from December 15, 2013. The notice also reiterates the relevant national differentiated credit extension policies based on housing types, namely the minimum down payment shall be 30% of the purchase price of the first commodity residential property, and commercial banks shall suspend granting mortgage loans to families that purchase a third or further residential property.

In October 2016, the General Office of Nanchang municipal government issued the Several Opinions on Facilitating the Continuous Stable and Healthy Development of the Real Estate Market (關於促進我市房地產市場持續平穩發展的若干意見), which introduces a quota policy of housing purchase within specific region, sets the minimum down payment ratio in respect of commercial mortgage loans for the first home purchasers to 30%, and suspends the mortgage loans lending to non-resident households for second residential housing purchases or to any third residential housing purchasers.

In March 2017, the General Office of Nanchang municipal government issued the Notice of Further Improving Control over the Residential Real Estate Market (關於進一步做好房地產住宅市場調控工作的通知), which places further restrictions on the mortgage loans.

In September 2017, the General Office of Nanchang municipal government issued the Notice of Further Strengthening Control over the Residential Real Estate Market (關於進一步加強房地產住宅市場調控工作的通知), which provides that from September 23, 2017, all newly traded residential properties in the whole Nanchang city shall not be transferred again within 2 years after obtaining the property ownership certificate.

Tianjin

On March 31, 2013, the General Office of Tianjin municipal government issued the Implementation Opinions on Further Conducting Tianjin’s Real Estate Market Control Work (關於進一步做好我市房地產市場調控工作的實施意見), which includes the implementation of opinions on strict control over purchase of properties for speculation and continuous enforcement of differential policy for housing credit. Specifically, the relevant governmental authority should strictly execute a preliminary examination and re-examination of the qualification for households purchasing their residence and the number of the properties the households have purchased. Moreover, banking and financial institutions should strictly execute the policies for second housing credit and continue to suspend the housing credit for purchasers of their third or more properties.

Hefei

On March 30, 2013, the Hefei municipal government issued the Notices on the Relevant Issues of the Price Control Target in 2013 for Newly-built Residential Housing in Hefei City (關於2013年度全市新建商品住房價格控制目標等有關問題的通知), which adopted a series of measures to control the residential housing price, including among others: (i) increasing the supply of ordinary residential houses and the land supply for residential houses; (ii) accelerating the construction of subsidized housing projects; (iii) strengthening the regulation of transaction order of residential housing; and (iv) strictly executing the policy of clear pricing for the sales of commodity housing.

In September 2016, the General Office of Hefei municipal government issued the Opinion of Further Improving Stable and Healthy Development of the Real Estate Market (關於進一步促進我市房地產市場平穩健康發展的實施意見), which restricts any non-resident households with one or more residential properties in Tianjin to purchase another residential property within specific areas of the city.

In March 2017, the General Office of Hefei municipal government issued the Opinion of Further Improving Control over the Real Estate Market (關於進一步深化我市房地產市場調控工作的實施意見), which blocks non-residential second home purchasers, residential third home purchasers, and any unmarried or divorced persons holding at least one residential property to purchase another residential property in Tianjin city except Binhai New District.

Shenzhen

The Notice of the General Office of People's Government of Shenzhen City on Continuing Adjustment and Control of Property Markets (深圳市人民政府辦公廳關於繼續做好房地產市場調控工作的通知) (Shen Fu Ban [2013] No.12) issued and implemented on March 28, 2013 sets forth specific measures for carrying out the Circular of the General Office of the State Council on the Further Strengthening the Macroeconomic Controls on 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), including among others: (i) strengthening the levy of tax on property; (ii) strictly implementing differentiated credit extension policies based on housing types; (iii) strictly enforcing the purchase restrictions imposed on commodity housing; and (iv) further strengthening the market regulation and expectation management of the property market.

In March 2016, the General Office of Shenzhen municipal government issued the Opinion of Perfecting Housing Security System and Improving the Stable and Healthy Development of Real Estate Market (關於完善住房保障體系促進房地產市場平穩健康發展的意見), pursuant to which the minimum down payment ratio for the mortgage loans is 30% for purchasers without any residential housing in Shenzhen and any record of residential property loans in the past two years, and the minimum down payment ratio for the mortgage loans is 40% for (1)purchasers having no residential housing in Shenzhen but with record of residential property loans in the past two years; or (2) purchasers having one residential property in Shenzhen without existing housing loans.

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

Enterprise Income Tax

According to the EIT Law, a uniform income tax rate of 25% is currently applied to foreign-invested and wholly foreign owned enterprises in China as well as PRC enterprises. Furthermore, the EIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors to the extent derived from sources within mainland China, unless there exists a tax treaty between China and the relevant jurisdictions in which such non-PRC enterprise shareholders reside, in which case the relevant tax may be reduced or exempted pursuant to the tax treaty. However, pursuant to the Implementation Rules on the Enterprise Income Tax (企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and effective on January 1, 2008 and amended on December 29, 2018 and April 23, 2019, a reduced withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. The eligibility for the reduced treaty rate is subject to limitations.

In addition, under the EIT Law, enterprises established under the laws of jurisdictions outside China with their “*de facto* management bodies” located within mainland China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The EIT Law provides that “*de facto* management body” of an enterprise is the organization that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise.

The EIT Law also provides a five-year transition period starting from its effective date of January 1, 2008 for those enterprises which were established before the promulgation date of the EIT Law and which were entitled to a preferential lower income tax rate under the previously effective tax laws or regulations. The income tax rate of such enterprises will gradually transit to the uniform tax rate of 25% within the transition period. On December 26, 2007, the State Council issued the Circular on Implementing the Transitional Preferential Policies for the Enterprise Income Tax (關於實施企業所得稅過渡優惠政策的通知), under which, for enterprises established before March 16, 2007 and entitled to a preferential income tax rate of 15% under the effective tax laws or regulations prior to the promulgation date of the EIT Law, the transitional income tax rate should be 18%, 20%, 22%, 24% and 25% respectively in 2008, 2009, 2010, 2011 and 2012.

On March 6, 2009, the SAT issued the Notice on the Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development (房地產開發經營業務企業所得稅處理辦法) effective on January 1, 2008 and amended on June 15, 2018, which specifically stipulates the rules regarding tax dealing cost of income, tax dealing of cost deduction, verification of calculated tax cost and tax dealing on certain item with respect to the real estate development enterprise according to the EIT Law and its implementation rules.

On May 12, 2010, the SAT promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Property Development Enterprises (關於房地產開發企業開發產品完工條件確認問題的通知), which provides that a property will be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Property developers must conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

Value Added Tax (“VAT”)

Pursuant to the Interim Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) promulgated by the State Council on December 13, 1993 and implemented on January 1, 1994 and as amended on November 10, 2008, and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued and implemented by the MOF on December 25, 1993 and as amended on December 15, 2008 and October 28, 2011, services in China are subject to business tax. Taxable services include sale of real property in China. The business tax rate is from 3% to 20% depending on the type of services provided. Sale of real properties and other improvements on the land attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

On March 30, 2015, the MOF and the SAT jointly issued the 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 two years from the purchase of the residential property; (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 of more than five years from the purchase of the residential property. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the purchase of the residential property.

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 effective on May 1, 2016 and amended on June 15, 2018 by SAT, “self-development” means infrastructure facilities and building 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. The applicable rate of VAT is 11%. Nevertheless, for taxpayer conducting old real estate projects and who have chosen to apply the simplified tax method, the simplified rate of 5% will be applied in calculating the prepaid VAT. Once the simplified tax method is chosen, it will be applicable for 36 months. “Old real estate projects” generally refer to real estate projects with commencement dates of construction stated in the construction permits prior to April 30, 2016.

Based on the Decision of the State Council to Repeal the Interim Regulation of the People’s Republic of China on Business Tax and Amend the Interim Regulation of the People’s Republic of China on Value-Added Tax (國務院關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定), issued by the State Council on November 19, 2017, the Business Tax is no longer applicable, and the VAT rate would be 11% for taxpayers providing transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovable or transferring the rights to use land, among other things.

According to Notice of MOF and SAT of Taxation on Adjusting Value-added Tax Rates (財務部、稅務總局關於調整增值稅稅率的通知) issued on April 4, 2018, starting from May 1, 2018, the value-added tax rate will be lowered from 17 per cent to 16 per cent for manufacturing and some other industries, and from 11 per cent to 10 per cent for transportation, construction, real estate leasing service, sale of real estate, telecommunication and agricultural project.

Land Appreciation Tax (“LAT”)

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the “Land Appreciation Tax Provisional Regulations”) which was promulgated by the State Council on December 13, 1993 and effected on January 1, 1994, and as amended on January 8, 2011 and the Detailed Implementation Rules on the Provisional Regulations of the PRC 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 “Land Appreciation Tax Detailed Implementation Rules”) which was promulgated by the MOF and came into effect on January 27, 1995, any appreciation gain from a transfer of property is subject to LAT. LAT must be charged at four levels of progressive rates: 30% for the appreciation amount not more than 50% of the sum of deductible items; 40% for the appreciation amount more than 50% but not more than 100% of the sum of deductible items; 50% for the appreciation amount more than 100% but not more than 200% of the sum of deductible items; and 60% for the appreciation amount more than 200% of the sum of deductible items. The related deductible items aforesaid include the following:

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

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before January 1, 1994 (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the MOF and the SAT on January 27, 1995 and was abolished on February 2, 2015, LAT shall be exempted under any of the following circumstances:

- taxpayers construct ordinary standard residents for sale (i.e. the residents built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residence) and the appreciation amount does not exceed 20% of the sum of deductible items;
- property is taken back and repossessed according to laws due to the construction requirements of the state;
- due to redeployment of work or improvement of living standard, individuals transfer self-used residential property, in which they have been living for 5 years or more, subject to tax authorities’ approval;

- transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;
- if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the LAT shall be exempted if the properties are transferred within 5 years after January 1, 1994 for the first time. The date of signing the contract shall be the date of signing the Sale and Purchase Agreement. Particular properties projects which are approved by the government for the development of the whole lot of land and long-term development, of which the properties are transferred for the first time after the 5-year tax-free period, the tax-free period may be appropriately prolonged subject to the approval of the MOF and the SAT.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not force the property development enterprises to declare and pay the LAT. Therefore, the MOF, the SAT, Ministry of Construction and the MLR had separately and jointly issued several notices to restate the following: after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof of payment or exemption from LAT from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The SAT issued the Notice on Improvement of the Administration of 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 require local tax authorities to modify their management system of LAT collection and operational details, to formulate and implement a sound taxpaying declaration system for LAT, to modify the methods of prepayment for the pre-sale of properties. The notice also pointed out that either for the properties development contract 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 for the first time is expired, and such tax shall be levied again. This requirement is restated in the Notice on Strengthening of Administration of the Collection of Land

Appreciation Tax (關於加強土地增值稅管理工作的通知) and Notice of State on Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (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) issued separately on August 2, 2004 and August 5, 2004 by the SAT. These two Notices also required that the system of tax declaration and tax sources registration in relation to the LAT should be further established and perfected.

On August 1, 2006, the local bureau of Shenzhen issued the Notice on Relevant Issues regarding Deductible Items for Land Appreciation Tax (關於土地增值稅扣除項目有關問題的通知), which mainly specifies the issues such as the deductible items for LAT and the tax payable for the sale of remaining units of properties.

On March 2, 2006, the MOF and the SAT issued the Notice on Several Matters on Land Appreciation Tax (關於土地增值稅若干問題的通知) to clarify the relevant issues regarding LAT as follows:

- Due to certain LAT exemption available to the sale of ordinary residential properties built by taxpayers and to the transfer of ordinary residential properties by individual owners, the notice sets out the standards for ordinary residential properties;
- The notice also provides that, where any developer develops ordinary residential properties as well as commercial properties, the land appreciation amount must be separately calculated and verified;
- As to the advance collection and settlement of LAT, the notice requires all local LAT collection departments to design their LAT prepayment rate in a scientific and reasonable manner, and to adjust it on a timely basis according to the appreciation of the property, the local market development and the specific property categories, such as ordinary residential properties, non-ordinary residential properties and commercial properties. The notice also require that LAT settlement be conducted upon the completion of a property project in a timely manner, with any overpayment refunded and underpayment made up;
- As to any LAT that has not been prepaid within the advance collection period, the overdue fines must be imposed and collected as of the day following the expiration of the prescribed advance collection period according to the relevant provisions of the LAT laws and regulations; and
- As to any property project that has been completed and in receipt of certificate of completion, and the saleable GFA of the project that has been transferred constitutes more than 85% of the total saleable GFA, the tax authorities may require the relevant taxpayer to complete the settlement of LAT on the transferred properties in proportion to the income generated from, and items of deduction relating to, the transferred properties, with the specific LAT settlement procedures to be provided by local tax authorities at provincial-level governments.

On December 28, 2006, the SAT 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 respectively. Pursuant to the notice, a property developer must settle the LAT payment in full with the relevant tax authorities at the applicable LAT rates with respect to its property projects that have come to meet the LAT settlement criteria. For projects developed in stages, LAT must also be settled in stages. LAT must be settled if (i) the property project has been completed and fully sold; or (ii) the property developer has transferred the whole incomplete property project to another party; or (iii) the underlying land use rights with respect to a property project has been transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any one of the following criteria is met: (i) for completed property projects, the sold GFA represents more than 85% of total saleable GFA or, if such proportion is less than 85%, the remaining saleable GFA is subject to leasing arrangements or is used by the developer; (ii) the property project has not been completely sold for more than three years after obtaining the pre-sale permit or the certificate of completion; (iii) the developer is applying for cancellation of its tax registration without having settled the relevant LAT; and (iv) other situations stipulated by the local provincial tax authorities.

The notice also provides that, if a property developer has committed any of the following acts, the tax authorities are required to levy and collect LAT at a rate no lower than the LAT pre-payment rate of enterprises with a similar development scale and income level in the locality: (i) failure to maintain its accounting books required by the laws and regulations; (ii) destruction of its accounting books without authorization or failure to provide its tax information; (iii) its accounting books are not in proper order, with its supporting income and cost vouchers damaged and incomplete, so as to make it difficult to determine the sales revenue or the proper amount of deductible items; (iv) failure to complete the LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously lower than supportable. Local tax authorities at the provincial level may formulate their implementation rules according to the notice and local circumstances.

On May 12, 2009, the SAT issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值稅清算管理規程), which became effective on June 1, 2009 and was amended on July 7, 2016. The rules reiterate the LAT settlement requirements, and further stipulate procedures for the examination and verification with respect to the LAT settlement to be followed by the tax authorities.

On May 19, 2010, the SAT promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (關於土地增值稅清算有關問題的通知), which provides further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, the SAT issued the Notice on Strengthening the Collection Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which provides for a minimum LAT prepayment rate at 2% for provinces in eastern China region, 1.5% for provinces in the central and northeastern China regions, and 1% for provinces in the western China region. The notice also delegates to the local tax authorities to determine the applicable LAT prepayment rates based on the types of the properties in their respective regions.

On June 20, 2013, the SAT issued the Notice of the State Administration of Taxation on Further Improving the Collection of Land Value-added Taxes (關於進一步做好土地增值稅徵管工作的通知), which requires the local taxation authorities further strengthening administration on the collection of LAT, in particular, the administration on the settlement of LAT, strict examination of deductions and reduction of assessment and collection projects.

On November 10, 2016, the SAT issued the Announcement on the Several Provisions on the Collection of Land Appreciation Tax after the Replacement of Business Tax with VAT (關於營改增後土地增值稅若干徵管規定的公告), which clarified several issues concerning administration of collection of LAT after replacement of business tax with VAT, including confirmation of LAT taxable income, confirmation of LAT taxable income from any conduct deemed as the sale of a real estate property after the replacement of business tax with VAT, the deduction of taxes related to real estate transfer, calculation issues concerning the land VAT settlement, confirmation of invoices for building installation project expenses, and calculation of deductible items at the time of transfer of old houses.

Deed Tax

Pursuant to the Interim Regulations of the PRC on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997 and amended on March 2, 2019, a transferee, whether an individual or otherwise, of the title to a piece of land or a building in China is obligated to pay deed tax. The rate of deed tax ranges from 3% to 5% to be determined by the governments at the provincial level and reported to the MOF and the SAT for the record.

According to the Reply Regarding the Clarification of Taxation Basis of Deed Tax in Relation to Transfer of State-Owned Land Use Rights (關於明確國有土地使用權出讓契稅計稅依據的批復) implemented by the SAT on October 27, 2009, for the transfer of state-owned land use rights, the taxation price of deed tax shall be the total economic interests paid by the transferee for obtaining the subject land use rights. For the state-owned land the use rights of which are obtained by way of tender, auction and invitation for bidding, the taxation basis of deed tax shall be the total price of the land deal without deducting the early-stage land development expenses of the early stage.

On September 29, 2010, the SAT, the Ministry of Finance and the MOHURD issued the Notice on Adjustments of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transaction (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that where an individual purchases a common house which is the sole house for the household (the family members include the purchaser, his/her spouse and minor child (children), same below) to live in, deed tax thereon shall be levied at a reduced half rate. Where an individual purchases a common house of 90 sq.m. or less, which is the sole house for the household to live in, the deed tax shall be reduced and levied at the rate of 1%. The tax authority shall inquire about the deed tax payment record of a taxpayer. In respect of individual purchase of common houses that fails to satisfy the above provisions, no preferential tax policies set out above may be enjoyed.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988, and amended on January 8, 2011 and December 7, 2013 and March 2, 2019, the land use tax in respect of urban land is levied according to the location of relevant land. The annual tax on each sq.m. of urban land is between RMB0.2 and RMB10 and is to be collected according to the tax rate determined by the local tax authorities. These provisional regulations, as amended, became applicable to foreign-invested enterprises since January 1, 2007, with the such annual land use tax on each sq.m. of urban land between RMB0.6 and RMB30 to be collected according to the tax rate determined by the local tax authorities.

Property Tax

Under the Interim Regulations of the People's Republic of China on Real Property Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986, implemented on October 1, 1986 and amended on January 8, 2011, real property tax is levied at 1.2% calculated on the basis of the residual value of a property and at 12% calculated on the basis of the rental income.

Stamp Duty

Under the Interim Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988, implemented on October 1, 1988, and amended on January 8, 2011, for property transfer instruments, including those relating to property ownership transfers, a stamp duty is levied at 0.05% of the transfer price. For permits and certificates relating to rights, including property ownership certificates and land use rights certificates, a stamp duty is levied at RMB5 per item.

According to the Notice on Adjustments to Taxation Policies on the Real Estate Transaction (財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知) promulgated by the MOF and the SAT on October 22, 2008 and implemented on November 1, 2008, the selling or purchase of real property by individuals is exempted from paying stamp duty.

Municipal Maintenance Tax

Under the PRC Interim Regulations on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985, and amended on January 8, 2011, taxpayers, whether individuals or otherwise, of product tax, value-added tax or business tax are required to pay municipal maintenance tax calculated on the basis of their product tax, value-added tax and business tax liabilities. The municipal maintenance tax is levied at 7% for a taxpayer domiciled in an urban area, 5% for a taxpayer domiciled in a county or a town, and 1% for a taxpayer domiciled in any other areas.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic 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) issued by State Council on October 18, 2010, the municipal maintenance tax will be applicable to foreign-invested enterprises since 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 amended on June 7, 1990, August 20, 2005 and January 8, 2011, respectively, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is otherwise required to pay a rural education surcharge as provided in 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 (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 education surcharge is currently not applicable to foreign-invested enterprises.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic 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) issued by State Council on October 18, 2010, the education surcharge will be applicable to foreign-invested enterprises since December 1, 2010.

ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental protection for real estate developments in China include the PRC Environmental Protection Law (中華人民共和國環境保護法), the PRC Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the PRC 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 these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the real estate development. In addition, upon completion of the real estate development, the relevant environmental regulatory authorities will also inspect the property project to ensure compliance with the applicable environmental protection standards and regulations before the property project may be delivered to the purchasers.

LABOR PROTECTION AND SOCIAL INSURANCE

According to the Labor Law (中華人民共和國勞動法), which was promulgated by the NPC on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Law on Labor Contract (中華人民共和國勞動合同法), which was promulgated by the NPC on June 29, 2007 and amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (中華人民共和國勞動合同法實施條例) (Order No.535 of the State Council), which was promulgated on September 18, 2008 and became effective since the same day, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Law on Labor Contract and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Pursuant to the Law on Labor Contract, labor contracts concluded prior to the enactment of the said law and subsisting within the validity period of the said law shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Law on Labor Contract law.

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (社會保險費徵繳暫行條例), the Regulations on Work Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例) and the Trial Measures on Employee Maternity Insurance of Enterprises (企業職工生育保險試行辦法), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (中華人民共和國社會保險法) (No.35 of the President), which was promulgated on October 28, 2010 and amended on December 29, 2018 has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, housing provident fund contributions paid up in deposit by an individual employee and housing provident fund contributions paid up in deposit by his or her employer shall belong to the individual employee.

FOREIGN EXCHANGE CONTROLS

Under the PRC Foreign Currency Administration Rules (中華人民共和國外匯管理條例) promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The foreign currency payments received under current account may be retained pursuant to the relevant regulations. Payments of current-account items may be remitted in foreign currencies without prior approval from the relevant SAFE authorities by complying with certain procedural requirements. The foreign currency receipts and remittances under current account should have a genuine and legitimate basis, and financial institutions processing such transactions must verify the authenticity of the relevant transaction documents and their consistency with the foreign currency receipts or remittances. However, to keep or convert any foreign currency payment under capital account requires pre-approval from the relevant SAFE authorities, unless specifically exempted under applicable regulations. If a regulatory pre-approval is not specifically required, payment of capital-account items may be remitted in foreign currency directly to financial institutions, provided that valid documentation is presented. Foreign exchange transactions involving foreign direct investment, foreign debts and outbound investment in securities and derivatives are subject to limitations and require approvals from the relevant SAFE authorities.

On October 21, 2005, SAFE issued Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or the Circular No. 75. According to Circular No. 75, a special purpose company refers to an offshore company established or indirect controlled by PRC residents for the special purpose of carrying out equity financing (including convertible debts financing) through their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of a special purpose company overseas, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. Circular No. 75 applies retroactively. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (i) the PRC residents contribute the equity interests or assets of a

domestic company into the special purpose company or engage in the overseas equity financing of the special purpose company after such contributions; (ii) there is a material change in the capital of the special purpose company. Under Circular 75 and relevant rules and regulations, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators penalties under the relevant PRC foreign exchange administration regulations.

On July 4, 2014, Circular No. 75 was abolished and replaced by Notice of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or the Circular No. 37. According to Circular No. 37, the scope for the special purpose company has been extended, referring to an offshore company established or indirectly controlled by PRC residents, whether a natural or legal person, for the purpose of investment and financing through the onshore or offshore assets and interests legally held by them. Prior to make capital contribution to the special purpose company, each PRC resident must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. It is also necessary to amend the registration with the relevant SAFE branch where there are changes in basic information of the registered special purpose company or other material changes such as increase or decrease in such individual PRC resident's capital, share transfer or swap, merger or split. Failure to comply with Circular No. 37 may subject the violators penalties under the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例).

The notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知) jointly issued by SAFE and the MOHURD on September 1, 2006 and amended on May 4, 2015, provided: (i) where a FIREE fails to pay registered capital in full or to acquire a land use rights certificate or to make its capital funding for a development project amounting to 35% of the total investment to the project, SAFE authorities will not handle its foreign debt registration or approve its settlement of foreign exchange funds; (ii) where a foreign institution or individual fails to pay the transfer price in a lump sum with its/his own fund, SAFE authorities will not process the registration of foreign exchange proceeds from transfer of equities; (iii) the domestic and foreign investors of a FIREE may not enter into an agreement or undertaking that promises a fixed return in any form to any party, or SAFE authorities will not process the foreign exchange registration or registration modification for the FIREE, and (iv) the funds in the foreign exchange account in the name of a foreign investor in a domestic bank shall not be used for the property development or operation of the FIREE.

On August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Investment Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), or Circular 142. Pursuant to Circular 142, Renminbi amounts converted by a foreign-invested enterprise from its foreign exchange capital contribution may only be used for the activities within the approved business scope of such foreign-invested enterprise and may not be used for domestic equity investment or acquisition unless otherwise allowed by PRC laws or regulations.

On May 12, 2014, SAFE issued the Circular 29. According to Circular 29, the Provisions of Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) (the “Cross-Border Guarantees Provisions”) and Practice Guidance of Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理操作指引) (the “Cross-Border Guarantees Guidance”) became effective on June 1, 2014, and 12 regulations and rules regarding the foreign guarantee regime in China were abolished at the same time. However, Measures for the Administration of Foreign Guarantees by Institutions within China (境內機構對外擔保管理辦法), which were promulgated by PBOC in 1996, will remain effective.

According to the Cross-Border Guarantees Provisions, cross-border guarantee covers the following three types of guarantee:

- Onshore guarantee for offshore debt (“內保外貸”) where the guarantor is incorporated within China while both the debtor and the creditor are incorporated outside China.
- Offshore guarantee for onshore debts (“外保內貸”) where the guarantor is incorporated outside China while both the debtor and the creditor are incorporated within China.
- Other forms of cross-border guarantees.

Subject to several limited situations requiring SAFE approval according to the Circular 29, the execution and performance of the guarantee contract for cross-border guarantee will not be subject to SAFE’s prior approval. Instead, post-registration with SAFE will be the main administrative measure for the cross-border guarantee. In the case of onshore guarantee for offshore debt, the onshore guarantor shall register with SAFE within 15 working days upon execution of the guarantee contract, and shall register changes with SAFE within 15 working days upon certain amendments to the guarantee contract or to the key clauses in the underlying debt contract. In the case of offshore guarantee for onshore debt, the creditor must be an onshore financial institution and the debtor must be an onshore nonfinancial institution with guarantee target and form fulfilling legal requirements. There are also some restrictions on the use of the offshore loan backed up by onshore guarantee in the case of onshore guarantee for offshore debt, such as the debtor is not allowed to directly or indirectly transfer such offshore funds back to China by way of the arrangement of loan, equity investment or securities investment within China without SAFE’s approval. Specific approval by SAFE is required if the debtor plans to use the offshore loan for any restricted purposes. After the guaranty obligation under the guarantee agreement has been performed by the offshore guarantor and before the onshore debtor has fully paid off the debt owed to the offshore guarantor, without SAFE’s approval, the onshore debtor is not allowed to enter into a new agreement which is backed up by an offshore guarantee for such debtor’s onshore debt; or, if the new offshore guarantee for such debtor’s onshore debt has been entered into yet the funds have not been fully withdrawn by such an onshore debtor, such an onshore debtor shall be temporarily suspended the withdrawal of any funds under that loan agreement. Further, Circular 29 makes it clear that SAFE’s approval, registration, filing or other administration requirements thereof shall not be a condition precedent for the cross-border guarantee contract to take effect.

Pursuant to the Cross-Border Guarantees Guidance, whoever fails to comply with the Provisions and other relevant provisions when engaging in cross-border guarantees will be punished by the foreign exchange authority under the Regulation of the People’s Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例).

On March 30, 2015, the SAFE issued the Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) effective from June 1, 2015, which abolished Circular 142 and under which a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the CNY funds converted from their foreign exchange registered capital. 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.

INTELLECTUAL PROPERTY

According to the Law on Trademark (商標法) which was promulgated by the State Council on August 23, 1982 and amended on August 30, 2013 and April 23, 2019, and the Implementation Regulations on the Trademark Law (商標法實施條例) which was promulgated on August 3, 2002 and amended on April 29, 2014, the registered trademarks include commodity trademarks, service trademarks, collective trademarks and certification trademarks. The Trademark Office under the SAIC is responsible for the nationwide registration and administration of trademarks. Trademarks are granted on a term of ten years. Twelve months prior to the expiration of the ten-year term, an applicant can renew the application and reapply for trademark protection.

Any of the following acts may be regarded as an infringement of the exclusive right to use a registered trademark: use of a trademark that is identical with a registered trademark of the same type of commodity as the trademark registrant's without the authorization of the trademark registrant; using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licensing of the registrant of the registered trademark, which is likely to cause confusion; sale of a commodity infringing upon the exclusive right to use the registered trademark; counterfeiting or making, without authorization, representations of a registered trademark, or sale of such representation of a registered trademark; change of any trademark of a registrant without the registrant's consent, and selling goods bearing such replaced trademark on the market; providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; and otherwise infringing upon another person's exclusive right to use a registered trademark and cause damages. Trademark license agreements must be filed with the Trademark Office under the SAIC or one of its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

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 board:

Name	Age	Existing Position in Company, Roles and Responsibilities
Wong Yeuk Hung (黃若虹)	56	Executive Director, Chairman
HUANG Ruoqing (黃若青)	51	Executive Director, president, a chairman of the nomination committee and a member of the remuneration committee; responsible for the daily management and operation of the Group
TANG Chengyong (唐承勇)	56	Executive Director and vice president; responsible for project planning and implementation of the Group
WANG Weifeng (王衛鋒)	45	Executive Director; responsible for daily management of the property holdings group
WONG Yau Kar, David BBS, JP (黃友嘉博士)	62	Independent non-executive Director and a member of audit committee and nomination committee; performing roles as a non-executive Director
CHAU On Ta Yuen (周安達源)	72	Independent non-executive Director and a member of audit committee, remuneration committee and nomination committee; performing roles as a non-executive Director
YIP Tai Him (葉棣謙)	49	Independent non-executive Director, the chairman of the remuneration committee and the chairman of the audit committee; performing roles as a non-executive Director

Directors

Executive Directors

Mr. Wong Yeuk Hung (黃若虹), aged 56, is an executive Director and the chairman of the Board with effect from March 9, 2017. He was the founder of the Group in 1992. He was responsible for strategic planning and overall management of the group's business from 1992 to 2014. He currently serves as a director of certain subsidiaries of the Company. He currently serves as a member of the committee of the Thirteenth National People's Congress of the Chinese People's Political Consultative Conference, as a Vice Chairman of the Hong Kong Federation of Fujian Associations, and as a Vice Chairman of the Hong Kong Association for the Promotion of the Peaceful Reunification of China. Mr. Wong is currently pursuing a Master degree of Business Administration in the University of Science and Technology of China.

He is the elder brother of Mr. Huang Ruoqing and he is not related to any of the other directors or senior management of the Company. By virtue of the Securities and Futures Ordinance (the "SFO"), Mr. Wong is deemed to be interested in 1,387,258,000 shares of the Company (the "Shares") held by Global Universe International Holdings Limited ("Global Universe") as of December 31, 2019.

Mr. HUANG Ruqing (黃若青), aged 51, is the executive Director and the president. Mr. Huang was appointed as a Director on July 14, 2008 and re-designated as the executive Director on January 14, 2014. Huang is the authorized representative of the Company and the chairman of the nomination committee of the Company (the “Nomination Committee”) and a member of the remuneration committee of the Company (the “Remuneration Committee”). Mr. Huang is responsible for the day-to-day management and operation of the Group, supervising the land acquisitions and overseeing project planning and execution of the Group. Mr. Huang is currently a director of Times International Development Company Limited (“Times International”) and many of the subsidiaries. From August 1990 until he joined us in May 1994, he worked as an architecture designer, assistant architect and project manager successively in Quanzhou Construction Design Institute (泉州市建築設計院). Mr. Huang has over 25 years of experience in the real estate industry in the PRC, and he has received various awards, making him a new leader in the real estate industry in the PRC. Mr. Huang received a bachelor’s degree in architecture from Huaqiao University (華僑大學) in the PRC in July 1990. Mr. Huang was appointed as a visiting professor at Jiangxi University of Finance and Economics (江西財經大學) in December 2015. Mr. Huang is the younger brother of Mr. Wong Yeuk Hung and he is not related to any of the director or senior management of the Company. By virtue of the Securities and Futures Ordinance (the “SFO”), Mr. Huang is deemed to be interested in 947,018,000 shares of the Company (the “Shares”) held by Times International as of December 31, 2019.

Mr. TANG Chengyong (唐承勇), aged 56, is an executive Director and the vice president. Mr. Tang was appointed as a Director on October 18, 2013 and re-designated as an executive Director on January 14, 2014. He is primarily responsible for the management of operation team of the Group including sales, construction and design. Mr. Tang has over 23 years of experience in the real estate industry in the PRC. Mr. Tang joined us as the general manager of Yantai Redco Development in August 2001, where he was responsible for the daily operation of this company. Mr. Tang was also successively appointed as the general manager of Jiangxi Man Wo, Jiangxi Redco Property Development, Redco Development (Jiangxi), Shandong Redco and vice president of Redco (China) from May 2006 to February 2012, where he was responsible for daily operation of these companies and overseeing various projects. He is also currently a director of many of our subsidiaries. Prior to joining the Group, Mr. Tang was employed by Jiangsu Province Supply and Marketing Cooperative Real Estate Development Company (江蘇省供銷社房地產開發公司), a company primarily engaged in property development from March 1993 to August 2001 and his last position was deputy general manager and deputy director of department of economic development. Mr. Tang received a bachelor’s degree in engineering from Shenyang Institute of Architectural Engineering (瀋陽建築工程學院) in the PRC in July 1986.

Mr. WANG Weifeng (王衛鋒), aged 45, is an executive Director. Mr. Wang joined the Group as a president of the property holdings group in March 2019 and was appointed as an executive Director on April 15, 2019, primarily responsible for the day-to-day management of the property holdings group. Mr. Wang has substantive experience in relation to property development. Prior to joining the Group, Mr. Wang was the deputy executive officer and executive officer of Excellence Real Estate Group Limited* (卓越置業集團) from March 2012 to March 2019. From April 1997 to March 2012, he was appointed to various roles in China Vanke Co., Ltd. (SZ.000002) (the “**Vanke Group**”) including as the general manager of engineering management department from February 2010 to March 2012. Mr. Wang received his bachelor degree in engineering from the Northwest College of Engineering* (西北建築工程學院, now known as Chang An University* (長安大學)). He also obtained an executive master degree in business administration (EMBA) from China Europe International Business School.

Independent Non-executive Directors

Dr. WONG Yau Kar, David BBS, JP (黃友嘉博士), aged 62, has been appointed as an independent non-executive Director on January 14, 2014. Wong is a member of each of the audit committee of the Company (the “Audit Committee”) and the Nomination Committee. Dr. Wong received a Ph.D degree in Economics from the University of Chicago in 1987. Dr. Wong has extensive experience in manufacturing, direct investment and international trade. Dr. Wong is active in public service. He is a Hong Kong deputy of the 13th National People’s Congress of the People’s Republic of China (第十三屆全國人民代表大會). He is also Chairman of the Land and Development Advisory Committee, Mandatory Provident Fund Schemes Authority and Protection of Wages on Insolvency Fund Board. Dr. Wong was appointed as a Justice of Peace (JP) in 2010 and was awarded a Gold Bauhinia Star (GBS) and Bronze Bauhinia Star (BBS) in 2017 and 2012 for his valuable contribution to the society.

Dr. Wong is currently an independent non-executive director of Huayi Tencent Entertainment Company Limited (Stock code: 419), Shenzhen Investment Limited (Stock code: 604) and Sinopec Kantons Holdings Limited (Stock code: 934) and Guangnan (Holdings) Limited (Stock code: 1203). The shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Dr. Wong was a non-executive director of Yunfeng Financial Group Limited (Stock Code: 376) during the period from December 2012 to November 3, 2017 and Concord New Energy Group Limited (Stock code: 182) during the period from December 2016 to June 2018 to 8 March 2015.

Mr. CHAU On Ta Yuen (周安達源), aged 72, has been appointed as an independent non-executive Director on January 14, 2014. Chau is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Chau received a bachelor’s degree in Chinese language and literature from Xiamen University (廈門大學) in August 1968 in the PRC. Mr. Chau is currently a member of the Thirteenth National Committee of the Chinese People’s Political Consultative Conference, deputy officer of the Social and Legal Affairs Committee of the Chinese People’s Political Consultative Conference (全國政協社會和法制委員會) and the Eleventh Honorary consultant of the Hong Kong Federation of Fujian Association Ltd. Mr. Chau was also awarded the Silver Bauhinia Star by the government of Hong Kong Special Administrative Region in July 2016. Mr. Chau is currently a non-executive director and honorary chairman of China Ocean Shipbuilding Industry Group Limited (Stock code: 651), an executive director of ELL Environmental Holdings Limited (Stock code: 1395), and independent non-executive director of Good Fellow Resources Holdings Limited (Stock code: 109), Come Sure Group (Holdings) Limited (Stock code: 794) and Hang Pin Living Technology Company Limited (Stock code: 1682). The shares of which are listed on the Main Board of the Stock Exchange.

Mr. YIP Tai Him (葉棣謙), aged 49, has been appointed as an independent non-executive Director on January 14, 2014. Mr. Yip is the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Yip received a bachelor of arts (hons) degree in accountancy from the City Polytechnic of Hong Kong, now known as the City University of Hong Kong in September 1993 in Hong Kong. He has been a practising accountant in Hong Kong since 1999. Mr. Yip was admitted as a member of the Association of Chartered Certified Accountants in the United Kingdom and the Institute of Chartered Accountants in England and Wales in September 1996 and January 2006, respectively. He has approximately 25 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of the following companies, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Yip is currently independent non-executive independent director of China Communication Telecom Service Company Limited (stock code: 8206), GCL-Poly Energy Holdings Limited (stock code: 3800), Bisu Technology Group International Ltd (Stock code: 1372) and Sino Golf Holdings Ltd. (Stock code: 361). The shares of which are listed on the Main Board/GEM board of the Stock Exchange. Mr. Yip was an independent non-executive director of the following companies, the shares of which are listed on the Main Board of the Stock Exchange:

Companies	Duration
China Star Cultural Media Group Limited (Stock Code: 8172)	December 2008 to April 2015
Vinco Financial Group Limited	May 2008 to August 2016
New Wisdom Holding Co. Ltd (Stock Code: 8213)	November 2016 to February 2018
Sino Golf Holdings Ltd. (Stock code: 361)	August 2015 to November 2018
Bisu Technology Group International Ltd. (Stock Code: 1372)	August 2015 to April 2019

Except as disclosed above, none of the Directors has been involved in any of the events described under Rule 13.51(2) (h) to (v) of the Listing Rules for the three years ended December 31, 2019.

Save as disclosed above, none of the Directors have held any directorship in any public company listed in Hong Kong or overseas in the past three years.

Senior Management

The table below sets forth certain information concerning our other senior management members:

<u>Name</u>	<u>Age</u>	<u>Existing Position in Company, Roles and Responsibilities</u>
Wang Shuyu (王曙煜女士)	47	Vice President of the Group, responsible for the operation, of the President office of the Group
LIANG Wanchan (梁婉嬋)	42	Vice President of the Group, responsible for financial, financing and internal control compliance of the Group
JIN Rongshan (靳榮山)	47	Vice President of the Group, responsible for the engineering operations, marketing, design, purchasing and cost control of the Group
CHEN Pengfei (陳鵬飛)	39	General Manager of the Cost Management Center of the Group, responsible for the Group's cost management and tender procurement management
LI Huiyong (李輝勇)	38	General manager of the Investment Development Center
PAN Yuxia (潘玉霞女士)	52	Deputy general manager of the Redco Nanchang Company* (力高南昌公司)

Ms. Wang Shuyu (王曙煜女士), aged 47, joined the Group in November 2016. She is the Vice President of the Group where she is responsible for the operation, of president office of the Group. Ms. Wang has over 23 years of experience in real estate marketing and corporate operations management. Prior to joining the Group, she worked as the Vice President in charge of brand marketing in China Aoyuan Property Group Limited, a company listed on the Stock Exchange (stock code: 3883) for the period from 2010 to 2015. Previously, she has held various senior positions in China Overseas (stock code: 688), Wanda Group and other different reputable real estate companies, and has accumulated substantial experience in property development and management. Ms. Wang was awarded a diploma in Laws by Hunan University in China in 2004.

Ms. LIANG Wanchan (梁婉嬋), aged 42, is the Vice President of the Group which oversees of the Finance Management Center and the Financing Management Center of the Group. Ms. Liang is responsible for the financial, financing and internal control compliance of the Group. She has over 14 years of experience in corporate finance and internal auditing. Ms. Liang joined the Group as the chief financial officer of Redco (China) Real Estate Co., Ltd. in November 2010 and she has been responsible for the corporate finance and accounting of the Group. Prior to joining the Group, she had served as assistant director of finance and investment management department of Hopson Development Holdings Limited (合生創展集團有限公司), a company listed on the Stock Exchange (stock code: 754), from September 2002 to October 2010, during which she was responsible for financial management of the group. Ms. Liang received a bachelor s degree in economics from the Renmin University of China in the PRC in July 2000.

Mr. JIN Rongshan (靳榮山先生), aged 47, joined the Group in August 2018 and is the Vice President of the Group, where he is responsible for the Group's engineering operations, marketing, design, purchasing and cost control. Mr. Jin has over 27 years of experience in real estate operations and engineering management. Prior to joining the Group, he worked for the Country Garden Group, a company listed on the Stock Exchange (stock code: 02007.HK) from February 2012 to August 2018 as Regional Vice President in Guizhou in charge of mega operations. He was previously in charge of the engineering management in several well-known real estate companies such as Agile (stock code: 03383.HK). Mr. Jin obtained a Diploma in Engineering Management from Harbin Institute of Technology (哈爾濱工業大學) in 2009.

Mr. Chen Pengfei (陳鵬飛), aged 39, joined the Group in April 2016. He is the General Manager of the Cost Management Center of the Group where he is responsible for the Group's cost management and tender procurement management. He also assists in managing some affairs in Operations Management Center. Mr. Chen has accumulated over 14 years of experience in cost management and tender procurement management area. Prior to joining the Group, he served as the General Manager of Cost Management Center of Shenzhen Yitian Group* (深圳市益田集團) where he was responsible for the cost management and tender procurement of the whole group, and has accumulated extensive management experience in cost management as well as tender procurement. Mr. Chen received a Bachelor's degree in Management from Sichuan University in 2003.

Mr. LI Huiyong (李輝勇先生), aged 38, joined the Group in August 2013 and is the general manager of the Investment Development Center. Mr. Li has over 10 years of experience in real estate investment development. Prior to joining the Group, he worked for Logan Property, a Shenzhen company listed on the Stock Exchange (stock code: 03380.HK), from October 2009 to August 2013, acted as the general manager of investment development center and was in charge of projects development in Chengdu, Chongqing and other southwestern regions as well as Zhuhai and Zhongshan. Mr. Li obtained a bachelor's degree in engineering management from Harbin University of Commerce (哈爾濱商業大學) in 2007 and a master's degree in real estate investment in technical economics and management from Dongbei University of Finance and Economics (東北財經大學) in 2009.

Ms. PAN Yuxia (潘玉霞女士), aged 52, joined the Group in 2006. She is the deputy general manager of the Redco Nanchang Company* (力高南昌公司). Ms. Pan has extensive experience in business operation management and investment development. She is currently responsible for the operation management affairs of the hotel business section of the Group. She also assists in the Group's land development expansion affairs. Prior to joining the Group, Ms. Pan served as the department manager of nonferrous metal department of Jiangxi Provincial Metals and Minerals Import and Export Corporation from September 1989 to December 2005, where she is responsible for import and export business of nonferrous metals. Ms. Pan received a Bachelor's Degree in Economics from Jiangxi University of Finance and Economics in PRC in 1989 and a Master's Degree in Business Administration from Hebei University of Technology in PRC in January 2007.

Company Secretary

CHAN Hing Chau (陳慶疇), aged 40, has been the company secretary since October 28, 2013. Mr. Chan is the authorised representative of the Company. Mr. Chan joined the Group as the general manager of finance department of Redco Holdings (Hong Kong) Co., Limited in March 2013. Prior to joining the Group, Mr. Chan was with PricewaterhouseCoopers from December 2004 to March 2013, during which he was promoted to a manager of assurance department. Mr. Chan obtained his bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University in November 2004 in Hong Kong. He was also qualified as a member of Hong Kong Institute of Certified Public Accountants in July 2008.

Board Committees

Audit Committee

We established an audit committee on January 14, 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, The audit committee is chaired by Yip Tai Him, with members consisting of Yip Tai Him, Wong Yau Kar, David BBS, JP and Chau On Ta Yuen. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by our Board. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

Remuneration Committee

We established a remuneration committee on January 14, 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, being Yip Tai Him, Chau On Ta Yuen and Huang Ruoqing, two of whom are independent non-executive Directors. The remuneration committee is chaired by Yip Tai Him. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding the policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme.

Nomination Committee

We established a nomination committee on January 14, 2014 with written terms of reference. The nomination committee consists of three members, being Huang Ruoqing, Wong Yau Kar, David BBS, JP and Chau On Ta Yuen. Two of the members are the independent non-executive Directors. The nomination committee is chaired by Huang Ruoqing. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

PRINCIPAL SHAREHOLDERS

As of December 31, 2019, substantial shareholders' interests or short position in the shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of Interest in Company
Global Universe ⁽²⁾	Beneficial Owner	1,387,258,000 (L)	39.06%
Times International ⁽³⁾	Beneficial Owner	947,018,000 (L)	26.66%
Honor Family ⁽³⁾	Interest in controlled corporation	947,018,000 (L)	26.66%
UBS Trustees ⁽³⁾	Trustee	947,018,000 (L)	26.66%
Power Ray ⁽⁴⁾	Beneficial Owner	311,609,322 (L)	8.77%
Mr. NG Leung Ho ⁽⁴⁾	Interest in controlled corporation	311,609,322 (L)	8.77%

Note:

- (1) The letter "L" denotes the person's long position in the shares
- (2) As of the date of this offering memorandum, the entire share capital of Global Universe, a company incorporated in the British Virgin Islands (the "BVI") with limited liability, was held by Mr. Wong Yeuk Hung ("Mr. Wong"). By virtue of the SFO, Mr. Wong was deemed to be interested in the Shares held by Global Universe.
- (3) The entire share capital of Times International Development Company Limited ("Times International") was held by Honour Family Holdings Limited ("Honour Family"). Honour Family was held as to 100% by UBS Trustees (B.V.I.) Limited ("UBS Trustees"). Mr. Huang is the settlor and a beneficiary of the discretionary trust. By virtue of the SFO, Mr. Huang is deemed to be interested in the Shares held by Times International.
- (4) To the best knowledge of the Directors, the entire share capital of Power Ray Investment Development Limited ("Power Ray"), a company incorporated in the BVI with limited liability, was wholly owned by Mr. NG Leung Ho. By virtue of the SFO, Mr. NG Leung Ho is deemed to be interested in the Shares held by Power Ray.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of the related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be approved by a company’s independent shareholders. Each of the related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The Group is joint controlled by Mr. Wong and Mr. Huang Ruoqing, which owns 39.06% and 26.66% of the Company’s shares, respectively.

The amounts due from/(to) related parties, joint venture, non-controlling interests and directors and shareholders are unsecured, interest-free, repayable on demand. The fair values approximate their carrying values and denominated in RMB or HKD.

The table below sets forth the major transactions with related parties for the years indicated:

	For the Year Ended December 31,			
	2017	2018	2019	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(USD)</i>
				<i>(Unaudited)</i>
	<i>(in thousands)</i>			
Purchase of property management service	31,695	25,833	15,953	2,292
Providing management consultancy service to joint ventures	28,125	—	—	—
Providing management consultancy service to associates	136	986	632	91
Finance income from associates	—	25,000	20,674	2,970

The table below sets forth the compensation paid or payable to our key management for employee services:

	For the Year Ended December 31,			
	2017	2018	2019	
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(USD)</i>
				<i>(Unaudited)</i>
	<i>(in thousands)</i>			
Salaries, bonus and other benefits	7,642	19,916	27,133	3,897
Pension costs — defined contribution plan . . .	225	476	661	95
	7,867	20,392	27,794	3,992

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance its working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2019, our total outstanding external borrowings (including bank and other borrowings and the issuance of the notes) amounted to RMB16,782.7 million (US\$2,410.7 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness. Since December 31, 2019, we have also entered into additional financial arrangements in the ordinary course of business to finance our property development and for general corporate purposes.

PRC BANK AND OTHER LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including but not limited to China Minsheng Bank, Bank of East Asia, Bank of Communications, Guangdong Huaxing Bank and China Bohai Bank. These PRC bank and other borrowings include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from four months to five years. As of December 31, 2019, the aggregate outstanding amount under these PRC bank and other borrowings totaled approximately RMB7,346.4 million (US\$1,055.2 million). Our PRC bank and other borrowings are typically secured by land use rights, properties under development for sale, an investment property and bank deposits as well as guaranteed by the Company and/or certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under these PRC bank and other loans generally bear interest at floating rates calculated by reference to the relevant banks and financial institutions' benchmark interest rate *per annum*. Floating interest rates are generally subject to review by the banks and financial institutions annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2019, the weighted average interest rate on the aggregate outstanding amount of these PRC bank and other loans was 7.53% *per annum*.

Covenants

Under these PRC bank 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, spin-off and acquisitions and reorganizations or change their status, such as liquidation and dissolution;
- 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;

- transfer part or all of their liabilities under the loans to a third party;
- reduce their registered capital; and
- remit dividends to the shareholders during the term of the loans.

Events of Default

These PRC bank contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The banks 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

We and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks and financial institutions in connection with some of these PRC bank and other loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these PRC bank and other loans. Further, as of December 31, 2019, RMB6,480.6 million (US\$944.7 million) of these PRC and other bank loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or its other PRC subsidiaries, including equity interests in its PRC subsidiaries.

Dividend Restriction

A minority of our PRC subsidiaries have provided guarantees of equity pledge for loans to which certain other PRC subsidiaries within the Group are a party. Pursuant to the relevant pledge agreements, dividends deriving from the pledged equity during the guarantee period are also pledged properties, and, for the purpose of repaying the loans, portions of those dividends would be withheld by the pledgee or deposited into the supervised account.

OFFSHORE FINANCINGS

Intercreditor Agreement

In order to secure the obligations under the 2014 Notes, the Company and the subsidiary guarantors under the indenture entered on August 1, 2014 (the “2014 Indenture”) among the Company, Citicorp International Limited as trustee for the 2014 Notes and the subsidiary guarantors named therein (the “2014 Subsidiary Guarantors”) pledged the capital stock of all such 2014 Subsidiary Guarantors for the benefit of the holders of the 2014 Notes (the “Shared Collateral”). The Shared Collateral may be released or reduced in the event of certain asset sales and certain other circumstances.

On March 20, 2015, the Company, the subsidiary guarantor pledgors from time to time listed in Schedule I thereto, the Collateral Agent, the trustee for the 2014 Notes for the benefit of holders of the 2014 Notes and the facility agent for the 2015 BOC Bank Facility entered into an intercreditor agreement (as amended from time to time, the “Intercreditor Agreement”). The Intercreditor Agreement provides that the security interests created by the Shared Collateral will be shared on a *pari passu* basis among (i) the holders of the 2014 Notes, (ii) the lender under the 2015 BOC Bank Facility and (iii) any holder of permitted *pari passu* secured indebtedness or their representatives who become parties to the Intercreditor Agreement. The 2014 Notes were fully redeemed in August 9, 2017, and as a result, the trustee for the 2014 Notes has been removed as a secured party under the Intercreditor Agreement.

We or certain of our subsidiaries have entered into loan agreements with various offshore banks. As of December 31, 2019, the aggregate outstanding amount under the offshore bank loans was RMB2,562.2 million (US\$368.0 million).

2019 HSB Syndicated Facility

On March 27, 2019, the Company, as borrower, signed a facility letter with Hang Seng Bank Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, as lenders, in connection with a term loan facility of US\$175,000,000. Such facility was obtained and drawn down by the Group. As of the date of this offering memorandum, the entire amount of such facility remains outstanding.

Interest

Interest on the 2019 HSB Syndicated Facility is computed 5.10% *per annum* plus LIBOR, payable at the end of each interest period.

Maturity

The 2019 HSB Syndicated Facility will mature on March 27, 2022. We may prepay the 2019 HSB Syndicated Facility with not less than seven days' prior written notice.

Guarantee and Security

The 2019 HSB Syndicated Facility is guaranteed by certain of our subsidiaries.

Collateral

The obligations under the 2019 HSB Syndicated Facility are secured by the Shared Collateral.

2020 Global Edge Facility

On June 10, 2020, the Company, as borrower, signed a facility letter with Global Edge Opportunity VI Limited, as lender, in connection with a US\$50,000,000 term loan facility. Such facility was obtained and drawn down by the Group. As of the date of this offering memorandum, the entire principal amount of such facility remains outstanding.

Interest

Interest on the 2020 Global Edge Facility is 10% *per annum*, payable at the end of each interest period.

Maturity

The 2020 Global Edge Facility will mature on 364 days from the date of drawdown. We may prepay the 2020 Global Edge Facility with not less than seven days' prior written notice.

Guarantee and Security

The 2020 Global Edge Facility is guaranteed by certain of our subsidiaries.

Collateral

The obligations under the 2020 Global Edge Facility are secured by the Shared Collateral.

August 29 2018 Notes

On August 29, 2018, we entered into the August 29 2018 Indenture pursuant to which we issued an aggregate principal amount of US\$200,000,000 11.0% senior notes due 2020, and an additional aggregate principal amount of US\$110,400,000 on January 4, 2019. On June 1, 2020 we completed the offer to purchase the August 29 2018 Notes. After cancellation of the August 29 2018 Notes repurchased pursuant to the offer, US\$190,399,000 in aggregate principal amount of the August 29 2018 Notes remains outstanding.

Guarantee

The obligations pursuant to the August 29 2018 Notes are guaranteed by certain of our existing subsidiaries (the “August 29 2018 Subsidiary Guarantors”) other than those organized under the laws of the PRC. We refer to these guarantees as the August 29 2018 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a August 29 2018 Subsidiary Guarantee required to be provided by one of its subsidiaries may be replaced by a limited-recourse guarantee (a “August 29 2018 JV Subsidiary Guarantee”). Each of the August 29 2018 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the August 29 2018 Notes.

Collateral

The Trustee for the August 29 2018 Notes acceded to the Intercreditor Agreement in August 29 2018, which provided that the obligations under the August 29 2018 Notes are secured by the Shared Collateral.

Interest

The August 29 2018 Notes bear an interest rate of 11.0% *per annum*, payable in semi-annually in arrears on February 28 (or, in the case of 2020, February 29) and August 29 of each year, commencing February 29, 2019.

Covenants

Subject to certain conditions and exceptions, the August 29 2018 Indenture and each of the related August 29 2018 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred shares;
- declaring dividends on capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;

- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The August 29 2018 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the August 29 2018 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the August 29 2018 Indenture or the holders of at least 25% of the outstanding August 29 2018 Notes may declare the principal of the August 29 2018 Notes plus a premium (if any) and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any) and accrued and unpaid interest on the outstanding August 29 2018 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding August 29 2018 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase.

Maturity and Redemption

The maturity date of the August 29 2018 Notes is August 29, 2020. At any time prior to August 29, 2020, we may at our option redeem the August 29 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the August 29 2018 Notes plus 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 August 29, 2020, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the August 29 2018 Notes at a redemption price equal to 110% of the principal amount of the August 29 2018 Notes, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the August 29 2018 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

May 2019 Notes

On May 2, 2019, we entered into the May 2019 Indenture pursuant to which we issued an aggregate principal amount of US\$180,000,000 9.875% senior notes due 2021. As of the date of this offering memorandum, the entire principal amount of the May 2019 Notes remains outstanding.

Guarantee

The obligations pursuant to the May 2019 Notes are guaranteed by certain of our existing subsidiaries (the “May 2019 Subsidiary Guarantors”) other than those organized under the laws of the PRC. We refer to these guarantees as the May 2019 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a May 2019 Subsidiary Guarantee required to be provided by one of its subsidiaries may be replaced by a limited-recourse guarantee (a “May 2019 JV Subsidiary Guarantee”). Each of the May 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the May 2019 Notes.

Collateral

The Trustee for the May 2019 Notes acceded to the Intercreditor Agreement in May 2019, which provided that the obligations under the May 2019 Notes are secured by the Shared Collateral.

Interest

The May 2019 Notes bear an interest rate of 9.875% *per annum*, payable in semi-annually in arrears on May 2 and November 2 of each year, commencing November 2, 2019.

Covenants

Subject to certain conditions and exceptions, the May 2019 Indenture and each of the related May 2019 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred shares;
- declaring dividends on capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The May 2019 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the May 2019 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the May 2019 Indenture or the holders of at least 25% of the outstanding May 2019 Notes may declare the principal of the May 2019 Notes plus a premium (if any) and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any) and accrued and unpaid interest on the outstanding May 2019 Notes will automatically due and payable without any declaration or other act on the part of the trustee or any holder.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding May 2019 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase.

Maturity and Redemption

The maturity date of the May 2019 Notes is May 2, 2021. At any time prior to May 2, 2021, we may at our option redeem the May 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the May 2019 Notes plus 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 May 2, 2021, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the May 2019 Notes at a redemption price equal to 109.875% of the principal amount of the May 2019 Notes, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the May 2019 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

December 2019 Notes

On December 10, 2019, we entered into the December 2019 Indenture pursuant to which we issued an aggregate principal amount of US\$250,000,000 11.5% senior notes due 2020. As of the date of this offering memorandum, the entire principal amount of the December 2019 Notes remains outstanding.

Guarantee

The obligations pursuant to the December 2019 Notes are guaranteed by certain of our existing subsidiaries (the "December 2019 Subsidiary Guarantors") other than those organized under the laws of the PRC. We refer to these guarantees as the December 2019 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a December 2019 Subsidiary Guarantee required to be provided by one of its subsidiaries may be replaced by a limited-recourse guarantee (a "December 2019 JV Subsidiary Guarantee"). Each of the December 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the December 2019 Notes.

Collateral

The Trustee for the December 2019 Notes acceded to the Intercreditor Agreement in December 2019, which provided that the obligations under the December 2019 Notes are secured by the Shared Collateral.

Interest

The December 2019 Notes bear an interest rate of 11.5% *per annum*, payable in arrears on June 10, 2020 and December 8, 2020.

Covenants

Subject to certain conditions and exceptions, the December 2019 Indenture and each of the related December 2019 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred shares;
- declaring dividends on capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The December 2019 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the December 2019 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the December 2019 Indenture or the holders of at least 25% of the outstanding December 2019 Notes may declare the principal of the December 2019 Notes plus a premium (if any) and any accrued and unpaid interest

to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any) and accrued and unpaid interest on the outstanding December 2019 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding December 2019 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase.

Maturity and Redemption

The maturity date of the December 2019 Notes is December 8, 2020. At any time and from time to time following the occurrence of the NDRC Registration, we may redeem the December 2019 Notes, in whole or in part, at a redemption price equal to 101% of the principal amount of the December 2019 Notes, together with accrued and unpaid interest, if any, to (but not including), the redemption date. We will give not less than 15 days' nor more than 30 days' notice of any redemption. At any time and from time to time prior to December 8, 2020, we may redeem up to 35% of the aggregate principal amount of the December 2019 Notes at a redemption price equal to 111.5% of the principal amount of the December 2019 Notes, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

May 2020 Notes

On May 27, 2020, we entered into the May 2020 Indenture pursuant to which we issued an aggregate principal amount of US\$150,000,000 13.0% senior notes due 2023. As of the date of this offering memorandum, the entire principal amount of the May 2020 Notes remains outstanding.

Guarantee

The obligations pursuant to the May 2020 Notes are guaranteed by certain of our existing subsidiaries (the "May 2020 Subsidiary Guarantors") other than those organized under the laws of the PRC. We refer to these guarantees as the May 2020 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a May 2020 Subsidiary Guarantee required to be provided by one of its subsidiaries may be replaced by a limited-recourse guarantee (a "May 2020 JV Subsidiary Guarantee"). Each of the May 2020 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the May 2020 Notes.

Collateral

The Trustee for the May 2020 Notes acceded to the Intercreditor Agreement in May 2020, which provided that the obligations under the May 2020 Notes are secured by the Shared Collateral.

Interest

The May 2020 Notes bear an interest rate of 13.0% *per annum*, payable in arrears on May 27 and November 27 of each year, commencing November 27, 2020.

Covenants

Subject to certain conditions and exceptions, the May 2020 Indenture and each of the related May 2020 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred shares;
- declaring dividends on capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The May 2020 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the May 2020 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the May 2020 Indenture or the holders of at least 25% of the outstanding May 2020 Notes may declare the principal of the May 2020 Notes plus a premium (if any) and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any) and accrued and unpaid interest on the outstanding May 2020 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding May 2020 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase.

Maturity and Redemption

The maturity date of the May 2020 Notes is May 27, 2023.

At any time and from time to time after May 27, 2022, we may at our option redeem the May 2020 Notes, in whole or in part, at a redemption price of 102.5% of the principal amount of the May 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to May 27, 2022, we may redeem up to 35% of the aggregate principal amount of the May 2020 Notes at a redemption price equal to 113.0% of the principal amount of the May 2020 Notes, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions. In addition, prior to May 27, 2022, we may redeem the May 2020 Notes at any time, in whole but not in part, at a price equal to 100% of the principal amount of the May 2020 Notes plus accrued and unpaid interest if any, to (but not including) the redemption date and a premium.

In addition, we shall, at the option of any holder of the May 2020 Notes, repurchase all of the May 2020 Notes held by such holder on May 27, 2022 at 100.0% of the principal amount of such May 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Redco Properties Group Limited (力高地產集團有限公司), and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such Guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of August 6, 2020, among the Company, the Subsidiary Guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of the material provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement and the Security Documents. This summary does not purport to be complete, and is subject to, and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement and the Security Documents. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with the Existing *Pari Passu* Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;
- effectively subordinated to the other secured obligations of the Company (if any, other than Permitted *Pari Passu* Secured Indebtedness), the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “— Security” and will:

- be entitled to the benefit of a lien on the Collateral (subject to any Permitted Liens) and shared on a *pari passu* basis pursuant to the Intercreditor Agreement with holders of the Existing *Pari Passu* Secured Indebtedness and holders of the Permitted *Pari Passu* Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on August 6, 2022 unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 11.0% *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 semi-annually in arrears on February 6 and August 6 of each year (each an “Interest Payment Date”) commencing February 6, 2021. Interest on the Notes will be paid to Holders of record at the close of business on January 22 or July 22 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under “Optional Redemption,” “Redemption for Taxation Reasons” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— 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 Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent currently located at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office; *provided* that, if the Notes are in definitive form and the Company is acting as its own paying agent, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the 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 Subsidiary Guarantees and the JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") and (ii) certain other Restricted Subsidiaries organized outside the PRC as of the Original Issue Date (the "Initial Other Non-Guarantor Subsidiaries.")

The 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 will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. 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. Although the Indenture contains limitations on the amount of additional Indebtedness that 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 its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company 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 and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase the Capital Stock of an entity and designate such entity as a Restricted Subsidiary, the Company may, concurrently with or after the consummation of such sale or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company 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 purchased 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;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock or purchase of Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and Listed Subsidiaries), 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) a legal opinion by a law firm of recognized international 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).

As of December 31, 2019, the Company and its consolidated subsidiaries had total borrowings of approximately RMB16,782.7 million (US\$2,410.7 million), approximately RMB9,908.6 million (US\$1,423.3 million) of which were secured bank borrowings of the Company or a Subsidiary Guarantor.

As of December 31, 2019, the Non-Guarantor Subsidiaries had total bank and other borrowings of approximately RMB7,478.1 million (US\$1,074.2 million) and the Non-Guarantor Subsidiaries did not have any capital commitments or contingent liabilities.

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 (other than the Collateral) 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 the Existing *Pari Passu* Secured Indebtedness and all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- is 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, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, 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, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, 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).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries and Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary (as the case may be), to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary organized under laws outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary (such Restricted Subsidiaries, the “New Non-Guarantor Subsidiaries,” and 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 (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 20% of the Total Assets of the Company.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, 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 Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

In addition, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to the benefit of a security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “— Security” shared on a *pari passu* basis pursuant to the Intercreditor Agreement with holders of the Existing Pari Passu Secured Indebtedness and holders of the Permitted Pari Passu Secured Indebtedness; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

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 JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will, 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 and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees or JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the

case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;

- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell or has sold, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or after the consummation of such sale or issuance of Capital Stock, (a) request the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized under laws outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized under laws outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) request the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in each such New Non-Guarantor Subsidiary (in each case under (a) and (b), 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 under laws outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) do not account for more than 20% of the Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (x) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (y) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

Each of the Trustee and the Collateral Agent shall comply with a request referred to in (a) or (b) above if the conditions precedent to such release set forth in the Indenture have been complied with, as evidenced by an Officers' Certificate from the Company to that effect, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing a JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale has been made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) 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) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the “Limitation on Asset Sales” and “Limitation on Restricted Payments” covenants.

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the “Limitation on Asset Sales” covenant.

As of the date of the Indenture, all of the Company’s Subsidiaries will be “Restricted Subsidiaries.”

Under the circumstances described below under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not Guarantee the Notes.

Security

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date in order to secure the obligations of the Company and the Subsidiary Guarantors under the Existing Pari Passu Secured Indebtedness, the Notes and the Subsidiary Guarantees and the Permitted Pari Passu Secured Indebtedness.

The initial Subsidiary Guarantor Pledgors are Redco Properties Holdings Limited (力高地產控股有限公司), Power Creation International Development Limited (力創國際發展有限公司), Maxprofit Globe Holdings Limited (利達集團有限公司), Power Spring International Investments Limited (力泉國際投資有限公司), Top Thrive Real Estates Investments Limited (盛高置業投資有限公司), Li Jia International Investments Limited (力嘉國際投資有限公司), Top Creation Worldwide Investments Limited (創高環球投資有限公司), Wei Li International Developments Limited (偉力國際發展有限公司) and Weisheng International Investments Company Limited (偉盛國際投資有限公司).

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. None of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent.

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than any Non-Guarantor Subsidiary and its Subsidiaries) after the Original Issue Date, as soon as reasonably practicable (but in any event within 30 days) after such Person has become a Restricted Subsidiary or has ceased to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement by and among the holders of the Notes, the holders of the Existing Pari Passu Secured Indebtedness and the holders of other Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement. See “— Release of Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement, and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and any Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any Pari Passu Subsidiary Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Subsidiary Guarantee, collectively referred to as “Permitted Pari Passu Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under “— Limitation on Indebtedness”; (2) the holders of such Indebtedness (or their trustee, representative or agent), other than with respect to Additional Notes, become party to the Intercreditor Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent (as defined below) an Opinion of Counsel and an Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing

of the Security Documents, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents or (y) no such action is necessary to make such Lien effective. The Trustee and/or the Collateral Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to effectuate any amendments to the Security Documents, the Intercreditor Agreement, or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph and the terms of the Indenture (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders, the holders of the Existing Pari Passu Secured Indebtedness and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, the initial Subsidiary Guarantor Pledgors, the Collateral Agent, Citicorp International Limited and others entered into an intercreditor agreement dated as of March 20, 2015 (as such may be amended, modified or supplemented through the Original Issue Date, the “Intercreditor Agreement”) pursuant to which certain rights and interests with respect to the Collateral are regulated and a mechanism for future holders of Permitted Pari Passu Secured Indebtedness to become bound and be entitled to receive a *pro rata* entitlement to and equal priority in the Collateral is created. The 2019 HSB Facility Agent, Global Edge Opportunity VI Limited and the trustee for each series of the other Existing Pari Passu Secured Indebtedness that constitutes senior notes acceded to the Intercreditor Agreement prior to the Original Issue Date.

On the Original Issue Date, the Trustee shall execute a supplement to the Intercreditor Agreement pursuant to which the holders of the Notes (through the Trustee) will share equal priority and *pro rata* entitlement in and to the Collateral.

Prior to or concurrently with the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their trustee, representative or agent will accede to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the accession to of the Intercreditor Agreement and any amendments or modifications thereto required under the Indenture.

Enforcement of Security

The first-priority Lien (subject to any Permitted Lien and the Intercreditor Agreement) securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Collateral Agent for itself and for the benefit of the Holders, the Trustee and any other Creditor Representatives.

Citicorp International Limited will act as the Collateral Agent under the Intercreditor Agreement and the Security Documents. The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens over the Collateral granted pursuant to the Security Documents and the Intercreditor Agreement with sole authority as directed by the written instruction of the Creditor Representatives (as defined herein) to exercise remedies under the Security Documents. The Trustee has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow the written instructions provided to it by the Holders under the Indenture and to carry out certain other duties.

The Indenture, the Intercreditor Agreement and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Collateral Agent has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the Creditor Representatives representing a majority of the outstanding principal amount of the Indebtedness under the Debt Documents. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Intercreditor Agreement may impact the ability of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to pay amounts due under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Intercreditor Agreement may limit the rights of holders of the Notes to enforce the Collateral.”

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

First, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any unpaid fees, costs and expenses (including reasonable expenses of its counsel) properly incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses properly incurred in enforcing all available remedies under the Intercreditor Agreement, and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Intercreditor Agreement, and the Security Documents;

Second, to the extent not reimbursed under the above paragraph, ratably to the Trustee and other Creditor Representatives, to the extent necessary to reimburse the foregoing persons for any unpaid fees, costs and expenses (including expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable expenses of counsel) reasonably incurred under the Indenture, the Existing Pari Passu Secured Indebtedness, the Security Documents and the agreements governing any Permitted Pari Passu Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses reasonably incurred in enforcing all available

remedies under the Debt Documents, the Intercreditor Agreement, the Security Documents and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the Debt Documents, the Intercreditor Agreement and the Security Documents;

Third, ratably to each of the Trustee for the benefit of the Holders and, to the extent applicable, to other Creditor Representatives (to the extent not paid pursuant to the paragraphs above), inclusive of any reasonable fees and expenses of the foregoing persons and the principal, interest and premium thereon and for the benefit of the holders thereof in accordance with the terms of the relevant Debt Documents; and

Fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to expend its own funds, foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Trustee, the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Intercreditor Agreement, or the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence, fraud or willful misconduct of the Collateral Agent.

This section, "— Enforcement of Security", shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge;"
- upon dispositions of any of the Collateral in compliance with the covenants under the captions "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets;"

- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to security granted by any Subsidiary Guarantor and security over the Capital Stock of any Subsidiary Guarantor, upon such Subsidiary Guarantor becoming a New Non-Guarantor Subsidiary;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor, and in accordance with the terms of the Indenture; or
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary, and in accordance with the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below.

Optional Redemption

At any time and from time to time prior to August 6, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption. Neither the Trustee nor the Paying Agent is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to August 6, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 111.0% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders 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 securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal securities exchange on which the Notes are listed (if any) and/or the requirements of the clearing system; or
- (2) if the Notes are not listed on any 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 applicable law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

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

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all", as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and 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 Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (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 Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiar

Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder’s or 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 law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

- (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or stating of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company or such Surviving Person, as the case may be, taking reasonable measures available to it; and

- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or stating of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) Any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
 - (c) Indebtedness of the Company or any Restricted Subsidiary (x) outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d), or (y) Incurred pursuant to agreements that have been entered into on or prior to the Original Issue Date in the aggregate principal amount at any time (together with any refinancings thereof) not to exceed US\$30 million; *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g), (m) and (o) below);

- (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must be unsecured and 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; *provided* further that, any Preferred Stock issued by a Subsidiary Guarantor or a JV Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
- (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (n), (p), (q), (r), (s), (t), (u) or (v) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii)

in no event may Indebtedness of the Company, or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor (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 Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in 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 Company 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 property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness 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)(y), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit 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 Company or such Restricted Subsidiary of a demand for reimbursement;

- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the 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 Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the “Limitation on Issuances of Guarantees by Restricted Subsidiaries” covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding (together with refinancings thereof) does not exceed US\$50 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement; *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement;
- (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 Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Company or a Restricted Subsidiary in favor of a 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)(y), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any

Contractor Guarantee or Guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;

- (q) (x) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q)(x) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (q)(x) 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 12.5% of Total Assets; or (y) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that (i) such Bank Deposit Secured Indebtedness is not permitted under clause (q)(x) above and (ii) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (q)(y) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h) and (p) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q)(y) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (r) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$50 million (or the Dollar Equivalent thereof);
- (s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q)(y) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q)(y) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to

the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets.

- (u) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *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)(y), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets; and
 - (v) (x) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or long term assets, and Guarantees thereof by the Company or any such Restricted Subsidiary or (y) Capitalized Lease Obligations, or Attributable Indebtedness with respect to a Sale and Leaseback Transaction that would otherwise be permitted under the section entitled “Limitation on Sale and Leaseback Transactions”, Incurred by any PRC 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 (v) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q)(y), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets.
- (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 Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire such shares) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or (ii) the purchase of Capital Stock of the Company or a Restricted Subsidiary held by any Financial Company Investor;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;” or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on April 1, 2014 and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements);
plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; *plus*
- (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *plus*
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); *plus*
- (v) US\$50 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of any of the following:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary; *provided that*, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a *pro rata* basis or on a basis more favorable to the Company, as determined by the ownership of the Voting Stock;
- (6) dividends paid to, or the purchase of Capital Stock of the Company or 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) the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed RMB80 million for the fiscal year ended December 31, 2013;
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party for the purpose of acquiring interests in, or additional interests in, real property or land use rights (including without limitation, through the acquisition of Capital Stock of any Restricted Subsidiary holding or owning such real property or land use rights), provided that (x) such

purchase occurs within 24 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; provided further that the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase made pursuant to this clause (8) does not exceed an amount equal to 20% of Total Assets;

- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); provided that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$5 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (10) 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 Company, 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 Company);
- (11) the declaration and payment of dividends by the Company and/or the repurchase of the Company's Common Stock with respect to any financial year, to the extent that such declaration and payment of dividends by the Company pursuant to this clause (11), together with such repurchase of the Company's Common Stock pursuant to this clause (11), does not exceed 20% of the consolidated profit for the year of the Company calculated in accordance with GAAP; or
- (12) the distributions or payments of Securitization Fees in connection with Receivable Financings, *provided* that such distributions or payments declaration in connection with Receivable Financings shall not exceed 5% of the Total Assets,

provided that, in the case of clause (2), (3), (4), or (7) 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) and (11) 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 Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market

Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (12) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— 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 (18) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;

- (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— 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 of the type described under clause (2)(h), (2)(o), (2)(p), (2)(q), (2)(s), (2)(t), (2)(u) or (2)(v) or permitted under clause (2)(n) or (2)(r) of the “— 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 Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; *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) existing in customary provisions in shareholders agreement, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (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 Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; *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

- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such 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 Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such sale or issuance and *provided* that the Company 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 Company 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 Company will not permit any Restricted Subsidiary which is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary

Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Indebtedness 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 Company or any Restricted Subsidiary through the pledge of one or more bank accounts, bank deposits or other assets to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or a Minority Staged Acquisition Agreement, and any purchase of Capital Stock of a Restricted Subsidiary held by a Financial Company Investor;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the proposed Restructuring, including but not limited to the transactions entered into for purposes of any reorganization in connection with the proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the proposed Restructuring;
- (8) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and in compliance with the rules of the Hong Kong Stock Exchange or any other recognized exchange on which the Company’s ordinary shares are then listed for trading; and
- (9) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (6) of the second paragraph of the covenant entitled “— Limitation on Restricted Payments.”

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 (18) 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 this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand;

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 minority shareholders or minority 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 minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary of the Company), 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 Company or a Subsidiary of the Company) of such 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 Company or a Subsidiary or Minority Joint Venture of the Company), and (iv) for as long as the Capital Stock of the Company remains listed on the Hong Kong Stock Exchange, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of the Hong Kong Stock Exchange.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company 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 (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any 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 Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) that will be used in a Permitted Business ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the 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 the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis by lot or such other method the Trustee determines in its sole and absolute discretion. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company’s Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) as specified under the caption “Use of Proceeds” in this offering memorandum (or in the case of Additional Notes, the offering memorandum used in connection with the offering of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any 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 Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— 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); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned directly by the Company or any other Restricted Subsidiary shall be pledged to the extent required under “— Security”.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of

payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies 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 either Rating Agency, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (7) “— Certain Covenants — Limitation on Asset Sales”; and
- (8) Clause (4) under the first and second paragraphs of the covenant described under “—Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Hong Kong Stock Exchange or any other recognized exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the 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 Company's external auditor verifying the accuracy of the calculation and arithmetic computation; *provided* that, the Company shall not be required to provide such auditor certification if its external auditor refuses to provide such certification as a result of a policy of such external auditor not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as “Events of Default” in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 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 Company to make or consummate an Offer to Purchase in the manner described under the captions “— Repurchase of Notes upon a Change of Control Triggering Event” or “— Limitation on Asset Sales,” or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption “— Security”;
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$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;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company 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 Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

- (8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Indenture and the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any 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 principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, or the Trustee may, in accordance with and subject to the Intercreditor Agreement, instruct the Collateral Agent to, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture or subject to the Intercreditor Agreement, instruct the Collateral Agent to enforce the Security Documents to the extent necessary. 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. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement (if any), the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, (subject to receiving satisfactory indemnity and/or security) instruct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and the Indenture and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See the section entitled “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that 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 reasonably believe that reimbursement or indemnity and/or security is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security; 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 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 to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and the Subsidiary Guarantors' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any Default or Defaults in the performance of any covenants or agreements under the Indenture. See “— Provision of Financial Statements and Reports.”

None of the Trustee or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Company and the Subsidiary Guarantors are performing all of their obligations under the Indenture unless the Trustee or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors are not performing all of their obligations under the Indenture and/or the Notes.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes, the Intercreditor Agreement, and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes, the Intercreditor Agreement, and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;”

- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or 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 Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;”

- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred.

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— 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.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, any 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 Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) in connection with an exchange offer, the Company and any of its Subsidiaries may exclude (i) Holders or beneficial owners of the Notes that are not “qualified institutional buyers” as defined in Rule 144A under the Securities Act, or “non-U.S. Persons” as defined in Regulation S under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Parent Guarantor or any such Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of any jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants-Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants-Anti-Layering,” and (ii) clause (3) under “Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in clause (i) above, clause (4) under “Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not

to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement (if any) and any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement, or any Security Document;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or any JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add any additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee (if any);
- (8) 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;

- (9) 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;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee or the Collateral Agent to enter into, supplement or amend the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);
- (11) make any other change that does not materially and adversely affect the rights of any Holder; or
- (12) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement (if any) and any Security Document 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 Company, the Subsidiary Guarantor Pledgors, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) with any provision thereof; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, 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, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Intercreditor Agreement (if any), the Indenture and the Security Documents;

- (9) 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;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (11) amend, change or modify any provision of the Intercreditor Agreement (if any), any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) 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 provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “— Limitation on Asset Sales”;
- (13) change the redemption date or the redemption price of the Notes from that stated under the caption “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

Citicorp International Limited will be appointed as Trustee under the Indenture. Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, will be appointed as registrar (the “Registrar”) and paying agent and transfer agent (the “Paying and Transfer Agent” and together with the Registrar, the “Agents”) with regard to the Notes. Except during the continuance of a 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 against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

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 such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. None of the Trustee, the Agents, or the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Intercreditor Agreement (if any) or other Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so, except as a result of the fraud, gross negligence or willful default of the Trustee, the Agents or the Collateral Agent.

Citicorp International Limited will initially act as the Collateral Agent under the Security Documents in respect of the security over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Intercreditor Agreement (if any) and the Security Documents. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents, the Indenture or the Intercreditor Agreement (if any) that are in conflict with the interests of the Trustee, the Holders and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any). Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement (if any) or any other Security Document for the benefit of the Holders or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any), unless such Holders and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any) have instructed the Trustee in writing and have offered to the Trustee and/or the Collateral Agent indemnity and/or security satisfactory to it against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Collateral Agent, that it is solely responsible for its own independent appraisal of an investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Collateral Agent in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the “Initial Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes 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 Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company and the Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and additional amounts may be paid as described under “— Additional Amounts”.

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions".

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of

Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at Room 1-2, Enterprise Square 3, Kowloon Bay, Hong Kong, Fax: (852) 2758 8342, Attention: President (Mr. Huang Ruoqing), (if intended for the Trustee) at the corporate trust office of the Trustee at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, Facsimile: +852 2323 0279, Attention: Agency and Trust; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint National Corporate Research, Ltd. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to “— Security” are expected to be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

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.

“2019 HSB Facility Agent” means Hang Seng Bank Limited as the agent of the finance parties under the 2019 HSB Loan Agreement.

“2019 HSB Loan Agreement” means the US\$175,000,000 term loan facility agreement dated March 27, 2019 between, among others, the Company and the HSB Facility Agent.

“2020 Global Edge Loan Agreement” means the US\$50,000,000 term loan facility agreement dated June 10, 2020 between, among other, the Company and Global Edge Opportunity VI Limited as lender.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after August 6, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person and as of any date of determination, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such

redemption date of (x) the redemption price of such Note on August 6, 2022, plus (y) all required remaining scheduled interest payments due on such Note through August 6, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any 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 Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company 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 Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any 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 Company 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 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or 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 Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary;

- (8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary or to any Person that becomes a Restricted Subsidiary upon consummation of such sale, transfer or disposition of assets; and
- (9) any disposition of Receivable Financing Assets in connection with any Receivable Financing other than Non-recourse Receivable Financing) permitted under the Indenture, and (ii) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof or in bankruptcy or similar proceeding.

“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.

“August 29 2018 Notes” means the 11.0% senior notes due 2020 issued by the Company in accordance with an indenture dated August 29, 2018.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits, bank accounts, bank deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars or Hong Kong dollars or other foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York, London or Hong Kong (or in 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 into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, 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 Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Collateral Agent” means Citicorp International Limited, initially, acting under the Security Documents and the Intercreditor Agreement (if any), for itself and the benefit of the Holders, the Trustee and any other Secured Parties thereunder.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to August 6, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to August 6, 2022.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense, including for the avoidance of doubt, capitalized interest included in cost of sale,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), including, for the avoidance of doubt, corporate income tax and land appreciation tax, 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 gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with

GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) *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, *provided further* that, in each case of Indebtedness so Guaranteed or secured, interest accruing thereon shall be included only to the extent that such interest has become payable by the Company or any Restricted Subsidiary, and (7) 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 Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

- (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries); *provided* that in the case of (b), other than any gains realized on the sale or other disposition of Capital Stock of a Restricted Subsidiary whose only material asset is a real estate project or a phase of a real estate project where not less than 75% of the aggregate gross planned floor area of such real estate project or phase has been sold or pre-sold;
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after tax extraordinary or non-recurring gains;

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to

Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Creditor Representatives” means, collectively, the Trustee, the 2019 HSB Facility Agent, Global Edge Opportunity VI Limited, the trustees for each series of the Existing Pari Passu Secured Indebtedness that constitutes senior notes and the holders (or their trustees, representatives or agents) of any Permitted Pari Passu Secured Indebtedness that have become a party to the Intercreditor Agreement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Debt Documents” means, collectively, the Indenture, the Existing Pari Passu Secured Indebtedness and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

“December 2019 Notes” means the Company’s 11.5% senior notes due December 8, 2020 issued by the Company in accordance with an indenture dated December 10, 2019.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the date that is 183 days after 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 Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that, such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee, a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement (if any); *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Existing Pari Passu Secured Indebtedness” means the August 29 2018 Notes, the 2019 HSB Loan Agreement, the May 2019 Notes, the December 2019 Notes, the May 2020 Notes and the 2020 Global Edge Loan Agreement.

“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 international standing appointed by the Company.

“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, Inc. and its affiliates.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, 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 Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, 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 Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal 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 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; *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. For avoidance of doubt, such Indebtedness secured by such Person will not be deemed as Indebtedness of such Person and only such Lien will be deemed as such Person's 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 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 any Entrusted Loan; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (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 if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Intercreditor Agreement" has the meaning set forth under "— Security."

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Receipt” means, at any time, with respect to an Investment under clause (20) of the definition of “Permitted Investment”, an amount equal to the net reduction in all Investments made under clause (20) of the definition of “Permitted Investment” since the Original Issue Date resulting from (A) receipt of payments by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) with respect to Investments in Persons, the unconditional release of a Guarantee of any obligation of any Person provided under such clause (20) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (20) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) for any Investment in a Person, such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition).

“Investment Grade” means (i) a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, (ii) a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Fitch or both of them, as the case may be.

“Investment Property” means any property that is owned and held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor 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 Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Listed Subsidiary” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“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).

“May 2019 Notes” means the Company’s 9.875% senior notes due May 2, 2021 issued by the Company in accordance with an indenture dated May 2, 2019.

“May 2020 Notes” means the Company’s 13.0% senior notes due May 27, 2023 issued by the Company in accordance with an indenture dated May 27, 2020.

“Measurement Date” means August 1, 2014.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Business, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, 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-recourse Receivable Financing” means Receivable Financing (i) under which neither the Company or any Restricted Subsidiary (other than pursuant to Standard Non-recourse Receivable Financing Undertakings) provides guarantee or recourse with respect to the Receivable Financing Assets, undertakes to repurchase any Receivable Financing Assets, subjects any of its properties or Assets, directly or indirectly, contingently or otherwise, to the satisfaction of any obligation related to the Receivable Financing Assets or undertakes to maintain or preserve the financial condition or operating results of the entity that purchases or otherwise receives the Receivable Financing Assets and (ii) is not reflected as liability on the consolidated balance sheet of the Company.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company 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 covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof accepted for payment. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; *provided, however*, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or another Subsidiary Guarantor or JV Subsidiary Guarantor; *provided that* (1) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) (x) Wong Yeuk Hung, Huang Ruoqing and the children and spouse of Wong Yeuk Hung or Huang Ruoqing; and (y) any family trust set up by Persons listed in sub-clause (x) of this clause (1) *provided that* one or more of such Persons are the initial grantors or trust beneficiaries;

- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of any Person specified in clause (1); and
- (3) 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 one or more Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) 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 not entered into for speculation and designed to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, (x) if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms, or (y) subject to clause (18) of this definition, if created or acquired in the ordinary course of business in connection with any sale or disposal of any asset of the Company or any Restricted Subsidiary, which receivable shall be paid within 24 months after the creation or acquisition thereof;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— 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 Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, welfare and social benefits, property maintenance and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company 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) advances or prepayments 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 Company's balance sheet;
- (17) Guarantees permitted under clause (2)(p) or (2)(s) of the covenant under "— Limitation on Indebtedness and Preferred Stock";
- (18) any Investment by the Company 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 (x) any Person of which at least 20% of the Capital Stock and Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such Person, an "Associate") or (y) any Person; *provided that*:
 - (i) (x) the aggregate of all Investments made under this clause (18) since the Original Issue Date, together with the receivables owing to the Company or any Restricted Subsidiary created or acquired under clause (7)(y) of this definition since the Original Issue Date, shall not exceed in aggregate an amount equal to 30% of Total Assets, and (y) the aggregate of all Investments made under this clause (18) in any Person (other than an Associate) since the Original Issue Date shall not exceed in aggregate an amount equal to 5.0% 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 (18) (and net reductions in all receivables created or acquired under clause (7)(y)) since the Original Issue Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (18) (or payment or satisfaction of any

receivable created or acquired under clause (7)(y)), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

- (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
- (C) to the extent that an Investment made after the Original Issue Date under this clause (18) (or a receivable created or acquired after the Original Issue Date under clause (7)(y)) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment, or receivable, as the case may be (less the cost of disposition, if any) and (y) the initial amount of such Investment, or receivable, as the case may be,
- (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, or
- (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person (or receivables owing by such Person to the extent created or acquired under clause (7)(y)) 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 Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (18) or the amount of receivables created or acquired after the Original Issue Date permitted under clause (7)(y)), as the case may be,

- (ii) if the Person into which such Investment is made is (or will be, upon making such Investment) an Associate, such Person is primarily engaged in a Permitted Business;
- (iii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (18) is, or in the case of clause (7)(y), none of the other shareholders or partners in a Person by which such receivable is owing is, a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of such shareholder or partner being the Company or a Subsidiary or Minority Joint Venture of the Company);
- (iv) no Default has occurred and is continuing or would occur as a result of such Investment (or in the case of clause (7)(y), as a result of creating or acquiring such receivable); and
- (v) in the case of any Investment by the Company or any Restricted Subsidiary in a Person (or in the case of clause (7)(y), any receivable is owing by a Person) of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or any of its Restricted Subsidiaries, at the time of such Investment the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation of Indebtedness and Preferred Stock";

provided that, this paragraph (v) and paragraph (ii) above shall not apply if such Investment or receivables would otherwise have been permitted under this clause (18) and clause (7)(y) above and such Investment or receivables, together with the aggregate amount of all Investments made under this clause (18) after the Original Issue Date in reliance on this proviso and the receivables owing to the Company or any Restricted Subsidiary created or acquired under clause (7)(y) of this definition after the Original Issue Date in reliance on this proviso, but less the aggregate amount of net reduction in Investments made under this clause (18) and receivables owing to the Company or any Restricted Subsidiary created or acquired under clause (7)(y) of this definition in each case after the Original Issue Date in reliance on this proviso resulting from circumstances described in paragraphs (i)(A) through (E) above) shall not exceed 5.0% of Total Assets.

for the avoidance of doubt, (x) the value of each Investment made pursuant to this clause shall be valued at the time such Investment is made and (y) the limitations set forth in paragraph (ii) of this clause (18) shall not apply to the receivables created or acquired under clause (7)(y);

- (19) 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, is necessary or advisable to effect such Receivable Financing;
- (20) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the proposed Restructuring upon designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, *provided* that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (20) since the Original Issue Date shall not exceed an amount equal to 10.0% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 10.0% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture); and *provided further* that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event; and
- (21) any Investment made by the Company or any Restricted Subsidiary, provided that the aggregate amount of all Investments made after the Original Issue Date under this clause (20) less the aggregate amount of all Investment Receipts received after the Original Issue Date in connection with such Investment made after the Original Issue Date under this clause (21), shall not exceed US\$50 million.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (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 (e) of the second paragraph 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 Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “— Security — Permitted Pari Passu Secured Indebtedness”;
- (15) any interest or title of a lessor in the property subject to any operating lease or Capitalized Leases;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant 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 Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) (other than, in each case, deposits of loan proceeds securing performance of obligations in relation to the use of such loan proceeds under a loan agreement to which such loan proceeds relate to, entered into by the Company or any Restricted Subsidiary, if the Indebtedness Incurred under such loan agreement is otherwise permitted under the other terms of the Indenture) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims, welfare and social benefits, property maintenance and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company 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 Company or any Restricted Subsidiary;
- (22) Liens granted by the Company 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;
- (23) Liens securing Indebtedness permitted under clause (2)(n) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (24) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(o) or (2)(u) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (25) Liens incurred on one or more bank accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness;
- (26) Liens securing Indebtedness the Guarantee of which is permitted under clause (2)(s) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (27) Liens Incurred on deposits made to secure Entrusted Loans;
- (28) Liens on Investment Properties or long term assets securing Indebtedness of the Company or Restricted Subsidiary permitted under clause (2)(v) of the covenant described under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (29) Liens securing Indebtedness permitted to be Incurred under clause (2)(r) of the covenant described under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”,

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “— Security — Permitted Pari Passu Secured Indebtedness.”

“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 Public Indebtedness, any Indebtedness of any Subsidiary Guarantor and any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (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% 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.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws 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 Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market or Singapore Exchange Securities Trading Limited or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means an initial public offering, and a listing, of ordinary shares of a company on a Qualified Exchange; *provided* that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Rating Agencies” means (1) S&P and (2) Fitch, provided that if S&P or Fitch or both of them shall not make a rating of the Company publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Fitch, or both of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (3) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Company is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes rated by both of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (b) in the event the Notes rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes rated by both of the Rating Agencies or less than two Rating Agencies and are rated below Investment Grade by all such Rating Agencies or Rating Agency on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams 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.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in the City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the Qualified IPO of the ordinary shares of a Person, *provided* that such Person shall be a Subsidiary or an Associate of the Company immediately prior to the completion of the Qualified IPO, and the restructuring in relation thereto.

“Restructuring Group” means a group of entities for which the Company contemplates a Qualified IPO.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person, *provided* that Sale and Leaseback Transaction shall not include such transactions which give rise to any lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Collateral Agent or the Trustee for the benefit of themselves and of the secured parties that shall include the Holders, in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means a Restricted Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant 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 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 Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“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 Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any Person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least “A” by S&P or Moody’s;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;

- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) (i) 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 or Hong Kong or (ii) structured deposit products with a term not exceeding six months that are principal protected with any banks organized under the laws of the PRC.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that:

- (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any 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 Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, *pro forma* effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving *pro forma* effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, BVI, Hong Kong and PRC tax consequences relating to the Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from July 29, 2008. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company or to holders of the Notes by reason only of holding the Notes levied by the government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

BVI

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

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) or distributions in respect of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged

on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposition or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue 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
- 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 distributions 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 or disposition 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 or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors 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

The EIT Law, effective January 1, 2008 and was recently amended on December 29, 2018, imposes a withholding tax at the rate of 10% on interest from PRC sources paid to holders of notes that are “non-resident enterprises” if any such “non-resident enterprise” holder does not have an establishment or place of business in China or if, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. We may be considered a PRC tax resident enterprise, as described in “Risk Factors — Risk Relating to Conducting Business in the PRC — We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and may result in PRC withholding taxes on interest we pay on the Notes and PRC tax on gains from the transfer of the Notes.” Although the issue is not entirely clear, if we are considered a PRC resident enterprise, interest and premium, if any, paid to non-resident holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at the rate of 10% in the case of non-resident enterprise holders of the Notes pursuant to the EIT Law, or PRC individual withholding tax at the rate of 20% in the case of non-resident individual holders of the Notes pursuant to PRC individual income tax laws. We currently do not intend to withhold taxes from interest or any

premium payments, but there can be no assurance that the PRC income tax authorities will accept our position on this issue. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains

The EIT Law imposes a tax at the rate of 10% on capital gains from PRC sources realized by holders of notes that are “non-resident enterprises” if any such “non-resident enterprise” holder does not have an establishment or place of business in China or if, despite the existence of an establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China. We may be considered a PRC tax resident enterprise, as described in “Risk Factors — Risk Relating to Conducting Business in the PRC — We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and may result in PRC withholding taxes on interest we pay on the Notes and PRC tax on gains from the transfer of the Notes.” Although the issue is not entirely clear, if we are considered a PRC resident enterprise, the capital gains realized by non-resident holders of the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at the rate of 10% in the case of non-resident enterprise holders of the Notes pursuant to the EIT Law, or PRC individual income tax at the rate of 20% in the case of non-resident individual holders of the Notes pursuant to PRC individual income tax laws. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside China).

PLAN OF DISTRIBUTION

Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch, Barclays Bank PLC, BNP Paribas, Haitong International Securities Company Limited, Standard Chartered Bank, Deutsche Bank AG, Singapore Branch, HeungKong Securities Limited, Orient Securities (Hong Kong) Limited, CRIC Securities Company Limited and The Bank of East Asia, Limited are acting as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated July 30, 2020, each Initial Purchaser named below has severally but not jointly agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser’s name.

Initial Purchaser	Principal Amount of Notes
Credit Suisse (Hong Kong) Limited	US\$33,000,000
UBS AG Hong Kong Branch	US\$33,000,000
Barclays Bank PLC	US\$33,000,000
BNP Paribas	US\$33,000,000
Haitong International Securities Company Limited	US\$33,000,000
Standard Chartered Bank	US\$17,600,000
Deutsche Bank AG, Singapore Branch	US\$11,000,000
HeungKong Securities Limited	US\$9,900,000
Orient Securities (Hong Kong) Limited	US\$8,800,000
CRIC Securities Company Limited	US\$5,500,000
The Bank of East Asia, Limited.	US\$2,200,000
Total	US\$220,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to certain other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. See “Transfer Restrictions.” The price at which the Notes are offered may be changed at any time without notice. In addition, we have agreed with the Initial Purchasers that certain private banks will be paid a commission with the purchase of the Notes by their private bank clients. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

During the period beginning on the date hereof and continuing to the date that is seven days after the date on which the Notes are issued, without the prior written consent of the Initial Purchasers, none of the Company and the Subsidiary Guarantors will offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or the Subsidiary Guarantors that are substantially similar to the Securities (other than the Securities and any Additional Notes (as defined in the Indenture) or any debt securities offered primarily in the PRC).

The Notes will constitute a new class of securities with no established trading market. [Application will be made to] the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering of the Notes, the Initial Purchasers may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days; purchasers who wish to trade Notes on the date of pricing or the succeeding business days may be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business days should consult their own advisor.

The Initial Purchasers or their affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes, all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indenture.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering, but not with a view to distribute, and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

PRIIPs / Prohibition of Sales to EEA and UK Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA or in the UK.

For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA or in the UK. Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.” The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

United Kingdom

Each Initial Purchaser has represented and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Company;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company or any of the Subsidiary Guarantors; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this 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) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;

- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

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

PRC

The Initial Purchasers have acknowledged that this offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. Each of the Initial Purchasers has severally represented and agreed that, except to the extent consistent with applicable laws and regulations in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) (collectively, the “Securities”).

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Securities have not been registered under the Securities Act or any other applicable securities laws;
 - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS 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 we, the Initial Purchasers, the Registrar and the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us the Initial Purchasers, the Registrar and the Transfer Agent. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be rated B by Standard & Poor's Ratings Services (Standard & Poor's) and B by Fitch Ratings Ltd ("Fitch"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Investors should evaluate the ratings independently of other ratings (if any) of the Notes or other securities of the Company. We have been assigned B with a stable outlook by Standard & Poor's Ratings Services and B with a positive outlook by Fitch Ratings Ltd. We cannot assure you that our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law, Conyers Dill & Pearman as to matters of Cayman Islands law and BVI law and JunHe LLP as to matters of PRC Law. Certain legal matters will be passed upon for the Initial Purchasers by Norton Rose Fulbright Hong Kong as to matters of United States federal and New York law and Commerce & Finance Law Offices as to matters of PRC law.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the years ended December 31, 2018 and 2019 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the BVI and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated July 29, 2020. The entering into of the Indenture governing the Notes and the giving of the Subsidiary Guarantees have been authorized by resolutions of the board of directors of each Subsidiary Guarantor dated July 29, 2020.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

No material adverse change

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2019 that is material in the context of the issue of the Notes.

Documents available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected by holders of the Notes upon satisfactory proof of holding free of charge during normal business hours on any Business Day (except public holidays) at the corporate trust office of the Trustee at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, Facsimile: +852 2323 0279, Attention: Agency and Trust.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any Business Day (except public holidays) at the principal office of the Company.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	Common Code
XS2204388644	220438864

Listing of the Notes

Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Notes, the Subsidiary Guarantees

or the JV Subsidiary Guarantees (if any). For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for individual definitive Notes, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for individual definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual definitive Notes, including details of the paying agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited consolidated financial statements as of and for the year ended December 31, 2019⁽¹⁾

	<u>Page</u>	<u>Page reference to the Company's 2019 annual report</u>
Independent Auditor's Report	F-2	108
Consolidated Statement of Profit or Loss	F-14	120
Consolidated Statement of Comprehensive Income	F-15	121
Consolidated Balance Sheet	F-16	122
Consolidated Statement of Changes in Equity	F-18	124
Consolidated Statement of Cash Flows	F-20	126
Notes to the Consolidated Financial Statements	F-22	128

Audited consolidated financial statements as of and for the year ended December 31, 2018⁽¹⁾

	<u>Page</u>	<u>Page reference to the Company's 2018 annual report</u>
Independent Auditor's Report	F-211	71
Consolidated Statement of Profit or Loss	F-216	76
Consolidated Statement of Comprehensive Income	F-217	77
Consolidated Balance Sheet	F-218	78
Consolidated Statement of Changes in Equity	F-220	80
Consolidated Statement of Cash Flows	F-222	82
Notes to the Consolidated Financial Statements	F-223	83

Notes:

- (1) The audited consolidated financial statements for the years ended December 31, 2018 and 2019 set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2018 and 2019 and page references are references to pages set forth in such annual reports.



INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



羅兵咸永道

To the Shareholders of Redco Properties Group Limited
(incorporated in the Cayman Islands with limited liability)

致力高地產集團有限公司股東
(於開曼群島註冊成立的有限公司)

OPINION

意見

What we have audited

我們已審計的內容

The consolidated financial statements of Redco Properties Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 120 to 316, which comprise:

力高地產集團有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)列載於第120至第316頁的合併財務報表，包括：

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

- 於二零一九年十二月三十一日的合併資產負債表；
- 截至該日止年度的合併損益表；
- 截至該日止年度的合併全面收益表；
- 截至該日止年度的合併權益變動表；
- 截至該日止年度的合併現金流量表；及
- 合併財務報表附註，包括主要會計政策概要。

Our opinion

我們的意見

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

我們認為，該等合併財務報表已根據香港會計師公會頒佈的《香港財務報告準則》真實而中肯地反映了貴集團於二零一九年十二月三十一日的合併財務狀況及其截至該日止年度的合併財務表現及合併現金流量，並已遵照香港《公司條例》的披露規定妥為擬備。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Classification of investments
- Step acquisition of Top Glory Group

意見的基礎

我們已根據香港會計師公會頒佈的《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計合併財務報表承擔的責任」部分中作進一步闡述。

我們相信，我們所獲得的審計憑證能充足和適當地為我們的審計意見提供基礎。

獨立性

根據香港會計師公會頒佈的《專業會計師道德守則》(以下簡稱「守則」)，我們獨立於貴集團，並已履行守則中的其他專業道德責任。

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期合併財務報表的審計最為重要的事項。這些事項是在我們審計整體合併財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。

我們在審計中識別的關鍵審計事項概述如下：

- 投資分類
- 分次收購銘高集團



INDEPENDENT AUDITOR'S REPORT
獨立核數師報告



Key Audit Matter
關鍵審計事項

Classification of investments

Refer to Note 2.2, 14, 15 and 27 to the consolidated financial statements

During the year ended 31 December 2019, the Group made investments with consideration of approximately RMB591.7 million in subsidiaries and approximately RMB199.1 million in associates and joint ventures.

We focused on this area due to the magnitude of the investments and the fact that significant judgements were made by management in determining the appropriate classification of the investments that involved complex terms and arrangements.

投資分類

請參閱合併財務報表附註2.2、14、15及27

截至二零一九年十二月三十一日止年度，貴集團投資於附屬公司的代價約為人民幣591.7百萬元，而投資於聯營公司及合營企業的代價約為人民幣199.1百萬元。

我們關注此方面是主要因為投資的規模，以及管理層於釐定涉及複雜條款及安排的投資的合適分類時作出重要判斷。

How our audit addressed the Key Audit Matter
我們在審計如何處理關鍵審計事項

Our procedures in relation to the classification of investments included:

- We read the contracts and agreements in relation to those investments made in the current year. We assessed the terms and conditions of those investments, including evaluation of whether there is any indication or evidence of control, joint control or significant influence found in the detailed arrangements of these investments, to determine whether appropriate classification had been adopted by management in relation to those investments based on the consideration of the totality of facts surrounding the operations of the investee companies and the terms of the contracts and agreements.
- We discussed with management and obtained management assessment to understand their critical judgement that they had applied in the classification of investments.

我們有關投資分類的程序包括：

- 我們已閱讀有關於本年度作出的該等投資的合約及協議。我們亦評估該等投資的條款與條件，包括評價該等投資的詳細安排中發現的控制、聯合控制或重大影響指標或證據，以評估管理層有否考慮到有關被投資公司營運及合約與安排條款的所有事實而就該等投資應用合適分類。
- 我們與管理層討論並取得管理層的評估，以了解彼等的重大判斷及所應用的投資分類。



Key Audit Matter (Continued)
關鍵審計事項 (續)

**How our audit addressed the
Key Audit Matter** (Continued)
我們在審計如何處理關鍵審計事項 (續)

Classification of investments (Continued)

- We also discussed with management to obtain an understanding on the details of such investments, including relevant activities of the investee companies and how decisions about those activities are made, how the Group and other investors participate in the decisions, the rights and power of the Group and other investors on the investee companies.
- We performed background search on other investors of the investee companies to understand the business scope of the investors and rationale of the investment.

Based on the procedures performed, we noted that management's judgement applied in the classification of investments was supported by available evidence.

投資分類 (續)

- 我們亦與管理層討論以了解該等投資的詳情，包括被投資公司的相關業務以及如何作出有關該等業務的決定、貴集團及其他投資者如何參與決策、貴集團及其他投資者對該等被投資公司的權利及權力。
- 我們對被投資公司的其他投資者進行背景審查，以了解投資者的業務範疇及投資的依據。

根據所執行的程序，我們發現管理層就投資分類所應用的判斷由可得證據支持。



INDEPENDENT AUDITOR'S REPORT
獨立核數師報告



Key Audit Matter (Continued)
關鍵審計事項(續)

Step acquisition of Top Glory Group

Refer to Notes 2.2, 2.3, 2.9, 7, 13 and 27.3 to the consolidated financial statements

On 26 June 2019, the Group acquired the remaining 55% equity interest of Top Glory International Holding Ltd (“Top Glory”) and its subsidiaries (together referred to as the “Top Glory Group”) at a consideration of RMB198.0 million, which gives the Group the control of Top Glory. Top Glory Group was a 45% associate of the Group before the step acquisition.

In a business combination achieved in stages, the Group requires to re-measure its previously held equity interest at the acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

分次收購銘高集團

請參閱合併財務報表附註2.2、2.3、2.9、7、13及27.3

於二零一九年六月二十六日，貴集團以代價人民幣198.0百萬元收購銘高國際控股有限公司（「銘高」）及其附屬公司（統稱「銘高集團」）餘下55%的股權，使貴集團擁有銘高的控制權。進行分次收購前，銘高集團為貴集團的45%聯營公司。

於分階段進行的業務合併中，貴集團須按收購日期公平值重新計量其先前持有的股權，並於損益內確認所得收益或虧損（如有）。

**How our audit addressed the
Key Audit Matter (Continued)**
我們在審計如何處理關鍵審計事項(續)

Our procedures in relation to the step acquisition of Top Glory Group included:

- We assessed the competency, capability and objectivity of the independent external valuer by considering its qualification, relevant experience and relationship with the Group.
- We involved our internal valuation specialist in our discussion with management and the independent external valuer to understand and assess the appropriateness of the methodologies used and the assumptions and estimates applied in the (i) re-measurement of previously held 45% equity interest in Top Glory Group; (ii) the valuations of identifiable intangible assets; and (iii) the business value of Top Glory Group at the acquisition date.
- We evaluated the reasonableness of the discount rate by considering the weighted average cost of capital and the risk profile of the investee.

我們有關分次收購銘高集團的程序包括：

- 我們透過考慮獨立外部估值師的資歷、相關經驗及與貴集團的關係評估其勝任程度、能力及客觀性。
- 我們的內部估值專家參與我們與管理層及獨立外部估值師進行的討論，以了解及評估(i)重新計量先前持有的銘高集團45%股權；(ii)可識別無形資產的估值；及(iii)於收購日期銘高集團的業務價值所用方法及所應用假設及估計是否恰當。
- 我們透過考慮資本的加權平均成本及被投資公司的風險狀況評估折現率是否合理。



Key Audit Matter (Continued)
關鍵審計事項(續)

**How our audit addressed the
Key Audit Matter (Continued)**
我們在審計如何處理關鍵審計事項(續)

Step acquisition of Top Glory Group (Continued)

Accounting for business combination requires the Group to allocate the purchase price to the assets acquired, liabilities assumed, and identified intangible assets based on their estimated fair values at the date of acquisition. The Group assessed the previously held 45% equity interest in Top Glory Group; the fair values of the identifiable intangible assets; and the business value of Top Glory Group at the acquisition date based on an independent valuation report prepared by an independent external valuer.

The Group recorded a corresponding re-measurement gains of approximately RMB123.2 million. The identified intangible assets of customer relationship, trademark and goodwill recognised in the consolidated financial statements as at the acquisition date amounted to RMB30.1 million, RMB34.6 million and RMB271.2 million, respectively.

分次收購銘高集團(續)

業務合併的會計處理規定 貴集團根據其於收購日期的估計公平值將購買價分配至所收購資產、所承擔負債及所識別無形資產。 貴集團根據獨立外部估值師備製的獨立估值報告評估先前持有的銘高集團 45% 股權；可識別無形資產的公平值；及於收購日期銘高集團的業務價值。

貴集團錄得相應的重新計量收益約人民幣 123.2 百萬元。於收購日期在合併財務報表內確認的客戶關係、商標及商譽所識別無形資產總額分別為人民幣 30.1 百萬元、人民幣 34.6 百萬元及人民幣 271.2 百萬元。

- We assessed the reasonableness of the key assumptions used including but not limited to revenue growth rate, terminal growth rate, attrition rate, contributory asset charge, royalty rate and remaining useful life by comparing these assumptions against relevant market data and industry research.

- 我們透過將所用主要假設(包括但不限於收益增長率、終端增長率、流失率、貢獻資產費、專利權費率及剩餘可使用年期)與相關市場數據及行業研究進行比較評估該等假設是否合理。



INDEPENDENT AUDITOR'S REPORT
獨立核數師報告



Key Audit Matter (Continued)
關鍵審計事項(續)

Step acquisition of Top Glory Group (Continued)

Management determined the fair value of customer relationship and trademark using multi-period excess earnings method and relief-from-royalty method respectively, with the assistance of an independent professional valuer which requires an estimation of future results, a set of estimations and a determination of key inputs, including the attrition rate, contributory asset charge, royalty rate, remaining useful life and discount rates.

In addition, the fair values of the 100% equity interest and the previously held 45% equity interest in Top Glory Group were determined by using the discounted cash flow ("DCF") approach and various key assumptions and estimates including revenue growth rate, discount rate and terminal growth rate. The excess of consideration transferred and fair value of previously held 45% equity interest over the fair values of the assets acquired, liabilities assumed and identified intangible assets is recorded as goodwill.

分次收購銘高集團(續)

在獨立專業估值師的協助下，管理層分別使用多期間超額盈利法及免納專利權費法釐定客戶關係及商標的公平值，其須估計未來業績、一系列估計數據及關鍵輸入數據的釐定，包括流失率、貢獻資產費、專利權費率、剩餘可使用年期及折現率。

此外，100%股權及先前持有的銘高集團45%股權公平值透過使用折現現金流量(「折現現金流量」)法及多項主要假設及估計(包括收益增長率、折現率及終端增長率)釐定。所轉讓代價及先前持有的45%股權公平值超出所收購資產、所承擔負債及所識別無形資產公平值的差額計入商譽。

How our audit addressed the Key Audit Matter (Continued)

我們在審計如何處理關鍵審計事項(續)

- We tested the arithmetical accuracy on the calculation of the fair values of identified net assets, goodwill and intangible assets.

- 我們測試所識別資產淨值、商譽及無形資產公平值的計算在算術上是否準確。



Key Audit Matter (Continued)
關鍵審計事項(續)

Step acquisition of Top Glory Group (Continued)

We focused on this area because the re-measurement gains and carrying values of the identifiable intangible assets and goodwill are significant to the consolidated financial statements and the valuation methodology and key assumptions require the use of significant judgements and estimates. These estimations are also subject to uncertainties. Any changes to these inputs may have significant impact on the fair value of intangible assets recognised in the step acquisition.

分次收購銘高集團(續)

我們關注該範疇是由於所識別無形資產及商譽的重新計量收益及賬面值就合併財務報表而言屬重大，且估值方法及主要假設須使用重大判斷及估計。該等估計亦受不確定因素影響。該等輸入數據的任何變動可能對分次收購確認的無形資產公平值造成重大影響。

**How our audit addressed the
Key Audit Matter (Continued)**
我們在審計如何處理關鍵審計事項(續)

Based on the audit procedures performed, we consider the methodology used in preparing the valuations and the key assumptions were supportable in light of available internal and other market evidence.

根據所執行的審計程序，我們認為在編製估值時使用的方法及關鍵假設獲現有內部及其他市場證據所支持。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

其他信息

貴公司董事須對其他信息負責。其他信息包括年報內的所有信息，但不包括合併財務報表及我們的核數師報告。

我們對合併財務報表發表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對合併財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與合併財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。

基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事及審核委員會就合併財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》的披露規定擬備真實而中肯的合併財務報表，並對其認為為使合併財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備合併財務報表時，董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴集團清盤或停止營運，或別無其他實際的替代方案。

審核委員會須負責監督貴集團的財務報告過程。



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審計合併財務報表須承擔的責任

我們的目標，是對合併財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們僅向閣下（作為整體）報告我們的意見，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負責或承擔任何責任。合理保證是高水平的保證，但不能保證按照《香港審計準則》進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響合併財務報表使用者依賴合併財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致合併財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審計相關的內部控制，以設計適當的審計程序，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。



INDEPENDENT AUDITOR'S REPORT
獨立核數師報告

- 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.
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意合併財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。
- 評價合併財務報表的整體列報方式、結構和內容，包括披露，以及合併財務報表是否中肯反映交易和事項。
- 就貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對合併財務報表發表意見。我們負責貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。



INDEPENDENT AUDITOR'S REPORT
獨立核數師報告

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chow Shiu Hay, Antonio.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2020

除其他事項外，我們與審計委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向審計委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

從與審計委員會溝通的事項中，我們確定哪些事項對本期合併財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是周兆熙先生。

羅兵咸永道會計師事務所
執業會計師

香港，二零二零年三月三十一日



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

合併損益表

For the year ended 31 December 2019 截至二零一九年十二月三十一日止年度



		Note 附註	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Revenue	收益	5	8,602,321	6,735,931
Cost of sales	銷售成本	6	(5,648,207)	(4,348,211)
Gross profit	毛利		2,954,114	2,387,720
Other gains, net	其他收益淨額	7	445,194	248,469
Selling and marketing expenses	銷售及營銷開支	6	(448,737)	(183,499)
General and administrative expenses	一般及行政開支	6	(516,701)	(424,221)
Fair value gain on investment properties	投資物業公平值收益	12	63,723	84,172
Fair value gain on investment properties upon transfer from properties under development for sales	從持作出售的開發中物業轉為投資物業的公平值收益	12	62,432	—
Operating profit	經營溢利		2,560,025	2,112,641
Finance income	融資收入	9	122,486	95,025
Finance costs	融資成本	9	(19,981)	(71,662)
Finance income, net	融資收入淨額		102,505	23,363
Share of (loss)/profit of investments accounted for using the equity method, net	應佔按權益法入賬的投資(虧損)/溢利淨額	15	(21,545)	77,468
Profit before income tax	除所得稅前溢利		2,640,985	2,213,472
Income tax expense	所得稅開支	10	(1,089,325)	(917,044)
Profit for the year	年內溢利		1,551,660	1,296,428
Profit attributable to:	下列人士應佔溢利：			
Owners of the Company	本公司所有者		1,034,931	990,747
Non-controlling interests	非控制性權益		516,729	305,681
			1,551,660	1,296,428
Earnings per share for profit attributable to owners of the Company for the year	本公司所有者應佔年內溢利之每股盈利			
– Basic and diluted (expressed in RMB cents per share)	– 基本及攤薄(以每股人民幣分表示)	31	29.14	27.90

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

上述合併損益表應與隨附附註一併閱覽。



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 合併全面收益表

截至二零一九年十二月三十一日止年度 For the year ended 31 December 2019



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Profit for the year	年內溢利	1,551,660	1,296,428
Other comprehensive loss	其他全面虧損		
Item that may not be reclassified to profit or loss	可能不會被重新分類至損益的項目		
– Currency translation differences	– 貨幣匯兌差額	(88,781)	(218,452)
Total other comprehensive loss	其他全面虧損總額	(88,781)	(218,452)
Total comprehensive income for the year	年內全面收益總額	1,462,879	1,077,976
Total comprehensive income attributable to:	下列人士應佔全面收益總額：		
Owners of the Company	本公司所有者	946,770	773,425
Non-controlling interests	非控制性權益	516,109	304,551
Total comprehensive income for the year	年內全面收益總額	1,462,879	1,077,976

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

上述合併全面收益表應與隨附附註一併閱覽。



CONSOLIDATED BALANCE SHEET

合併資產負債表

As at 31 December 2019 於二零一九年十二月三十一日



		Note 附註	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
ASSETS	資產			
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	11	259,152	221,300
Investment properties	投資物業	12	1,025,004	803,899
Intangible assets	無形資產	13	332,252	—
Investments accounted for using the equity method	按權益法入賬的投資	15	654,872	700,294
Prepayments	預付款項	19	—	60,000
Deferred income tax assets	遞延所得稅資產	16	834,614	459,833
			3,105,894	2,245,326
Current assets	流動資產			
Completed properties held for sale	持作出售的已竣工物業	17	3,037,052	2,133,818
Properties under development for sale	持作出售的開發中物業	18	30,969,759	15,680,128
Contract assets	合約資產	5	700,000	700,000
Trade and other receivables and deposits	貿易及其他應收款項 以及按金	19	2,595,926	3,371,544
Prepayments	預付款項	19	1,858,769	1,053,610
Amounts due from joint ventures	應收合營企業款項	33	59,949	4,844
Amounts due from associates	應收聯營公司款項	33	482,845	364,871
Amounts due from non- controlling interests	應收非控制性權益款項	32	3,951,248	1,414,342
Income tax recoverable	可收回所得稅		788,393	312,821
Restricted cash	受限制現金	20	3,965,210	2,186,139
Cash and cash equivalents	現金及現金等價物	20	11,094,295	5,678,863
			59,503,446	32,900,980
Total assets	總資產		62,609,340	35,146,306
EQUITY	權益			
Equity attributable to owners of the Company	本公司所有者應佔權益			
Share capital	股本	21	139,632	139,632
Reserves	儲備	22	5,041,820	4,237,813
			5,181,452	4,377,445
Non-controlling interests	非控制性權益		4,453,096	2,287,973
Total equity	總權益		9,634,548	6,665,418



CONSOLIDATED BALANCE SHEET

合併資產負債表

於二零一九年十二月三十一日 As at 31 December 2019



		Note 附註	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
LIABILITIES	負債			
Non-current liabilities	非流動負債			
Borrowings	借款	23	4,694,786	4,912,751
Deferred income tax liabilities	遞延所得稅負債	16	634,906	286,051
			<u>5,329,692</u>	<u>5,198,802</u>
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付款項	24	12,020,186	6,323,532
Borrowings	借款	23	12,087,907	6,146,930
Amounts due to non-controlling interests	應付非控制性權益款項	32	5,146,101	2,123,659
Amounts due to associates	應付聯營公司款項	33	485,280	66,000
Amounts due to joint ventures	應付合營企業款項	33	50,776	23,756
Contract liabilities	合約負債	25	15,552,490	7,169,457
Income tax liabilities	所得稅負債		2,302,360	1,428,752
			<u>47,645,100</u>	<u>23,282,086</u>
Total liabilities	總負債		<u>52,974,792</u>	<u>28,480,888</u>
Total equity and liabilities	總權益及負債		<u>62,609,340</u>	<u>35,146,306</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

上述合併資產負債表應與隨附附註一併閱覽。

The financial statements on pages 120 to 316 were approved for issue by the Board of Directors on 31 March 2020 and were signed on its behalf:

列載於第120至316頁的合併財務報表已由董事會於二零二零年三月三十一日批准刊發，並由以下董事代表簽署：

黃若虹 WONG Yeuk Hung
董事 Director

黃若青 HUANG Ruoqing
董事 Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 合併權益變動表

For the year ended 31 December 2019 截至二零一九年十二月三十一日止年度



		Attributable to owners of the Company 本公司擁有人應佔			Non- controlling interests	Total equity
	Note 附註	Share capital 股本 RMB' 000 人民幣千元	Reserves 儲備 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元	非控制性權益 RMB' 000 人民幣千元	權益總額 RMB' 000 人民幣千元
Balance at 1 January 2018	於二零一八年 一月一日的結餘	139,632	3,649,916	3,789,548	787,837	4,577,385
Comprehensive income	全面收益					
- Profit for the year	- 年內溢利	—	990,747	990,747	305,681	1,296,428
Other comprehensive loss	其他全面虧損					
- Currency translation differences	- 貨幣匯兌差額	—	(217,322)	(217,322)	(1,130)	(218,452)
Total comprehensive income for the year	年內全面收益總額	—	773,425	773,425	304,551	1,077,976
Transactions with owners	與擁有人的交易					
Change in ownership interests in a subsidiary without change of control	在控制權無變動的情況下於 一家附屬公司所有權權益 的變動	—	9,810	9,810	(28,350)	(18,540)
Non-controlling interests arising from acquisitions of subsidiaries	收購附屬公司產生的 非控制性權益	—	—	—	285,493	285,493
Non-controlling interests arising from step acquisitions	分次收購產生的非控制性權益	—	—	—	238,914	238,914
Capital injection from non- controlling interests	非控制性權益注資	—	—	—	699,528	699,528
Dividends relating to 2017 final	與二零一七年末期有關的股息	—	(106,548)	(106,548)	—	(106,548)
Dividends relating to 2018 interim	與二零一八年中期有關的股息	—	(88,790)	(88,790)	—	(88,790)
Total transactions with owners, recognised directly in equity	直接於股本確認與擁有人的 交易總額	—	(185,528)	(185,528)	1,195,585	1,010,057
Balance at 31 December 2018	於二零一八年十二月三十一日 的結餘	139,632	4,237,813	4,377,445	2,287,973	6,665,418



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
合併權益變動表

截至二零一九年十二月三十一日止年度 For the year ended 31 December 2019



		Attributable to owners of the Company 本公司擁有人應佔				
	Note 附註	Share capital 股本 RMB' 000 人民幣千元	Reserves 儲備 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元	Non- controlling interests 非控制性權益 RMB' 000 人民幣千元	Total equity 權益總額 RMB' 000 人民幣千元
Balance at 1 January 2019	於二零一九年一月一日的結餘	139,632	4,237,813	4,377,445	2,287,973	6,665,418
Comprehensive income	全面收益					
- Profit for the year	一年內溢利	—	1,034,931	1,034,931	516,729	1,551,660
Other comprehensive income	其他全面收益					
- Currency translation differences	— 貨幣匯兌差額	—	(88,161)	(88,161)	(620)	(88,781)
Total comprehensive income for the year	年內全面收益總額	—	946,770	946,770	516,109	1,462,879
Transactions with owners	與擁有人的交易					
Change in ownership interests in subsidiaries without change of control	在控制權無變動的情況下於附屬公司所有權益的變動	27.4	(36,215)	(36,215)	(785)	(37,000)
Non-controlling interests arising from acquisitions of subsidiaries	收購附屬公司產生的非控制性權益	27.1 and 27.2	—	—	1,565,755	1,565,755
Non-controlling interests arising from step acquisitions	分次收購產生的非控制性權益	27.3	—	—	116,223	116,223
Capital injection from non-controlling interests	非控制性權益注資	—	—	—	448,435	448,435
Disposal of subsidiaries	出售附屬公司	28	—	—	(419,072)	(419,072)
Dividends relating to 2018 final	與二零一八年末期有關的股息	34	(106,548)	(106,548)	—	(106,548)
Dividends paid to non-controlling interests	派付予非控制性權益的股息	—	—	—	(61,542)	(61,542)
Total transactions with owners, recognised directly in equity	直接於股本確認與擁有人的交易總額	—	(142,763)	(142,763)	1,649,014	1,506,251
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	139,632	5,041,820	5,181,452	4,453,096	9,634,548

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

上述合併權益變動表應與隨附附註一併閱覽。



CONSOLIDATED STATEMENT OF CASH FLOWS 合併現金流量表

For the year ended 31 December 2019 截至二零一九年十二月三十一日止年度



	Note 附註	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Cash flows from operating activities			
Net cash generated from/(used in) operations	26	2,778,560	(1,624,343)
Income tax paid		(818,465)	(631,728)
Net cash generated from/(used in) operating activities		1,960,095	(2,256,071)
Cash flows from investing activities			
Additions of property, plant and equipment		(44,732)	(22,798)
Proceeds from disposal of property, plant and equipment	26	4,841	647
Capitalised subsequent expenditure on an investment property	12	(1,097)	(204)
Cash acquired from acquisition and step acquisition of subsidiaries, net of cash payment	27	242,696	(442,095)
Net cash inflows in respect of the disposal of subsidiaries	28	99,270	—
Net cash inflows in respect of the disposal of assets and liabilities held for sales		—	369,731
Payments for investments in joint ventures	15	(10,000)	(500)
Payments for investments in associates	15	(179,100)	(126,699)
Proceeds from disposal of an associate		24,380	—
Advances to non-controlling interests		(2,781,444)	(711,379)
Advances to associates		(47,300)	(79,763)
(Advances)/repayments of advances to joint ventures		(55,105)	48,258
Loans due from joint ventures		—	(4,436)
Loan due from an associate		—	—
Loans due from third parties		210,000	(207,620)
Interest received from bank deposits		65,234	34,945
Net cash used in investing activities		(2,472,357)	(1,141,913)



CONSOLIDATED STATEMENT OF CASH FLOWS

合併現金流量表

截至二零一九年十二月三十一日止年度 For the year ended 31 December 2019



	Note 附註	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Cash flows from financing activities	融資活動現金流		
Decrease/(increase) in restricted cash	受限制現金減少/(增加)	57,545	(97,800)
Proceeds from bank and other borrowings	銀行及其他借款所得款項	7,663,125	4,572,845
Repayment of bank and other borrowings	償還銀行及其他借款	(5,934,044)	(3,037,142)
Issuance of 6.375% Senior Notes due 2019	發行二零一九年到期6.375% 優先票據	—	2,277,435
Issuance of 11% Senior Notes due 2020	發行二零二零年到期11% 優先票據	—	1,310,388
Repayment of 7% Senior Notes due 2018	償還二零一八年到期7%優先票據	—	(1,799,231)
Payment for repurchase of 6.375% Senior Notes due 2019	購回二零一九年到期6.375% 優先票據的付款	—	(6,748)
Issuance of 13.5% Senior Notes due 2020	發行二零二零年到期13.5% 優先票據	1,697,536	—
Issuance of 9.875% Senior Notes due 2021	發行二零二一年到期9.875% 優先票據	1,201,353	—
Issuance of 11.5% Senior Notes due 2020	發行二零二零年到期11.5% 優先票據	1,746,810	—
Additional issuance of 11% Senior Notes due 2020	額外發行二零二零年到期11% 優先票據	726,546	—
Repayment of 8% Private Notes due 2019	償還二零一九年到期8%私募票據	(108,675)	—
Repayment of 6.375% Senior Notes due 2019	償還二零一九年到期6.375% 優先票據	(2,021,729)	—
Proceeds from capital injection from non-controlling interests	來自非控制性權益的注資所得款項	448,435	699,528
Payments for acquisition of ownership interests in subsidiaries without change in control	在控制權無變動的情況下收購 於附屬公司所有權權益付款	(37,000)	—
Advance from non-controlling interests	來自非控制性權益墊款	1,484,858	2,007,245
Advances from joint ventures	來自合營企業墊款	27,020	129,241
Advances from associates	來自聯營公司墊款	419,280	66,000
Interest paid	已付利息	(1,289,256)	(496,389)
Dividend paid	已付股息	(184,035)	(149,908)
Net cash generated from financing activities	融資活動所得現金淨額	5,897,769	5,475,464
Net increase in cash and cash equivalents	現金及現金等價物增加淨額	5,385,507	2,077,480
Cash and cash equivalents at beginning of year	年初的現金及現金等價物	5,678,863	3,587,770
Currency translation differences	貨幣匯兌差額	29,925	13,613
Cash and cash equivalents at end of the year	年末的現金及現金等價物	20 11,094,295	5,678,863

The above consolidated statement of cash flows should be read in conjunction with the accompanying not

上述合併現金流量表應與隨附附註一併閱覽。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

合併財務報表附註

1 GENERAL INFORMATION

Redco Properties Group Limited (the “Company”) was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the “Group”) are principally engaged in property development, property management services, property investment services and healthcare services in the People’s Republic of China (the “PRC”). The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”).

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties which are carried at fair value.

1 一般資料

力高地產集團有限公司(「本公司」)於二零零八年七月十四日在開曼群島根據開曼公司法註冊成立為獲豁免有限責任公司。本公司的註冊辦事處地址為Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands。

本公司乃一家投資控股公司及其附屬公司(連同本公司統稱為「本集團」)主要在中華人民共和國(「中國」)從事物業開發、物業管理服務、物業投資服務及康養服務。本公司於香港聯合交易所有限公司(「香港聯交所」)主板上市。

除另有註明外，該等合併財務報表均以人民幣(「人民幣」)呈列。

2 主要會計政策概要

本附註提供編製該等合併財務報表所採用的主要會計政策列表。除非另有說明，否則於所有呈報年度一直貫徹採用該等政策。

2.1 編製基準

本公司合併財務報表乃根據香港會計師公會(「香港會計師公會」)頒佈的香港財務報告準則(「香港財務報告準則」)及香港公司條例(第622章)之披露規定編製。合併財務報表以歷史成本法編製，並就按公平值入賬的投資物業的重新估值作出修訂。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Going concern

As at 31 December 2019, the Group had total borrowings of RMB16,782,693,000, amongst which, the current bank borrowings amounted to RMB12,087,907,000. At the same date, the Group had cash and cash equivalents of RMB11,094,295,000.

As at 30 June 2019, the Group failed to comply with a restrictive undertaking clause set out in the loan agreements in connection with the interest coverage ratio for certain bank borrowings approximately RMB2,577,920,000 (the “Relevant Borrowings”). Such non-compliance constituted an event of default under the loan agreements of the Relevant Borrowings. In addition, pursuant to the bank loan agreements of certain of the Group’s bank borrowings, the lenders have the rights to demand for immediate repayment should there be any default events happened in respect of other borrowings of the Group. On 25 and 26 November 2019, the Group successfully negotiated with the relevant banks in relation to the Relevant Borrowings and obtained written agreements to revise the restrictive undertaking of interest coverage ratio for the periods ended 30 June 2019 and 31 December 2019 and to waive their rights arising from the non-compliance under the original clauses of the loan agreements. In addition, based on the communications with the banks related to the bank borrowings with cross-default clauses and email confirmations obtained, the directors considered that the banks will not exercise their rights under the relevant cross-default clauses given the Group has successfully obtained waivers and revision of the restrictive undertaking of the Relevant Borrowings as mentioned above.

2 主要會計政策概要(續)

2.1 編製基準(續)

2.1.1 持續經營基準

於二零一九年十二月三十一日，本集團的借款總額為人民幣16,782,693,000元，其中即期銀行借款金額為人民幣12,087,907,000元。同日，本集團有人民幣11,094,295,000元的現金及現金等價物。

於二零一九年六月三十日，本集團未能遵守貸款協議所載的限制性承諾條款，其與約人民幣2,577,920,000元的若干銀行借款(「相關借款」)的利息覆蓋率有關。根據相關借款的貸款協議，有關不合規事宜構成違約事件。此外，根據本集團之銀行借款之若干銀行貸款協議，倘本集團其他借款發生任何違約事件，貸款人有權要求立即還款。於二零一九年十一月二十五日及二十六日，本集團成功與相關銀行就相關借款進行磋商，並取得書面協議以修訂截至二零一九年六月三十日及二零一九年十二月三十一日止期間的利息覆蓋率的限制性承諾，並豁免貸款協議原始條款下因不合規事宜產生的權利。此外，根據與銀行就具交叉違約條款的銀行借款進行之磋商以及所取得之確認電郵，董事認為銀行將不會根據相關交叉違約條款行使彼等之權利，原因為如上文所述，本集團已成功取得豁免並修訂相關銀行借款的限制性承諾。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 *Going concern* (Continued)

In early 2020, after the rapid outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”), a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group has comprehensively evaluated its impact on sales activities and construction works in various cities. The construction and sales progress of the Group may be exposed to short-term volatility because of the outbreak mentioned above. Under the premise of protecting the health and safety of customers and employees, the Group has gradually resumed its operation since mid-February 2020 in accordance with the local governments’ policies. In light of the negative impact brought upon by the COVID-19 outbreak, it may cause a short-term impact on all sectors and the real estate industry has also been affected by the short-term psychological impact of the public on the epidemic. Such impact will depend on the duration and development trend of the epidemic situation.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors have reviewed the Group’s cash flow projections prepared by management, which cover a period of twelve months from 31 December 2019. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

2 主要會計政策概要(續)

2.1 編製基準(續)

2.1.1 持續經營基準(續)

二零一九年新型冠狀病毒疾病於二零二零年初迅速爆發(「COVID-19爆發」)後，一系列的預防及控制措施已於中國實施，並將繼續實行。本集團已就其多個城市的銷售活動及建築工程的影響作出全面評估。本集團之建設及銷售進度可能會因疫情爆發受到短期波動。在保障客戶與僱員的健康及安全的前提下，本集團自二零二零年二月中旬開始，根據當地政府的政策逐步恢復營運。鑑於COVID-19爆發帶來負面影響，可能對所有行業造成短期影響，而房地產行業亦受到了公眾對該疫情的短期心理影響所影響。有關影響將取決於疫情的持續時間及發展趨勢。

鑑於上述情況，董事在評估本集團是否將有足夠財務資源持續經營時，已審慎考慮本集團之未來流動資金與表現以及其可用資金來源。董事已審閱由管理層所編製的現金流量預測，涵蓋自二零一九年十二月三十一日起，本集團十二個月期間的現金流量。為減輕流動資金壓力及改善財務狀況，本集團已採取若干計劃及措施，包括但不限於下列各項：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

- (i) The Group has complied with restrictive undertaking of interest coverage ratio of the Relevant Borrowings of approximately RMB2,426,049,000 for the year ended 31 December 2019 under the revised terms of the loan agreements.

The Group will closely monitor the process of pre-sales and the construction of its property development projects to ensure that the relevant properties sold under pre-sale arrangement are completed on schedule as planned, the completion certificate from the relevant government authority are successfully obtained and delivered to the customers under the expected timeframe, such that the Group is able to generate sufficient earnings to comply with the interest coverage ratio as specified in the existing agreements of the Relevant Bank Borrowings. Moreover, the Group will also monitor its level of bank borrowings and interest rate changes. The Group may adjust the pace of the development of new property projects from time to time to enhance the Group's cash flows and reduce interest expenses.

The Group will continue to monitor its future compliance with the covenant requirements. In respect to the covenant requirements of the Relevant Borrowings, the Group is required to report to the banks semi-annually.

2 主要會計政策概要(續)

2.1 編製基準(續)

2.1.1 持續經營基準(續)

- (i) 根據貸款協議的經修訂條款，本集團已遵守截至二零一九年十二月三十一日止年度相關借款約人民幣2,426,049,000元的利息覆蓋率的限制性承諾。

本集團將密切監察預售的過程及物業發展項目的建設，以確保根據預售安排出售的相關物業按原訂時間表竣工、從相關政府機關成功取得完工證書及按預期時間表交付予客戶，因而本集團有能力產生足夠盈利，以達致相關銀行借款的現有協議所指明比率的利息覆蓋率。此外，本集團亦將監察其銀行借款及利率變化的程度。本集團或會不時調整新物業項目的發展進度以加強本集團之現金流量及減少利息開支。

本集團將繼續監察其有否於未來遵守契諾規定。就相關借款的契諾規定而言，本集團須每半年向銀行作出報告。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 *Going concern* (Continued)

Should the Group anticipate that they are unable to comply with the covenant requirements, management of the Company will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks. The Group will also consider to early repay the Relevant Borrowings with its cash surplus.

- (ii) In light of the COVID-19 outbreak, the Group anticipates a decline in revenue and cash collection in the first quarter of year 2020 when compared with the corresponding period of last year. However, a number of local governments in China have introduced some favourable policies to stimulate the local property markets. The Group is closely monitoring the development of COVID-19 and will continue to assess the impact of the epidemic on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cash from its operations.

2 主要會計政策概要(續)

2.1 編製基準(續)

2.1.1 持續經營基準(續)

倘本集團預計無法遵守任何契諾規定，本公司管理層將與相關個別銀行討論及磋商，並尋求進一步修訂條款及契諾規定，或向銀行取得豁免遵守契諾規定。本公司亦會考慮以其現金盈餘提早償還相關借款。

- (ii) 鑒於COVID-19爆發，本集團預計於二零二零年第一季度的收入及現金回收量將較去年同期減少。然而，中國多個地方政府已推出若干優惠政策以刺激當地房地產市場。本集團正密切監察COVID-19的發展，將繼續不時評估該疫情對本集團業務的影響，並調整其物業銷售之營銷及銷售策略，以致其營運產生足夠的現金。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

- (iii) The Group has undrawn bank facilities of approximately RMB2,060,847,000 for the settlement of capital expenditures of the existing property development projects. In addition, the Group will negotiate with banks to obtain project loans to finance the construction cost of new property development projects. Based on the experience of the Group, the directors are confident that they will be able to draw down from such facilities and obtain new borrowings from banks and other financial institutions, as and when needed.

Notwithstanding the above, whether management is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions, and consequently be able to generate adequate financing and operating cash flows to continue as a going concern would depend upon, among other things, the Group's operating performance to generate adequate operating cash flows and earnings from the sales and delivery of property units in the expected timeframe, continuous availability of existing bank facilities and the availability of additional financing. The directors of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2019 and have considered the possible changes in its operating performance. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2019. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 主要會計政策概要(續)

2.1 編製基準(續)

2.1.1 持續經營基準(續)

- (iii) 本集團持尚未提取銀行融資約為人民幣2,060,847,000元，以作清償現有物業發展項目的資本支出。此外，本集團將就取得項目貸款與銀行磋商，以用作新物業發展項目的建設成本融資。根據本集團的過往經驗，董事對於從銀行及其他金融機構提取有關融資及獲得新借款(如有需要)持有信心。

儘管如此，管理層是否能夠實現上述計劃及措施，其中納入有關未來事件及條件的假設，並因此能夠產生足夠的融資及經營現金流量以持續經營，取決於以下因素(其中包括)，本集團產生足夠經營現金流量的營運表現及來自按原訂時間表出售及交付物業單位的盈利、能否持續取得現有銀行融資以及能否獲取額外融資。本公司董事已審閱本公司自二零一九年十二月三十一日起計不少於十二個月期間的現金流量預測，並已考慮其營運表現之可能變動。彼等認為本集團將有充足營運資金於二零一九年十二月三十一日起計未來十二個月內履行到期之財務責任。因此，董事認信納按持續經營基準編製合併財務報表屬適當。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Accounting policies

- (a) New standard, amendments to standards and interpretations adopted by the Group

The following new standard, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2019 and currently relevant to the Group:

Amendments to HKFRS 9 香港財務報告準則第9號修訂本	Prepayment Features with Negative Compensation 具有負補償特性的預付款項
HKFRS 16 香港財務報告準則第16號	Leases 租賃
HK (IFRIC) Int-23 香港(國際財務報告詮釋委員會) — 詮釋第23號	Uncertainty over Income Tax Treatments 所得稅處理的不確定性
Amendments to HKAS 19 香港會計準則第19號修訂本	Plan Amendment, Curtailment or Settlement 計劃修訂、縮減或結算
Amendments to HKAS 28 香港會計準則第28號修訂本	Investment in Associates and Joint Ventures 投資於聯營公司及合營企業
Amendments to HKFRSs 香港財務報告準則修訂本	Annual Improvements 2015 – 2017 Cycle 香港財務報告準則二零一五年至二零一七年週期年度改進

The Group has adopted these new standards, amendments of standards and interpretations and the adoption of these new standards, amendments of standards and interpretations do not have significant impacts on the Group's consolidated financial statements.

2 主要會計政策概要(續)

2.1 編製基準(續)

2.1.2 會計政策

- (a) 本集團採納之新準則、準則的修訂本及詮釋

以下的新準則、準則的修訂本及詮釋已於二零一九年一月一日開始的財政年度首次強制採納，現時與本集團有關：

本集團已採納該等新準則、準則修訂及詮釋，而採納該等新準則、準則修訂及詮釋對本集團合併財務報表並無重大影響。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Accounting policies (Continued)

- (b) New standards, amendments to standards and annual improvements not yet adopted

The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

Conceptual Framework for Financial Reporting 2018
二零一八年財務報告概念框架
Amendments to HKAS 1 and HKAS 8
香港會計準則第1號及香港會計準則第8號修訂本
Amendments to HKFRS 3
香港財務報告準則第3號修訂本
HKFRS 17
香港財務報告準則第17號
Amendments to HKFRS 10 and HKAS 28
香港財務報告準則第10號及香港會計準則第28號修訂本
Amendments to HKFRS 9, HKAS 39 and HKFRS 7
香港財務報告準則第9號、香港會計準則第39號及香港財務報告準則第7號修訂本

Revised Conceptual Framework for Financial Reporting
經修訂財務報告概念框架
Definition of Material
重大之定義
Definition of a Business
業務之定義
Insurance Contracts
保險合同
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
關於投資者與其聯營公司或合營企業之資產出售或出資
Hedge Accounting
對沖會計

1 January 2020
二零二零年一月一日
1 January 2020
二零二零年一月一日
1 January 2020
二零二零年一月一日
1 January 2021
二零二一年一月一日
To be determined
待定
1 January 2020
二零二零年一月一日

2 主要會計政策概要(續)

2.1 編製基準(續)

2.1.2 會計政策(續)

- (b) 尚未採納之新準則、準則的修訂本及年度改進

以下新準則、準則的修訂本及年度改進已頒佈但尚未於二零一九年一月一日開始的財政年度內生效，且本集團亦無提早採納此等新準則及準則修訂本：

Effective for accounting periods beginning on or after 於以下日期或之後開始的會計期間生效

1 January 2020
二零二零年一月一日
1 January 2020
二零二零年一月一日
1 January 2020
二零二零年一月一日
1 January 2021
二零二一年一月一日
To be determined
待定
1 January 2020
二零二零年一月一日



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Accounting policies (Continued)

- (b) New standards, amendments to standards and annual improvements not yet adopted (Continued)

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvement. The Group will adopt the new standards, amendments to standards and annual improvement when they become effective.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 主要會計政策概要(續)

2.1 編製基準(續)

2.1.2 會計政策(續)

- (b) 尚未採納之新準則、準則的修訂本及年度改進(續)

本集團董事正評估採納上述新準則、準則的修訂本及年度改進的財務影響。本集團將於該等新準則、準則的修訂本及年度改進生效時予以採納。

2.2 合併原則及權益會計處理

2.2.1 附屬公司

附屬公司指本集團可控制的所有實體(包括結構實體)。本集團對實體擁有控制權，是指本集團透過參與該實體的業務而面臨該實體的可變回報風險或有權取得可變回報，並能夠運用領導該實體活動的權力影響該等回報。附屬公司自控制權轉讓予本集團日期起全面綜合入賬，並於控制權終止日期起終止綜合入賬。

本集團的業務合併使用收購會計法入賬。

公司間交易、集團內公司間交易產生的結餘及未變現收益會對銷。除非交易證明所轉讓資產獲減值，否則未變現虧損亦會對銷。附屬公司的會計政策會於需要時變動，以確保與本集團所採用政策一致。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.2 Principles of consolidation and equity accounting
(Continued)

2.2.1 Subsidiaries (Continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint ventures.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

2 主要會計政策概要(續)

2.2 合併原則及權益會計處理(續)

2.2.1 附屬公司(續)

業績內的非控制性權益及附屬公司的權益分別於合併損益表、合併全面收益表、合併權益變動表及合併資產負債表內獨立呈列。

2.2.2 聯營公司

聯營公司為本集團對之擁有重大影響力但並無控制權或聯合控制權的所有實體。一般而言在該情況下，本集團持有的投票權介乎20%至50%。初步按成本確認後，於聯營公司的投資按會計權益法入賬。

2.2.3 合營安排

根據香港財務報告準則第11號合營安排，於合營安排的投資分類為合營業務或合營企業。分類視乎各投資者的合約權利及責任而定，而非合營安排的法律結構。本集團僅擁有合營企業。

初步按成本於合併資產負債表內確認後，合營企業權益使用權益法入賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.2 Principles of consolidation and equity accounting
(Continued)

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2 主要會計政策概要(續)

2.2 合併原則及權益會計處理(續)

2.2.4 權益法

根據權益會計法，投資初步按成本確認，其後調整以於損益確認本集團應佔收購後被投資公司的損益及於其他全面收益確認本集團於被投資公司其他全面收益的股份變動。已收或應收聯營公司及合營企業股息確認為投資賬面值扣減。

當本集團應佔權益入賬投資虧損相等於或超過其於實體的權益(包括任何無抵押長期應收款項)時，除非本集團產生責任或代其他實體支付款項，否則毋須進一步確認虧損。

本集團與其聯營公司及合營企業交易的未變現收益以本集團於該等實體的權益為限進行對銷。除非有關交易證明所轉讓資產出現減值，否則未變現虧損亦須對銷。權益入賬被投資公司的會計政策已作出必要變更，以確保與本集團所採納的政策一致。

權益入賬投資的賬面值根據附註2.10所述政策進行減值測試。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.2 Principles of consolidation and equity accounting
(Continued)

2.2.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 主要會計政策概要(續)

2.2 合併原則及權益會計處理(續)

2.2.5 所有權權益變動

本集團將與非控制性權益進行而不會導致失去控制權的交易視為與本集團權益擁有人進行的交易。所有權權益變動會導致控股及非控制性權益賬面值調整，以反映其於附屬公司各自的權益。非控制性權益調整金額與任何已付或已收代價的任何差額於本公司所有者應佔權益內確認為獨立儲備。

當本集團因失去控制權、聯合控制權或重大影響力而不再將投資合併或進行權益入賬時，則於實體的任何保留權益將按其公平值重新計量，賬面值變動在損益內確認。就其後入賬列作聯營公司、合營企業或金融資產的保留權益而言，該公平值屬初步賬面值。此外，先前就該實體於其他全面收益確認的任何金額按猶如本集團已直接出售有關資產或負債的方式入賬，其可能意味先前於其他全面收益確認的金額重新分類至損益或轉讓至適用香港財務報告準則指定/允許的另一權益類別。

倘於合營企業或聯營公司的所有權權益減少，惟仍保留聯合控制權或重大影響力，則先前於其他全面收益確認的金額僅會將按比例應佔的份額重新分類至損益(如適用)。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

2 主要會計政策概要(續)

2.3 業務合併

不論收購股本工具或其他資產，所有業務合併使用收購會計法入賬。就收購附屬公司所轉讓的代價包括：

- 所轉讓資產的公平值；
- 所收購業務前任擁有人所產生負債；
- 本集團所發行股權；
- 或然代價安排所產生的任何資產或負債的公平值；及
- 附屬公司任何既有股權的公平值。

除少數例外情況外，於業務合併時所收購的可識別資產及所承擔的負債及或然負債初步按其於收購日期的公平值計量。本集團以逐項收購為基準按公平值或按非控制性權益於所收購實體的可識別資產淨值按比例應佔的份額確認於所收購實體的任何非控制性權益。

收購相關成本於產生時列為開支。

下列各項：

- 所轉讓代價；
- 於被收購實體的任何非控制性權益；及
- 任何先前於被收購實體的股權的收購日期公平值



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 主要會計政策概要(續)

2.3 業務合併(續)

超逾所收購可識別資產淨值的公平值的金額入賬列作商譽。倘該等金額少於所收購業務的可識別資產淨值的公平值，則差額會直接於損益確認為議價購買。

倘遞延結算現金代價的任何部分，則日後應付金額將折現至兌換日期的現值。所用折現率為實體的增量借款利率，即按可資比較條款及條件自獨立融資方獲取的類似借款利率。或有代價分類為權益或金融負債。分類為金融負債的金額其後重新計量為公平值，而公平值變動於損益內確認。

倘業務合併分階段進行，收購方先前持有的被收購方股權於收購日期的賬面值按收購日期的公平值重新計量。有關重新計量產生的任何收益或虧損於損益內確認。

2.4 獨立財務報表

於附屬公司的投資按成本扣除減值入賬。成本包括直接應佔投資成本。附屬公司的業績由本公司按已收及應收股息入賬。

當收到於附屬公司的投資的股息時，倘股息超過附屬公司在宣派股息期間的全面收入總額，或倘於獨立財務報表的投資賬面值超過被投資公司資產淨值(包括商譽)於合併財務報表的賬面值時，則須對有關投資進行減值測試。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Company’s functional currency is Hong Kong dollars (“HK\$”), and the consolidated financial statements are presented in RMB, which is the Company’s and the Group’s presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within “finance income” and “finance costs”. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within “other gains, net”.

2 主要會計政策概要(續)

2.5 分部報告

經營分部的報告形式與向主要營運決策者(「主要營運決策者」)提供的內部報告形式一致。主要營運決策者負責分配資源及評估經營分部表現，已被確定為作出策略決策的執行董事。

2.6 外幣換算

(a) *功能及呈報貨幣*

本集團各實體合併財務報表所列的項目均採用該實體經營所在主要經濟環境的貨幣(「功能貨幣」)計量。本公司的功能貨幣為港元(「港元」)，而合併財務報表以本公司及本集團的呈報貨幣人民幣呈列。

(b) *交易及結餘*

外幣交易按交易當日匯率換算為功能貨幣。結算有關交易及按年末匯率換算以外幣列值的貨幣資產及負債所產生的外匯收益及虧損一般於損益內確認。倘該等交易與合資格現金流量對沖及合資格投資淨額對沖有關或歸屬於海外業務投資淨額的一部分，則會於權益內遞延。

與借款有關的外匯收益及虧損乃於合併損益表「融資收入」及「融資成本」內列賬。所有其他外匯收益及虧損於合併損益表「其他收益淨額」內按淨額基準列賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 主要會計政策概要(續)

2.6 外幣換算(續)

(c) 集團公司

功能貨幣與呈報貨幣不同的所有本集團實體(當中並無惡性通貨膨脹經濟體的貨幣)的業績及財務狀況按如下方法換算為呈報貨幣：

- 各資產負債表呈列的資產及負債按結算日的收市匯率換算；
- 各損益表及全面收益表的收支按平均匯率換算(除非該平均匯率並非交易當日現行利率累計影響的合理約數，則收入及開支將以交易當日的匯率換算)；及
- 所產生全部匯兌差額於其他合併收益內確認。

於綜合入賬時，換算海外實體任何淨投資及有關投資指定為對沖的借款及其他金融工具產生的匯兌差額於其他全面收益內確認。當海外業務被出售或構成淨投資部分的任何借款被償還時，相關匯兌差額重新分類至損益，作為出售收益或虧損的一部分。

因收購外國實體而產生的商譽及公平值調整，均視作有關外國實體的資產及負債，並按收市匯率換算。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Leasehold improvement 租賃物業裝修	shorter of the lease term or useful lives 租賃期或可使用年期(以較短者為準)
Furniture and office equipment 傢俬及辦公設備	3 to 5 years 3至5年
Motor vehicles 汽車	3 to 5 years 3至5年
Building 樓宇	50 years 50年

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

2 主要會計政策概要(續)

2.7 物業、廠房及設備

物業、廠房及設備按歷史成本減折舊入賬。歷史成本包括收購該等項目直接應佔的開支。

僅當與項目有關的未來經濟利益很可能流入本集團，而該項目的成本能夠可靠地計量時，則會將該項目其後產生的成本計入該項資產的賬面值或確認為獨立資產(如適當)。已替換部分的賬面值會終止確認。其他所有維修及保養成本乃於其產生的報告期間自損益扣除。

折舊按以下估計可使用年期以直線法分配其成本(扣除其剩餘價值)計算：

資產的剩餘價值及可使用年期均於各報告期末進行檢討，並作出必要的調整。

倘資產的賬面值高於其估計可收回金額，則即時將資產賬面值撇減至其可收回金額(附註2.10)。

出售收益及虧損乃通過比較所得款項與賬面值而釐定，並計入損益內。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss.

2.9 Intangible assets

2.9.1 Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units (“CGUs”) that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 主要會計政策概要(續)

2.8 投資物業

本集團持有投資物業以收取長期租金回報，並無佔用投資物業。投資物業初步按成本計量，包括相關交易成本及適用的借貸成本，其後按公平值列賬。公平值變動於損益內呈列。

2.9 無形資產

2.9.1 商譽

商譽按附註2.3所述計量。收購附屬公司的商譽計入無形資產內。商譽並無作出攤銷，惟每年須進行減值測試，或倘發生事件或情況變動表明其可能出現減值，則減值測試將更頻繁，並按成本減累計減值虧損列賬。出售實體的收益及虧損包括與已出售實體有關的商譽賬面值。

商譽分配至現金產生單位以進行減值測試。預期可自產生商譽的業務合併帶來利益的該等現金產生單位或現金產生單位(「現金產生單位」)組別將進行分配。單位或單位組別按最低水平識別，其中商譽就內部管理目的(即營運分部)進行監察。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.9 Intangible assets (Continued)

2.9.2 Trademark and customer relationship

Trademark and customer relationship acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

2.9.3 Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Trademark	10 years
商標	10年
Customer relationship	7.5 years
客戶關係	7.5年

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 主要會計政策概要(續)

2.9 無形資產(續)

2.9.2 商標及客戶關係

業務合併所收購商標及客戶關係按於收購日期的公平值確認，其使用年期有限，其後按成本減累計攤銷及減值虧損列賬。

2.9.3 攤銷方法及期間

本集團於以下期間使用直線法攤銷使用年期有限的無形資產：

2.10 非金融資產減值

未確定使用年期的商譽及無形資產毋須攤銷，惟須每年進行減值測試，或倘發生事件或情況變動表明其可能出現減值時進行減值測試。當發生事件或情況變動表明賬面值未必可收回時，其他資產將進行減值測試。減值虧損按資產賬面值超過其可收回金額的金額確認。可收回金額為資產公平值減出售成本與使用價值的較高者。就評估減值而言，資產以大致上獨立於其他資產或資產組別現金流入的可獨立識別現金流入的最低分類組合(現金產生單位)分類。商譽以外的非金融資產如出現減值，則會於各報告期末檢討可否撥回減值。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Properties under development for sale and completed properties for sale

Properties under development for sale and completed properties held for sale are included in current assets at the lower of cost and net realisable value. Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 主要會計政策概要(續)

2.11 持作出售的開發中物業及持作出售的已竣工物業

持作出售的開發中物業及持作出售的已竣工物業按成本與可變現淨值的較低者列作流動資產。物業的開發成本包括建造成本、機械及設備折舊、土地使用權攤銷、合資格資產的借款成本及於開發期產生的專業費用。物業竣工後轉移至持作出售的已竣工物業。

可變現淨值乃參考日常業務中已售物業的銷售所得款項減適用可變銷售開支及預計竣工成本，或由管理層按照當前市況估計後釐定。

持作出售的開發中物業分類為流動資產，除非預期相關物業發展項目的建設將於正常經營週期後完成。

2.12 金融資產

(a) 分類

本集團將其金融資產分類為以下計量類別：

- 其後按公平值(計入其他全面收益或計入損益)計量的金融資產；及
- 按攤銷成本計量的金融資產。

該分類取決於管理金融資產的實體業務模式及現金流量的合約條款。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.12 Financial assets (Continued)

(a) *Classification* (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 主要會計政策概要(續)

2.12 金融資產(續)

(a) 分類(續)

就按公平值計量的資產而言，收益及虧損將計入損益或其他全面收益。就股本工具投資而言，將視乎本集團是否有在初步確認時作出不可撤銷的選擇，以按公平值計入其他全面收益的股本投資列賬。

本集團僅於管理該等資產的業務模式轉變時，方會將債務投資重新分類。

(b) 確認及終止確認

常規買賣的金融資產於交易日期確認，即本集團承諾買賣資產當日。當自金融資產收取現金流量的權利已屆滿或已轉讓，且本集團已轉讓擁有權的絕大部分風險及回報時，金融資產將終止確認。

(c) 計量

於初步確認時，本集團按其公平值加上(倘金融資產並非按公平值計入損益)收購金融資產直接應佔的交易成本計量金融資產。以按公平值計入損益列賬的金融資產的交易成本於損益內支銷。

確定具有嵌入衍生工具的金融資產的現金流量是否僅為支付本金及利息時，需從金融資產整體進行考慮。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains, net" together with foreign exchange gains and losses. Impairment losses are recognised in "General and administrative expenses" in the consolidated statement of profit or loss.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

2 主要會計政策概要(續)

2.12 金融資產(續)

(c) 計量(續)

債務工具

債務工具的後續計量取決於本集團管理資產的業務模式及資產的現金流量特徵。本集團將其債務工具分為三個計量類別：

- **攤銷成本：**倘為收取合約現金流量而持有的資產的現金流量僅為本金及利息付款，則該等資產按攤銷成本計量。該等金融資產的利息收入採用實際利率法計入融資收入。終止確認產生的任何收益或虧損直接於損益內確認，並連同匯兌收益及虧損呈列於「其他收益淨額」內。減值虧損於合併損益表「一般及行政開支」內確認。
- **按公平值計入其他全面收益：**倘為收取合約現金流量及為出售金融資產而持有的資產的現金流量僅為支付本金及利息，有關資產按公平值計入其他全面收益計量。除於損益確認的減值收益或虧損、利息收入及外匯收益及虧損外，賬面值變動於其他全面收益列賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.12 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: (Continued)

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in “other gains, net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “other gains, net” and impairment losses are recognised in “General and administrative expenses” in the statement of profit or loss.

- Fair value through profit of loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit of loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit of loss is recognised in profit or loss and presented net within “other gains, net” in the period in which it arises.

2 主要會計政策概要(續)

2.12 金融資產(續)

(c) 計量(續)

債務工具(續)

- 按公平值計入其他全面收益：(續)

當金融資產終止確認，先前於其他全面收益確認的累計收益或虧損會由權益重新分類至損益及於「其他收益淨額」確認。該等金融資產的利息收入採用實際利率法計入融資收入。匯兌收益及虧損呈列於「其他收益淨額」內，而減值虧損於合併損益表「一般及行政開支」內確認。

- 按公平值計入損益：不符合按攤銷成本或按公平值計入其他全面收益的金融資產條件的資產會按公平值計入損益計量。其後按公平值計入損益且並非部分對沖關係的債務工具的收入或虧損於產生期間的損益確認並於合併全面收益表內「其他收益淨額」以淨額呈列。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains, net" in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For contract assets and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables and deposits, the Group applies a forward looking basis and the expected credit losses associated and adopted three-stages approach to assess the impairment.

2 主要會計政策概要(續)

2.12 金融資產(續)

(c) 計量(續)

股本工具

本集團其後按公平值計量所有股本投資。倘本集團管理層已選擇於其他全面收益呈列股本投資的公平值收益及虧損，終止確認投資後，公平值收益及虧損其後不再重新分類至損益。當本集團收取付款的權利確立時，此類投資的股息繼續於損益中確認為其他收入。

按公平值計入損益的金融資產的公平值變動於合併損益表(如適用)「其他收益淨額」中確認。按公平值計入其他全面收益的股本投資減值虧損(及減值虧損撥回)不會與公平值的其他變動分開呈報。

(d) 金融資產減值

本集團按前瞻性基準評估與其以攤銷成本列賬的資產及按公平值計入其他全面收益的金融資產相關的預期信貸虧損。所應用的減值方法取決於信貸風險是否顯著增加。

對於合約資產及貿易應收款項，本集團採用香港財務報告準則第9號允許的簡化方法，須在初始確認時計量應收款項的預期信貸虧損。

對於其他應收款項及按金，本集團應用應用前瞻性基準及相關的預期信貸虧損，並採用三級法評估減值。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The description of the Group's impairment policies is set out in Note 3.1.

2 主要會計政策概要(續)

2.13 抵銷金融工具

當本集團目前擁有法定可執行權力可抵銷已確認金額及有明確意向以淨額結算或變現資產及結算負債會同時進行，金融資產及負債會予以抵銷，並以淨額於合併財務狀況表內呈報。本集團亦已訂立不符合抵銷準則的安排，惟仍允許相關金額於若干情況下(如破產或終止合約)予以抵銷。

2.14 現金及現金等價物

就合併現金流量表的呈列而言，現金及現金等價物包括手頭現金、金融機構活期存款、原定期日為三個月或以內並可隨時轉換為已知數額現金且價值變動風險並不重大的其他短期高流動性投資以及銀行透支。

2.15 貿易及其他應收款項

貿易應收款項應日常業務中就已售物業或已履行服務應收客戶的款項。

除非貿易及其他應收款項按公平值確認時包括重大融資部分，否則其初步按無條件的代價金額確認。本集團持有以收取合約現金流量為目標的貿易應收款項，故其後按攤銷成本使用實際利率法計量貿易應收款項。本集團減值政策的描述載於附註3.1。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 主要會計政策概要(續)

2.16 股本

普通股分類為權益。

發行新股直接應佔的新增成本於權益中列為所得款項的減項(扣除稅項)。

2.17 貿易及其他應付款項

有關金額指財政年度完結前向本集團提供商品及服務且尚未支付的負債。除非貿易及其他應付款項並非於報告期後12個月內到期，否則款項將呈列為流動負債。貿易及其他應付款項初步按其公平值確認，其後以實際利息法按攤銷成本計量。

2.18 借款

借款於扣除所產生交易成本後初步按公平值確認。借款其後按攤銷成本計量。所得款項(扣除交易成本)與贖回金額之間的任何差額於借款期內以實際利息法於損益內確認。在很可能部分或全部提取融資的情況下，設立貸款融資所付費用將確認為貸款交易成本。在此情況下，費用將遞延至提取貸款為止。倘無法證明很可能部分或全部提取該融資，則該費用將作為流動資金服務的預付款項予以資本化，並於有關的融資期間內予以攤銷。

除非本集團擁有無條件權利將負債的償還日期遞延至報告期後至少12個月，否則借款分類為流動負債。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.20 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2 主要會計政策概要(續)

2.19 借款成本

因收購、建造或生產需經較長時間籌備方能作預定用途或出售的合資格資產直接產生的一般及特定借款成本會計入該等資產的成本，直至該等資產大致可作其預定用途或出售為止。

就特定借款待支付合資格資產的開支前作出短暫投資所賺取投資收入會從合資格資本化的借款成本中扣除。

其他借款成本於其產生期間支銷。

2.20 優先票據

本公司所發行含有負債及提早贖回權(與主合同並無密切關連)的優先票據在初步確認時分作不同類別。於發行日期，負債及提早贖回權部分均按公平值確認。

在其後期間，優先票據負債部分使用實際利率法按攤銷成本列賬。提早贖回權按公平值計量，其公平值變動於損益確認。

與發行優先票據有關的交易成本按有關公平值的比例分配予負債及提早贖回權部分。與提早贖回權有關的交易成本即時於損益中扣除。與負債部分有關的交易成本計入負債部分的賬面值，並採用實際利率法在優先票據期內攤銷。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 主要會計政策概要(續)

2.21 撥備

當本集團因過往事件須承擔現行法律或推定責任，而履行責任可能需要有資源流出，且能夠可靠地估計有關金額，則會就法律申索、服務保證及作出履約責任確認撥備。日後經營虧損不會確認撥備。

倘出現多項類似責任，履行責任需要資源流出的可能性乃經整體考慮債務類別後釐定。即使同類責任中就任何一項流出資源的可能性可能偏低，仍會確認撥備。

撥備按照於報告期末管理層就履行現有責任所須支出的最佳估計現值計量。用於釐定現值的折現率為反映當時市場對貨幣的時間價值及該負債特有風險作出的評估的除稅前利率。因時間推移而增加的撥備確認為利息開支。

2.22 即期及遞延所得稅

本期間所得稅開支或抵免指就本期間應課稅收入按各司法權區適用所得稅稅率應付的稅項，並就暫時性差額及未動用稅項虧損應佔的遞延稅項資產及負債變動作出調整。

(a) 即期所得稅

即期所得稅開支按本公司及其附屬公司及聯營公司經營及產生應課稅收入所在國家於報告期末已頒佈或實質頒佈的稅法計算。管理層定期就有關稅法詮釋評估報稅情況，並於適當時按預期向稅務機關繳付的金額作出撥備。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.22 Current and deferred income tax (Continued)

(b) *Deferred income tax*

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 主要會計政策概要(續)

2.22 即期及遞延所得稅(續)

(b) *遞延所得稅*

遞延所得稅乃以負債法就資產及負債的稅基與於合併財務報表的賬面值之間的暫時性差額全面撥備。然而，倘遞延稅項負債源自初步確認的商譽，則其將不予確認。倘遞延所得稅源自業務合併以外交易初步確認的資產或負債，而在交易時並不影響會計或應課稅損益，則其亦不予入賬。遞延所得稅以於報告期末已頒佈或實質頒佈的稅率(及法律)而釐定，並預期於相關遞延所得稅資產變現或遞延所得稅負債清償後採用。

有關按公平值計量的投資物業的遞延稅項負債以假設物業將透過出售全面收回而釐定。

遞延稅項資產僅於可能出現未來應課稅金額動用該等暫時性差額及虧損時方予確認。

遞延稅項負債及資產不會就海外業務投資賬面值與稅基之間的暫時性差額予以確認，而本公司可控制暫時性差額的撥回時間且差額可能不會於可見未來撥回。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (Continued)

(b) *Deferred income tax* (Continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services performed in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

2 主要會計政策概要(續)

2.22 即期及遞延所得稅(續)

(b) *遞延所得稅*(續)

當有合法可強制執行權利抵銷即期稅項資產及負債，且遞延稅項結餘與同一稅務機關有關時，遞延稅項資產及負債將予抵銷。當實體有合法可強制執行權利抵銷及有意按淨額基準結算或同時變現資產及償付負債時，即期稅項資產及稅項負債將予抵銷。

除與於其他全面收益或直接於權益內確認項目有關外，即期及遞延稅項於損益內確認。在此情況下，稅項亦分別於其他全面收益或直接於權益內確認。

2.23 收入確認

收入按本集團活動的日常業務過程中銷售物業及提供服務的已收或應收代價的公平值計量。所示收益已扣除折現及對銷集團內公司間銷售。本集團於下文所述收入金額能可靠計量時；未來經濟利益可能流入實體時；及本集團各活動已符合特定準則時確認收入。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.23 Revenue recognition (Continued)

(a) Sales of properties and provision of services

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

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

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

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

2 主要會計政策概要(續)

2.23 收入確認(續)

(a) 銷售物業及提供服務

收入在當資產之控制權轉移給客戶時確認。資產之控制權是在一段時間內還是某一時點轉移，取決於合約之條款約定與適用於合約之法律規定。倘本集團滿足下列條件時，資產之控制權在一段時間內可轉移：

- 如客戶同時收到且消耗所有利益；
- 在本集團履約時創建及增強資產並由客戶控制該資產；或
- 並未產生讓本集團有替代用途之資產，且本集團對至今已完履約之付款具有可強制執行之權利。

如果資產及服務之控制權在一段時間內轉移，按在整個合約期間已完成履約義務之進度進行收入確認。否則，收入於客戶獲得資產控制權之該時點確認。

已完成履約義務之進度按本集團完成履約責任的付出或投入計量，並參考截至報告期末產生的合約成本作為各合約總估計成本的百分比。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

(a) Sales of properties and provision of services (Continued)

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

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

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

(b) Sales of goods

Revenue are recognised when control of the product has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because why the passage of time is required before the payment is due.

2 主要會計政策概要(續)

2.23 收入確認(續)

(a) 銷售物業及提供服務(續)

對於在某一時點轉移物業控制權的物業開發及銷售合約，收入於客戶獲得實物所有權或已竣工物業的法定所有權且本集團已獲得現時的付款權及很可能收回代價時確認。

在確定交易價格時，若融資成分重大，本集團將就融資成分影響調整代價承諾金額。

就提供建築服務而言，本集團履約創建或強化資產或在建工程(該等資產或在建工程於創建或強化時為客戶所控制)，因此本集團履行責任，並經參照基於截至報告期末止已產生的每份合約實際成本佔估計成本總額百分比計算的完工進度，隨時間確認收入。

(b) 銷售貨品

收入於產品控制權已轉移(即產品向客戶交付、客戶已接納產品及並無未履行責任可影響客戶接納產品時)確認。

應收款項於貨品交付時確認，此乃代價成為無條件的時點，原因為有關款項須經過一段時間方會到期。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.24 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Employee benefits

(a) Pension obligations

The Group operates a mandatory provident fund scheme (“MPF Scheme”) in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Group and the employees are required to contribute 5% of the employees relevant income up to a maximum of HK\$1,500 per employee per month.

The Group also participates in an employee social security plan (the “Plan”) as required by the regulations in the PRC. The Group is required to make welfare contributions to the Plan which is based on certain percentage of the employees’ relevant income.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The expected cost of bonus plan is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 主要會計政策概要(續)

2.24 利息收入

利息收入透過在金融資產賬面總值應用實際利率法予以計算，惟其後信貸減值的金融資產則除外。就信貸減值金融資產而言，實際利率法已應用於金融資產的賬面淨值(經扣除減值撥備後)。

2.25 僱員福利

(a) 退休金責任

本集團已在香港設立強制性公積金計劃(「強積金計劃」)。強積金計劃的資產由獨立的受託人管理基金持有。本集團及僱員均須按僱員相關收入的5%供款，供款上限為每月每僱員1,500港元。

本集團亦根據中國法規的規定參與僱員社會保障計劃(「計劃」)。本集團須按僱員相關收入的若干百分比向計劃作出福利供款。

本集團於支付供款後即無其他付款責任。有關供款於僱員福利開支到期應付時確認。預付供款於退回現金或可扣減未來供款時確認為資產。

(b) 花紅計劃

於本集團因僱員提供服務而負有現行法定或推定責任，且相關責任能可靠估計時，花紅計劃的預期成本乃確認為負債。

預期花紅計劃的負債將於12個月內清付，並按預期於結清時將予支付的金額計量。



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Financial guarantee liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within general and administrative expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2 主要會計政策概要(續)

2.26 財務擔保負債

財務擔保合約為發行人須因指定債務人未能根據債務文據的條款支付到期款項致使持有人蒙受損失時，向持有人償付指定款項的合約。該等財務擔保以附屬公司為受益人向銀行、金融機構及其他機構作出，以擔保借款、透支及其他銀行融資。

財務擔保初步按發出擔保當日的公平值於合併財務報表內確認。由於所有擔保均按公平原則協定，而所協定溢價價值與擔保責任的價值亦相符，因此財務擔保於簽訂時的公平值為零。有關未來溢價的應收款項不予確認。初步確認後，本集團根據這些擔保承擔的負債乃按初始金額減去已確認的攤銷費用及清償有關擔保所需金額的最佳估計的較高者計量。這些估計乃根據類似交易經驗及過往虧損紀錄，輔以管理層的判斷釐定。所得費用收入於擔保期內按直線法確認。任何有關擔保的負債增加均於合併收益表內列作一般及行政開支。

倘按無償方式就附屬公司的貸款或其他應付款項作出擔保，則有關公平值乃作為出資入賬，並在本公司的財務報表內確認為投資成本的一部分。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

2.27 Leases

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2 主要會計政策概要(續)

2.27 租賃

直至二零一八年十二月三十一日為止，所有權絕大部分風險及回報並無轉讓予本集團(作為承租人)的租賃分類為經營租賃。根據經營租賃作出的付款(扣除自出租人收取的任何獎勵後)於租賃期內按直線法在損益內扣除。

自二零一九年一月一日起，於本集團可使用所租賃資產的日期，租賃確認為一項使用權資產及相應負債。

本集團(作為出租人)的經營租賃租賃收入於租賃期內按直線法確認為收入。於獲取經營租賃時產生的初始直接成本將加入相關資產的賬面值，並於租賃期內按確認租賃收入之相同基準確認為開支。相應所租賃資產按其性質計入資產負債表。於採納新租賃準則後，本集團毋須就作為出租人持有的資產的會計處理作出任何調整。

2.28 股息分派

於報告期末或之前已宣派惟於報告期末尚未分派的任何股息金額(已獲適當授權及不再由實體酌情決定)已作出撥備。



3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow and fair value interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management of each individual entity within the Group.

(i) *Foreign exchange risk*

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to HK\$ and United States dollars ("US\$").

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose it to material foreign exchange risk. Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB. The Group does not hedge its exposure to the foreign currencies.

As at 31 December 2019 and 2018, certain of the Group's cash and bank balances were denominated in HK\$, US\$ and Australian Dollar ("AUD"), details of which have been disclosed in Note 20.

3 財務風險管理

3.1 財務風險因素

本集團的業務活動令其面臨多重財務風險：市場風險(包括外匯風險及現金流以及公平值利率風險)、流動資金風險及信貸風險。本集團的整體風險管理計劃重點關注金融市場的不可預測性並力圖盡量降低對本集團財務表現的潛在不利影響。風險管理由本集團內各個別實體管理層施行。

(i) *外匯風險*

本集團主要在中國營運，大部分交易以人民幣結算。當未來商業交易或已確認資產及負債以相關實體的功能貨幣以外的貨幣計值，將會產生外匯風險。本集團面對的外匯風險主要涉及港元及美元(「美元」)。

本集團的資產及負債以及因其經營產生的交易並不會面對重大外匯風險。除若干銀行結餘及銀行借款外，本集團的資產及負債主要以人民幣計值。本集團通過在中國銷售賺取人民幣以償還其以人民幣計值的負債。本集團並無對沖外幣風險。

於二零一九年及二零一八年十二月三十一日，本集團的若干現金及銀行結餘以港元及美元及澳元(「澳元」)計值，有關詳情已於附註20披露。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2019 and 2018, the Group was exposed to foreign exchange risk primarily with respect to the potential effects on profit or loss included the impacts from translation in intercompany balances which are not denominated in functional currency of respective group companies.

RMB depreciation against HK\$ and US\$ during the year is the major reason for the exchange differences recognised by the Group. Further appreciation of HK\$ and US\$ against RMB will affect the Group's financial position and results of operations.

The following table shows that, if RMB had strengthened/weakened by 5% against HK\$, with all other variables held constant, post-tax profit for the year change, mainly as a result of foreign exchange gains/losses on translation of RMB denominated amounts due from/(to) fellow subsidiaries in group entities which their functional currencies are HK\$.



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Post-tax profit increase/(decrease)	除稅後溢利增加/(減少)		
RMB strengthened by 5%	人民幣升值5%	42,495	77,344
RMB weakened by 5%	人民幣貶值5%	(42,495)	(77,344)

The US\$ denominated borrowings (Note 24) is in the Company which functional currency is HK\$, since HK\$ is pegged to US\$, there is no significant foreign exchange risk with respect to US\$ to the Company.

3 財務風險管理(續)

3.1 財務風險因素(續)

(i) 外匯風險(續)

於二零一九年及二零一八年十二月三十一日，本集團面對的外匯風險主要涉及包括在來自不以各集團公司的功能貨幣計值的公司間結餘匯兌影響對損益的潛在影響。

年內人民幣兌港元及美元貶值是本集團確認匯兌差額的主要原因。日後港元及美元兌人民幣升值是將會影響本集團的財務狀況及經營業績。

下表呈列，倘人民幣兌港元升值/貶值5%，而所有其他變量維持不變，則本年度的除稅後溢利的變化，主要是由於換算以人民幣計值的應收/(應付)集團實體中以港元為功能貨幣的同系附屬公司款項的外匯收益/虧損所致。

以美元計值的借款(附註24)乃於功能貨幣為港元的公司。由於港元與美元掛鈎，故本公司並無涉及美元的重大外匯風險。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risks

Except for bank deposits with variable interest, the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings from bank. Bank borrowings of variable rates expose the Group to cash flow interest rate risk. The senior notes at a fixed rate expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 23.

Management does not anticipate significant impact to the senior notes resulted from the changes in market interest rates. Moreover, given the stability of the interest rate in the recent financial market, in the opinion of the directors, the exposure of the senior notes to fair value interest rate risk is considered to be low. Therefore no sensitivity analysis is performed.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

3 財務風險管理(續)

3.1 財務風險因素(續)

(ii) 現金流量及公平值利率風險

除銀行存款按多種利率計息外，本集團並無其他重大計息資產。

本集團承受的利率變動風險主要來自其銀行借款。浮息銀行借款使本集團承受現金流利率風險。按固定利率計息的優先票據使本集團面臨公平值利率風險。本集團並無對沖其現金流及公平值利率風險。借款的利率及償還條款披露於附註23。

管理層預計，市場利率變動並不會對優先票據產生重大影響。此外，鑒於近期金融市場利率的穩定性，董事認為，優先票據的公平值利率風險極低。因此，並無進行敏感度分析。

由於預期銀行存款的利率不會出現大幅波動，管理層預期利率變動不會對計息資產產生重大影響。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risks (Continued)

At 31 December 2019 and 2018, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, the post-tax profit and capitalised interest for the years ended 31 December 2019 and 2018 would have changed as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Post-tax profit (decrease)/increase	除稅後溢利(減少)/增加		
- 100 basis points higher	- 上調100個基點	(2,472)	(3,126)
- 100 basis points lower	- 下調100個基點	2,472	3,126
Capitalised interest	資本化利息增加/(減少)		
increase/(decrease)			
- 100 basis points higher	- 上調100個基點	48,628	60,170
- 100 basis points lower	- 下調100個基點	(48,628)	(60,170)

(iii) Liquidity risk

As at 31 December 2019, the Group had total borrowings of RMB16,782,693,000, amongst which, the current bank borrowings amounted to RMB12,087,907,000. At the same date, the Group had cash and cash equivalents of RMB11,094,295,000.

3 財務風險管理(續)

3.1 財務風險因素(續)

(ii) 現金流量及公平值利率風險(續)

於二零一九年及二零一八年十二月三十一日，倘浮息借款利率上調/下調100個基點，而所有其他變量保持不變，則截至二零一九年及二零一八年十二月三十一日止年度的除稅後溢利及資本化利息變動如下：

(iii) 流動資金風險

於二零一九年十二月三十一日，本集團的借款總額為人民幣16,782,693,000元，其中即期銀行借款金額為人民幣12,087,907,000元。同日，本集團有人民幣11,094,295,000元的現金及現金等價物。



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

As at 30 June 2019, the Group failed to comply with a restrictive undertaking clause set out in the loan agreements in connection with the interest coverage ratio for certain bank borrowings approximately RMB2,577,920,000 (the “Relevant Borrowings”). Such non-compliance constituted an event of default under the loan agreements of the Relevant Borrowings. In addition, pursuant to the bank loan agreements of certain of the Group’s bank borrowings, the lenders have the rights to demand for immediate repayment should there be any default events happened in respect of other borrowings of the Group. On 25 and 26 November 2019, the Group successfully negotiated with the relevant banks in relation to the Relevant Borrowings and obtained written agreements to revise the restrictive undertaking of interest coverage ratio for the periods ended 30 June 2019 and 31 December 2019 and to waive their rights arising from the non-compliance under the original clauses of the loan agreement. In addition, based on the communications with the banks related to the bank borrowings with cross-default clauses and email confirmations obtained, the directors considered that the banks will not exercise their rights under the relevant cross-default clauses given the Group has successfully obtained waivers and revision of the restrictive undertaking of the Relevant Borrowings as mentioned above.

3 財務風險管理(續)

3.1 財務風險因素(續)

(iii) 流動資金風險(續)

於二零一九年六月三十日，本集團未能遵守貸款協議所載的限制性承諾條款，其與約人民幣2,577,920,000元的若干銀行借款(「相關借款」)的利息覆蓋率有關。根據相關借款的貸款協議，有關不合規事宜構成違約事件。此外，根據本集團之銀行借款之若干銀行貸款協議，倘本集團其他借款發生任何違約事件，貸款人有權要求立即還款。於二零一九年十一月二十五日及二十六日，本集團成功與相關銀行就相關借款進行磋商，並取得書面協議以修訂截至二零一九年六月三十日及二零一九年十二月三十一日止期間的利息覆蓋率的限制性承諾，並豁免貸款協議原始條款下因不合規事宜產生的權利。此外，根據與銀行就具交叉違約條款的銀行借款進行之磋商以及所取得之確認電郵，董事認為銀行將不會根據相關交叉違約條款行使彼等之權利，原因為如上文所述，本集團已成功取得豁免並修訂相關銀行借款的限制性承諾。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 December 2019. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position are summarised in Note 2.1.1 of these consolidated financial statements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

3 財務風險管理(續)

3.1 財務風險因素(續)

(iii) 流動資金風險(續)

鑑於上述情況，董事在評估本集團是否將有足夠財務資源持續經營時，已審慎考慮本集團之未來流動資金與表現以及其可用資金來源。董事已審閱由管理層所編製的現金流量預測，涵蓋自二零一九年十二月三十一日起，本集團十二個月期間的現金流量。為減輕流動資金壓力及改善財務狀況，本集團已採取該等合併財務報表附註2.1.1所概述的若干計劃及措施。

下表根據各結算日至合約到期日的餘下期間對本集團的金融負債按相關到期組別進行分析。表中所披露的金額均為合約未折現現金流及本集團及本公司可能須付款的最早日期。

具體而言，倘定期貸款中包含須按要求償還條款，而有關條款可由銀行全權酌情行使，則分析顯示按實體可能須付款的最早期間(即貸款人援引其即時催收貸款的無條件權利)產生的現金流出。其他銀行借款的到期日分析按預定還款日期編製。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)



		On demand 按要求 RMB' 000 人民幣千元	Less than 1 year 少於1年 RMB' 000 人民幣千元	Between 1 and 2 years 1至2年 RMB' 000 人民幣千元	Between 2 and 5 years 2至5年 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
At 31 December 2019	於二零一九年十二月三十一日					
Term loans subject to repayment on demand clause	附有按要求償還條款的定期貸款	131,683	—	—	—	131,683
Bank borrowings and interest payments	銀行借款及利息付款	—	6,940,658	1,505,629	2,180,303	10,626,590
Senior notes and interest payments	優先票據及利息付款	—	6,063,628	1,294,894	—	7,358,522
Trade and other payables (excluding non-financial liabilities)	貿易及其他應付款項 (不包括非金融負債)	—	10,532,426	—	—	10,532,426
Amounts due to non-controlling interests	應付非控制性權益款項	5,146,101	—	—	—	5,146,101
Amounts due to associates	應付聯營公司款項	485,280	—	—	—	485,280
Amounts due to joint ventures	應付合營企業款項	50,776	—	—	—	50,776
		<u>5,813,840</u>	<u>23,536,712</u>	<u>2,800,523</u>	<u>2,180,303</u>	<u>34,331,378</u>

3 財務風險管理(續)

3.1 財務風險因素(續)

(iii) 流動資金風險(續)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)



		On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
		按要求	少於1年	1至2年	2至5年	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 31 December 2018	於二零一八年十二月三十一日					
Term loans subject to repayment on demand clause	附有按要求償還條款的定期貸款	150,268	—	—	—	150,268
Bank borrowings and interest payments	銀行借款及利息付款	—	4,405,798	3,221,994	526,503	8,154,295
Senior notes and interest payments	優先票據及利息付款	—	2,266,017	1,517,228	—	3,783,245
Trade and other payables (excluding non-financial liabilities)	貿易及其他應付款項 (不包括非金融負債)	—	5,508,775	—	—	5,508,775
Amounts due to non-controlling interests	應付非控制性權益款項	2,123,659	—	—	—	2,123,659
Amounts due to joint ventures	應付合營企業款項	23,756	—	—	—	23,756
Amounts due to associates	應付聯營公司款項	66,000	—	—	—	66,000
		<u>2,363,683</u>	<u>12,180,590</u>	<u>4,739,222</u>	<u>526,503</u>	<u>19,809,998</u>

3 財務風險管理(續)

3.1 財務風險因素(續)

(iii) 流動資金風險(續)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the term loans with a repayment on demand clause based on agreed repayment schedules set out in the loan agreements. The amounts include interest payments computed using contractual rates.



		Less than 1 year 少於1年 RMB' 000 人民幣千元	Between 1 and 2 years 1至2年 RMB' 000 人民幣千元	Between 2 and 5 years 2至5年 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
31 December 2019	二零一九年 十二月三十一日	136,802	—	—	136,802
31 December 2018	二零一八年 十二月三十一日	31,698	130,479	—	162,177

The amounts have not included financial guarantee contracts:

- which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (Note 30). Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties;

3 財務風險管理(續)

3.1 財務風險因素(續)

(iii) 流動資金風險(續)

下表載列附有按要求償還條款的定期貸款根據貸款協議所載協定還款計劃作出的到期分析。有關金額包括按合約利率計算的利息付款。

金額並不包括以下財務擔保合約：

- 倘對手方就本集團物業買家所獲貸款作出擔保追討全數擔保金額，則本集團須根據安排償付該金額(附註30)的擔保。有關擔保將於(i)房地產所有權證轉讓予買家(通常於完成擔保登記後平均六個月至三年內發生)；或(ii)物業買家償清按揭貸款(以較早者為準)後終止；



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) *Liquidity risk* (Continued)

- which the Group makes for the loan facility of a subsidiary of Power Out International Ltd., a joint venture of the Group (Note 30). Such guarantees terminate upon the repayment of cease of the facility.

The Group considers that it is more likely than not that no amount will be payable under the arrangement.

(iv) *Credit risk*

Credit risk arises from cash and cash equivalents, restricted cash, trade and other receivables and deposits, contract assets, amounts due from joint ventures, associates and non-controlling interests and loans due from joint ventures (included in investments accounted for using the equity method).

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, other receivables, contract assets, other financial assets at amortised costs and amounts due from joint ventures, associates and non-controlling interests represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

3 財務風險管理(續)

3.1 財務風險因素(續)

(iii) 流動資金風險(續)

- 本公司就本集團合營企業Power Out International Ltd的附屬公司作出貸款融資(附註30)的擔保。有關擔保將於不再償還該融資後終止。

本集團認為，根據安排將予支付款項的可能不大。

(iv) 信貸風險

信貸風險自現金及現金等價物、受限制現金、貿易及其他應收款項及按金、合約資產、應收合營企業、聯營公司及非控制性權益款項及應收合營企業貸款(包括使用權益法入賬的投資)產生。

現金及現金等價物、受限制現金、貿易應收款項、其他應收款項、合約資產、按攤銷成本列賬的其他金融資產以及應收合營企業、聯營公司及非控制性權益款項的賬面值指本集團就金融資產所面對最高信貸風險。

本集團已制定政策，確保向擁有相當財政實力及支付適當百分比首期付款的客戶作出銷售。其亦制定其他監控程序以確保採取跟進行動收回逾期債務。此外，本集團定期審閱每項個別貿易應收款項及合約資產的可收回金額，確保就不可收回款項計提充分的減值虧損。本集團並無重大集中信貸風險，所面對風險分散於大量對手方及客戶。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Credit risk (Continued)

For other receivables and deposits, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

All the bank deposits are placed with banks with sound credit ratings to mitigate the risk. The Group does not hold any collateral as security.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in Note 30(a). If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customers' deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

3 財務風險管理(續)

3.1 財務風險因素(續)

(iv) 信貸風險(續)

就其他應收款項及按金而言，管理層定期作出整體評估，並根據過往付款記錄及過去經驗，個別評估其他應收款項及按金的收回能力。本公司董事相信，本集團其他應收款項及按金的未償還結餘本身並無重大信貸風險。

所有銀行存款均存放於信用評級良好的銀行以降低風險。本集團並無持有任何抵押品作為抵押。

本集團一般就客戶的按揭貸款借款向銀行提供擔保，以助其取得購買物業的資金，金額最高為物業總購買價的70%。有關擔保詳情於附註30(a)披露。倘買家未能於擔保期內償還按揭貸款，則持有擔保的銀行可要求本集團償還貸款的未清償金額及任何應計利息。在此情況下，本集團能夠保留客戶的按金並轉售物業，以補足本集團支付予銀行的款項。就此而言，本公司董事認為本集團的信貸風險大幅降低。

本集團在資產初步確認時考慮違約的可能性，及評估在報告期間信貸風險是否有持續顯著增加。在評估信貸風險是否顯著增加時，本集團將報告日時資產發生違約的可能性與初步確認時發生違約的可能性進行比較，亦考慮可獲得的合理及支持性前瞻資料。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Credit risk (Continued)

Especially the following indicators are incorporated:

- internal credit rating
 - external credit rating
 - actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
 - actual or expected significant changes in the operating results of individual property owner or the borrower
 - significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
 - significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.
- (a) Credit risk of cash and cash equivalents and restricted cash

To manage this risk arising from cash and bank deposits, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash and bank balances is close to zero.

3 財務風險管理(續)

3.1 財務風險因素(續)

(iv) 信貸風險(續)

特別是結合以下指標：

- 內部信貸評級
 - 外部信貸評級
 - 業務、財務或經濟狀況實際或者預期發生重大不利變動且預期導致借款人償還債務的能力產生重大變動
 - 個人業主或借款人的經營業績實際或預期發生重大變動
 - 個人業主或同一借款人的其他金融工具信貸風險顯著增加
 - 借款人預期表現及行為發生重大變動，包括本集團內對借款人付款情況的變動及借款人經營業績的變動。
- (a) 現金及現金等價物及受限制現金的信貸風險

為管理來自現金及銀行存款的風險，本集團只與聲譽良好的商業銀行(全為信譽質素高的金融機構)進行交易。近期並無該等金融機構違約記錄。現金及銀行結餘的預期信貸虧損為近乎零。



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Credit risk (Continued)

- (b) Credit risk of trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. The expected losses rate is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates.

The Group monitors the outstanding debts from its customers individually. Based on historical repayment trend, there is no correlation between the risk of default occurring and the collection past-due status as long as there is no significant change in the credit rating of the customers. The Group's loss arising from risk of default and time value of money is negligible.

3 財務風險管理(續)

3.1 財務風險因素(續)

(iv) 信貸風險(續)

- (b) 貿易應收款項及合約資產的信貸風險

本集團採用簡化法就香港財務報告準則第9號指定的預期信貸虧損計提撥備，其允許就貿易應收款項使用存續期的預期虧損撥備。本集團考慮信貸風險特性及逾期日數，以計量預期信貸虧損。由於並無重大客戶違約記錄，且前瞻性估計影響並不重大，故此預期虧損率微乎其微。

本集團個別監察來自其客戶的未收回債務。過往還款趨勢顯示，只要客戶信貸評級並無重大變動，發生違約風險與逾期收款狀況並無關係。本集團自發生違約風險及時間貨幣值產生的虧損微乎其微。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Credit risk (Continued)

(c) Credit risk of other receivables and deposits

The Group assesses on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopted three-stages approach to assess the impairment.

As at 31 December 2019, the loss allowance provision was RMB65,260,000 (2018: RMB50,260,000).

(d) Credit risk of amounts due from joint ventures, associates and non-controlling interests and loans due from joint ventures

The Group assesses on a forward looking basic the expected credit losses associated with its amounts due from joint ventures, associates and non-controlling interests and loans due from joint ventures. Carried at amortised cost and adopted three-stages approach to assess the impairment. Those parties have a low risk of default and a capacity to meet contractual cash flows. The expected losses rate is minimal, given there is no history of significant defaults and insignificant impact from forward-looking estimates.

3 財務風險管理(續)

3.1 財務風險因素(續)

(iv) 信貸風險(續)

(c) 其他應收款項及按金的信貸風險

本集團按前瞻性基準評估與其按攤銷成本列賬的其他應收款項及按金相關的預期信貸虧損，並採用三級法評估減值。

於二零一九年十二月三十一日，虧損備抵撥備為人民幣65,260,000元(二零一八年：人民幣50,260,000元)。

(d) 應收合營企業、聯營公司及非控制性權益款項的信貸風險及應收合營企業貸款

本集團按前瞻性基準評估與其應收合營企業、聯營公司及非控制性權益款項及應收合營企業貸款相關的預期信貸虧損。以攤銷成本列賬並採納三級法評估減值。該等人士發生違約的風險甚低，且有能力償還合約現金流量。由於並無重大違約記錄，且前瞻性估計影響並不重大，故此預期虧損率微乎其微。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustment to it in light of changes in economic condition.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or to obtain bank and other borrowing.

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balance (including cash and cash equivalent and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 31 December 2019 and 2018 were as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Total borrowings (Note 23)	借款總額(附註23)	16,782,693	11,059,681
Less: Cash and cash equivalents and restricted cash (Note 20)	減：現金及現金等價物及受限制現金(附註20)	(15,059,505)	(7,865,002)
Net debt	債務淨額	1,723,188	3,194,679
Total equity	權益總額	9,634,548	6,665,418
Total capital	總資本	11,357,736	9,860,097
Gearing ratio	資產負債比率	15%	32%

3 財務風險管理(續)

3.2 資本風險管理

本集團管理資本的目標乃為保障本集團能繼續營運，以為股東提供回報及為其他利益相關人士提供利益及維持最佳的資本結構以降低資本成本。

本集團管理資本結構並根據經濟狀況對其作出調整。

為維持或調整資本結構，本集團可能會調整派予股東的股息金額、向股東返還資本、發行新股份或出售資產以減少債務或取得銀行借款及其他借款。

本集團以資產負債比率作為基準監控其資本。資產負債比率按照債務淨額除以總資本計算。債務淨額為借款總額減去現金及銀行結餘(包括現金及現金等價物及受限制現金)。總資本按合併資產負債表所列權益總額另加債務淨額計算。二零一九年及二零一八年十二月三十一日的資產負債比率如下：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of the trade receivables, other receivables and deposits, cash and cash equivalents, restricted cash, amounts due from non-controlling interests, amounts due from joint ventures, amounts due from associates, trade and other payables, amounts due to non-controlling interests, amounts due to joint ventures and amounts due to associates approximate their carrying amounts due to their short term maturities.

See Note 12 for disclosures of the investment properties that is measured at fair value.

All the resulting fair value estimates are included in level 3 of the fair value hierarchy.

There were no transfers among levels 1, 2 and 3 during the year.

3 財務風險管理(續)

3.3 公平值估計

下表根據估值方法中用於計量公平值的輸入值等級分析按公平值計量的金融資產。有關等級界定如下：

- 活躍市場內相同資產或負債的報價(未經調整)(第一級)。
- 有關資產或負債的直接(即價格)或間接(即自價格衍生)可觀察輸入值(第一級內報價除外)(第二級)。
- 並非根據可觀察市場資料得出的資產或負債的輸入值(即不可觀察輸入值)(第三級)。

貿易應收款項、其他應收款項及按金、現金及現金等價物、受限制現金、應收非控制性權益款項、應收合營企業款項、應收聯營公司款項、貿易及其他應付款項、應付非控制性權益款項、應付合營企業款項以及應付聯營公司款項的公平值均與其賬面值相若，原因為其期限較短。

有關按公平值計量的投資物業披露，請參閱附註12。

所有公平值估計結果均納入公平值層級第三級。

年內，第一、二及三級之間並無轉換。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Valuation of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognised in the consolidated statement of profit or loss. The fair value of investment properties were determined by using valuation technique and management updates their assessment of the fair value of the investment properties, taking into account the key valuation assumptions. Details of the judgments and assumptions have been disclosed in Note 12.

4.2 Classification of investments

The Group made investments that involved complex terms and arrangements during the year. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies and its decisions making process on those activities that involving the Group, if any and its other investors, the rights and power of the Group and other investors on the investee companies and the Group's returns from the investments. Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated financial statements of the Group.

4 關鍵會計估計及判斷

估計及判斷乃根據過往經驗及其他因素(包括在相關情況下對未來事件的合理預期)持續評估。

本集團對未來作出多項估計及假設。根據定義，就此產生的會計估計很少會與有關實際結果相符。有重大風險導致須於下一個財政年度對資產及負債賬面值作出重大調整的估計及假設討論如下。

4.1 投資物業估值

本集團按公平值將其投資物業入賬，其公平值變動則於於合併損益表確認。投資物業的公平值採用估值技巧釐定，而管理層根據主要估值假設更新其對投資物業公平值的評估。有關判斷及假設的詳情於附註12披露。

4.2 投資分類

本集團於年內作出涉及複雜條款及安排的投資。就該等投資釐定合適分類需要作出判斷，包括評估被投資公司相關業務及涉及本集團(如有)及其他投資者的該等業務的決策過程、本集團及其他投資者對被投資公司的權利及權力以及本集團所得的投資回報。該等判斷的不同結論將嚴重影響該等投資於本集團合併財務報表的呈列及計量方式。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.3 Provision for impairment of properties held for sale and properties under development

The management makes provision for impairment of properties held or under development for sale based on the estimate of the recoverable amount of the properties. Given the volatility of the property market in the PRC, the actual recoverable amount may be higher or lower than the estimate made as at the end of the reporting period. Any increase or decrease in the provision would affect the Group's operating performance in future years.

4.4 Current taxation and deferred taxation

The Group is subject to taxation in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertain (for example, certain expenses such as entertainment and advertising expenses may not be finally deductible) during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

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

4.5 Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

4 關鍵會計估計及判斷(續)

4.3 持作出售的物業及開發中物業的減值撥備

管理層根據持作出售的物業或持作出售的開發中物業的估計可收回金額就其計提減值撥備。鑒於中國物業市場的波動，實際可收回金額可能高於或低於報告期末的估計。撥備的任何增加或減少將對本集團未來數年的經營表現產生影響。

4.4 即期稅項及遞延稅項

本集團於中國須繳納稅項。在釐定稅項撥備額及相關稅項繳納時間時須作出判斷。在日常業務過程中，交易及計算方式均會導致無法確定最終所定稅項(例如交際費及廣告開支等若干開支未必能最終抵扣)。倘這些事宜的最終稅務結果與最初錄得的款額不同，有關差額將會影響釐定稅項期間的所得稅及遞延稅項撥備。

由於管理層認為有可能動用未來應課稅溢利以抵銷暫時性差額或稅項虧損，故確認有關若干暫時性差額及稅項虧損的遞延稅項資產。倘預期與原本估計存在差異，這些差異將會影響有關估計變動期間的遞延稅項資產及稅項確認。

4.5 土地增值稅

中國土地增值稅是按土地價值的增加，以累進稅率30%至60%徵收，為銷售物業所得款項減去可扣減開支，包括土地成本、借款成本及所有物業開發開支。



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.5 Land appreciation tax (Continued)

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

4.6 Step acquisition

In a business combination achieved in stages, the Group requires to re-measure its previously held equity interest in acquired entity at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. The excess of consideration transferred, amount of any non-controlling interest and fair value of previously held equity interest over the fair values of identifiable net assets acquired is recorded as goodwill. The fair value of the equity interest was determined by using the DCF approach and various key assumptions and estimates including revenue growth rate, discount rate and terminal growth rate. These estimates and judgement are based on the market condition and historical performance.

4.7 Impairment of intangible assets including goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 關鍵會計估計及判斷(續)

4.5 土地增值稅(續)

本集團附屬公司在中國從事物業開發業務須繳納土地增值稅，其已包括在所得稅開支內。然而，在中國各城市對這些稅項的實施均有所不同，且本集團尚未與不同稅務機關確定土地增值稅報稅表。因此，釐定土地增值及其有關稅項金額時須作出重大判斷。本集團根據管理層的最佳估計確認這些負債。倘這些事宜的最終稅款有別於最初錄得的金額，有關差額將會影響釐定這些稅項期間的所得稅開支及土地增值稅撥備。

4.6 分次收購

於分階段進行的業務合併中，本集團須按其收購日期公平值重新計量其先前於所收購實體持有的股權，並於損益內確認所得收益或虧損(如有)。所轉讓代價、任何非控制性權益金額及先前持有的股權公平值超出所收購可識別資產淨值的差額計入商譽。股權公平值透過使用折現現金流量法及多項主要假設及估計(包括收益增長率、折現率及終端增長率)釐定。該等估計及判斷以市場狀況及歷史表現為基準。

4.7 無形資產(包括商譽)減值

根據附註2.10所述的會計政策，本集團每年就商譽是否面臨任何減值進行測試。現金產生單位的可收回金額已根據使用價值計算釐定。該等計算須使用估計。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 合併財務報表附註

5 REVENUE AND SEGMENT INFORMATION

The Executive Directors have been identified as the CODM. Management determines the operating segments based on the Group's internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the business from a geographical perspective and assess the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Greater Bay Area and Others. The Group's construction and sea reclamation services are considered together with the property development segments and included in the relevant geographic operating segment. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers), trading of construction materials, rental income and investment holdings business.

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation, share of profit of investments accounted for using the equity method, net, finance income, finance costs and income tax expense. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

5 收益及分部資料

執行董事已被識別為主要經營決策者。管理層根據本集團內部報告釐定經營分部，並將報告呈交至執行董事進行表現評估及資源分配。

執行董事從地理角度考慮業務並評估物業開發在五個可報告經營分部的表現，即泛海峽西岸經濟區、中西部地區、環渤海經濟區、大灣區及其他。本集團將建造及填海服務與物業開發分部一同考慮，並一併列入相關地理經營分部。「其他」分部指向集團內公司提供設計服務、企業支援職能、物業管理服務(向內部或外部客戶提供服務)、買賣建築物料、租金收入及投資控股業務。

執行董事按照對分部業績的計量評估經營分部的表現。計量基準不包括折舊、應佔按權益法入賬的投資溢利淨額、融資收入、融資成本以及所得稅開支的影響。除下文所述者外，向執行董事提供的其他資料乃按與合併財務報表所載者一致的方式計量。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

5 收益及分部資料(續)

		Greater Western Taiwan Straits Economic Zone 泛海峽西岸 經濟區 RMB' 000 人民幣千元	Central and Western Regions 中西部地區 RMB' 000 人民幣千元	Bohai Economic Rim 經濟區 環渤海 RMB' 000 人民幣千元	Greater Bay Area 大灣區 RMB' 000 人民幣千元	Others 其他經濟區 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
Year ended 31 December 2019	截至二零一九年 十二月三十一日止年度						
Revenue from contracts	來自合約之收益						
- recognised at a point in time	- 於特定時間點確認	1,798,900	2,983,860	2,403,466	1,032,602	—	8,218,828
- recognised over time	- 於一段時間確認	33,949	—	256,848	—	121,675	412,472
- others	- 其他	—	—	—	—	10,573	10,573
Less: Inter-segment revenue	減：分部間收益	(32,315)	—	—	—	(7,237)	(39,552)
Revenue (from external customers)	收益(外部客戶)	1,800,534	2,983,860	2,660,314	1,032,602	125,011	8,602,321
Segment results	分部業績	713,987	573,773	867,748	424,853	(471)	2,579,890
Depreciation	折舊	(2,928)	(3,261)	(1,809)	(731)	(11,136)	(19,865)
Operating profits/(losses)	經營溢利/(虧損)	711,059	570,512	865,939	424,122	(11,607)	2,560,025
Share of (loss)/profit of investments accounted for using the equity method, net	應佔按權益法入賬的投資 (虧損)/溢利淨額	(31,699)	(21,286)	—	(335)	31,775	(21,545)
Finance income	融資收入	44,567	29,443	11,767	1,214	35,495	122,486
Finance costs	融資成本	(2,362)	—	—	—	(17,619)	(19,981)
Income tax expense	所得稅開支	(247,148)	(278,998)	(301,753)	(223,702)	(37,724)	(1,089,325)
Profit for the year	年內溢利	474,417	299,671	575,953	201,299	320	1,551,660
At 31 December 2019	於二零一九年十二月三十一日						
Total segment assets	總分部資產	15,838,618	20,855,984	15,949,653	1,705,719	8,080,099	62,430,073
Other unallocated corporate assets	其他未分配公司資產						179,267
Total assets	總資產						62,609,340
Investments accounting for using the equity method	按權益法入賬的投資	299,811	208,901	—	14,565	131,595	654,872



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

5 收益及分部資料(續)

		Greater Western Taiwan Straits Economic Zone 泛海峽西岸 經濟區 RMB' 000 人民幣千元	Central and Western Regions 中西部地區 RMB' 000 人民幣千元	Bohai Economic Rim 經濟區 環渤海 RMB' 000 人民幣千元	Greater Bay Area 大灣區 RMB' 000 人民幣千元	Others 其他經濟區 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
Additions to:	添置:						
Property, plant and equipment	物業、廠房及設備	11,334	3,801	9,425	589	19,583	44,732
Investments accounted for using the equity method	按權益法入賬的投資	—	184,200	—	14,900	—	199,100
Acquisition of subsidiaries	收購附屬公司						
- Property, plant and equipment	- 物業、廠房及設備	—	21,131	6	—	3,462	24,599
- Intangible assets	- 無形資產	—	—	—	—	335,992	335,992
- Investments accounting for using the equity method	- 按權益法入賬的投資	—	—	—	—	474	474
Total segment liabilities	總分部負債	<u>(12,791,738)</u>	<u>(14,558,290)</u>	<u>(12,083,355)</u>	<u>(930,501)</u>	<u>(12,610,908)</u>	<u>(52,974,792)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

5 收益及分部資料(續)



	Greater Western Taiwan Straits Economic Zone 泛海峽西岸 經濟區 RMB' 000 人民幣千元	Central and Western Regions 中西部地區 RMB' 000 人民幣千元	Bohai Economic Rim 環渤海 經濟區 RMB' 000 人民幣千元	Greater Bay Area 大灣區 RMB' 000 人民幣千元	Others 其他經濟區 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
Year ended 31 December 2018	截至二零一八年十二月三十一日止年度					
Revenue from contracts	來自合約之收益					
- recognised at a point in time	- 於特定時間點確認					
- recognised over time	- 於一段時間確認					
- others	- 其他					
Less: Inter-segment revenue	減：分部間收益					
Revenue (from external customers)	收益(外部客戶)					
Segment results	分部業績					
Depreciation	折舊					
Operating profits/(losses)	經營溢利/(虧損)					
Share of profit/(loss) of investments accounted for using the equity method, net	應佔按權益法入賬的投資溢利/(虧損)淨額					
Finance income	融資收入					
Finance costs	融資成本					
Income tax (expense)/credit	所得稅(開支)/抵免					
Profit/(loss) for the year	年內溢利/(虧損)					
At 31 December 2018	於二零一八年十二月三十一日					
Total segment assets	總分部資產					
Other unallocated corporate assets	其他未分配公司資產					
Total assets	總資產					
Investments accounting for using the equity method	按權益法入賬的投資					



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

5 收益及分部資料(續)



		Greater Western Taiwan Straits Economic Zone 泛海峽西岸 經濟區 RMB' 000 人民幣千元	Central and Western Regions 中西部地區 RMB' 000 人民幣千元	Bohai Economic Rim 環渤海 經濟區 RMB' 000 人民幣千元	Greater Bay Area 大灣區 RMB' 000 人民幣千元	Others 其他經濟區 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
Additions to:	添置：						
Property, plant and equipment	物業、廠房及設備	4,977	4,512	9,094	648	171,319	190,550
Investments accounted for using the equity method	按權益法入賬的投資	33,357	33,342	—	—	500	67,199
Prepayments for investment in an associate	投資於一家聯營公司的 預付款項	—	60,000	—	—	—	60,000
Acquisition of subsidiaries - Property, plant and equipment	收購附屬公司 - 物業、廠房及設備	1,170	3,725	—	—	—	4,895
Total segment liabilities	總分部負債	(6,164,843)	(4,601,789)	(9,108,750)	(847,195)	(7,758,311)	(28,480,888)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

5 收益及分部資料(續)

(a) The Group revenue consists of the following:

(a) 本集團收入包括以下各項：

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Sales of properties	銷售物業	8,218,828	6,419,117
Construction services	建造服務	256,491	34,215
Property management services	物業管理服務	80,885	—
Project management services	項目管理服務	33,552	3,401
Trading of construction materials	買賣建築材料	—	277,946
Rental income	租金收入	10,573	551
Healthcare service	康養服務	1,992	701
		8,602,321	6,735,931

(b) Analysis of the Group revenue by geographical market is as follows:

(b) 本集團之收入按地區市場分析如下：

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
PRC	中國	8,602,321	6,460,872
Hong Kong	香港	—	275,059
		8,602,321	6,735,931



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Analysis of the Group revenue by geographical market is as follows: (Continued)

During the year ended 31 December 2019, no revenue from transactions with a single external customer accounted for over 10% of the Group's revenue.

During the year ended 31 December 2018, revenue recognised in relation to the sales of properties to a customer (the "Customer A") accounted for 12.4% of the Group's revenue. Customer A is a group of companies under common control by independent third party individuals and not connected with the Group. These individuals also had non-controlling interests in certain subsidiaries of the Group. Both their interests and the subsidiaries are not significant to the Group.

Customer A, which is also an investment partner of the Group for a potential property development project in the PRC, has balances with the Group as at 31 December 2019 and 2018 with further details in Notes 19(b) and 24(b).

5 收益及分部資料(續)

(b) 本集團之收入按地區市場分析如下：(續)

在截至二零一九年十二月三十一日止年度期間，概無與單一外部客戶進行交易的收入佔本集團收入的10%以上。

在截至二零一八年十二月三十一日止年度期間，就向一位客戶(「客戶A」)銷售物業而確認的收入佔本集團收入的12.4%。客戶A是由獨立第三方個人共同控制且與本集團無關的一組公司。該等人士於本集團若干附屬公司亦擁有非控制性權益。彼等的權益及該等附屬公司對本集團而言並不重大。

客戶A亦是本集團在中國一項潛在物業發展項目的投資夥伴，其於二零一九年及二零一八年十二月三十一日在本集團尚有結餘，進一步詳情載於附註19(b)及附註24(b)。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Non-current assets, other than financial instruments and deferred income tax assets by geographical area are as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
PRC	中國	2,140,409	1,686,614
Hong Kong	香港	30,141	354
		<u>2,170,550</u>	<u>1,686,968</u>

5 收益及分部資料(續)

(c) 按地理區域劃分的非流動資產(金額工具及遞延所得稅資產除外)如下：

(d) Details of contract assets is as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Accrued contract revenue	累計合約收益	<u>700,000</u>	<u>700,000</u>

(c) 合約資產詳情如下：

As of 31 December 2019, the contract assets of RMB700,000,000 (2018: RMB700,000,000) are related to sea reclamation service provided to the PRC government. The sea reclamation service provided to the customer was completed and the corresponding receivable balance is not yet billed due to administrative procedures.

截至二零一九年十二月三十一日，人民幣700,000,000元(二零一八年：人民幣700,000,000元)的合約資產乃與向中國政府提供的填海服務有關。向客戶提供的填海服務已完成，由於若干行政程序，有關應收款項結餘尚未發出賬單。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

6 按性質劃分的開支

計入銷售成本、銷售及營銷開支以及一般及行政開支的開支分析如下：

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Auditor's remuneration	核數師酬金		
– Audit services	– 核數服務	7,249	4,564
– Non-audit services	– 非核數服務	2,822	779
Cost of properties sold	已售物業成本	5,449,505	4,031,933
Cost of construction and sea reclamation service	建造及填海服務成本	58,837	34,085
Cost of property management services	房地產管理服務成本	71,094	—
Cost of project management services	項目管理服務成本	8,973	334
Cost of healthcare service	康養服務的成本	3,411	93
Cost of construction material sold	出售建築材料的成本	—	247,882
Depreciation of property, plant and equipment (Note 11)	物業、廠房及設備折舊(附註11)	18,998	9,930
Amortisation of intangible assets (Note 13)	無形資產攤銷(附註13)	3,740	—
Employee benefit expenses (Note 8)	僱員福利開支(附註8)	375,562	242,452
Entertainment	娛樂開支	33,197	29,896
Marketing and advertising costs	營銷及廣告成本	242,402	93,481
Operating lease payments	經營租賃付款	2,514	2,290
Office and travelling expenses	辦公室及差旅開支	146,363	77,766
Business taxes and surcharges	營業稅及附加費	55,967	33,884
Land use and real estate taxes	土地使用及房產稅	14,609	1,024
Legal and professional fees	法律及專業費用	66,609	85,781
Donation	捐贈	4,520	1,130
Impairment loss on other receivables (Note 19 (f))	其他應收款項減值虧損(附註19(f))	15,000	18,345
Others	其他	32,273	40,282
Total cost of sales, selling and marketing expenses and general and administrative expenses	銷售成本、銷售及營銷開支以及一般及行政開支總額	6,613,645	4,955,931



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

7 OTHER GAINS, NET

7 其他收益淨額

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Exchange losses	匯兌虧損	(31,527)	(126,423)
Gain on disposal of assets and liabilities held for sales	出售持作出售資產及負債的收益	—	304,271
Gain on disposal of investment in an associate (Note 15 (b)(iv))	出售於一家聯營公司投資的收益(附註15(b)(iv))	8,407	—
Gains on bargain purchase arising from acquisition of subsidiaries (Note 27.1 and 27.2)	就收購附屬公司的議價購買收益(附註27.1及27.2)	72,912	—
Commission	佣金	39,836	—
(Losses)/gains on disposal of property, plant and equipment (Note 26(b))	出售物業、廠房及設備的(虧損)/收益(附註26(b))	(5,400)	351
Gains on disposal of subsidiaries (Note 28)	出售附屬公司的收益(附註28)	113,821	—
Realised (loss)/gain on foreign exchange forward contracts	外匯遠期合約的已變現(虧損)/收益	(45,284)	50,475
Re-measurement gains on interests in investments accounted for using the equity method (Note 27.3)	使用權益法入賬的投資權益重新計量收益(附註27.3)	286,634	14,999
Others	其他	5,795	4,796
		445,194	248,469

8 EMPLOYEE BENEFIT EXPENSES

8 僱員福利開支

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Salaries and allowances	薪金及津貼	331,972	218,186
Sale commission and bonuses	銷售佣金及花紅	49,717	30,826
Pension costs (Note a)	退休金成本(附註a)	32,621	24,655
Other staff welfare	其他員工福利	32,112	29,499
		446,422	303,166
Less: Capitalised in properties under development	減：按資本化計入發展中物業	(70,860)	(60,714)
		375,562	242,452



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Pension costs – Defined Contribution Plan

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, subject to a ceiling of HK\$1,500 per month per head.

Details of the retirement scheme contributions, which have been dealt with in the consolidated statement of profit or loss are as follows:



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Gross scheme contributions	計劃供款總額	32,621	24,655
Less: capitalised in properties under development	減：按資本化計入發展中物業	(6,797)	(5,164)
		<u>25,824</u>	<u>19,491</u>

8 僱員福利開支(續)

(a) 退休金成本—界定供款計劃

本集團的中國附屬公司僱員須參與由當地市政府管理及營辦的界定供款退休計劃。本集團的中國附屬公司為僱員的退休福利向計劃作出的供款乃按照當地市政府同意的平均僱員薪金的某個百分比計算。

本集團亦根據強積金計劃的規則及法規為其於香港的全體僱員參與一項退休金計劃。強積金計劃的供款是按合資格僱員的有關收入總額5%的最低法定供款要求作出，每人每月的供款不超過1,500港元。

在合併損益表中作處理的退休計劃供款的詳情如下：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include four (2018: three) directors whose emoluments are reflected in the analysis presented in Note 36. The emoluments payable to the remaining one (2018: two) individuals during the year are as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Salaries and other short-term benefits	薪金及其他短期福利	2,196	2,934
Retirement scheme contributions	退休計劃供款	60	61
		<u>2,256</u>	<u>2,995</u>

The emoluments fall within the following bands:

有關酬金介於下列範圍：

		2019 二零一九年	2018 二零一八年
HK\$1,000,001 to HK\$2,000,000 (equivalent to RMB881,818 to RMB1,763,633)	1,000,001 港元至 2,000,000 港元(相等於 人民幣 881,818 元至 人民幣 1,763,633 元)	<u>1</u>	<u>2</u>

8 僱員福利開支(續)

(b) 五名最高薪酬人士

截至二零一九年十二月三十一日止年度，本集團五名最高薪酬人士包括四名(二零一八年：三名)董事，其酬金反映於附註36中。年內應付其餘一名(二零一八年：兩名)人士的酬金如下：

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Salaries and other short-term benefits	薪金及其他短期福利	2,196	2,934
Retirement scheme contributions	退休計劃供款	60	61
		<u>2,256</u>	<u>2,995</u>

The emoluments fall within the following bands:

有關酬金介於下列範圍：

		2019 二零一九年	2018 二零一八年
HK\$1,000,001 to HK\$2,000,000 (equivalent to RMB881,818 to RMB1,763,633)	1,000,001 港元至 2,000,000 港元(相等於 人民幣 881,818 元至 人民幣 1,763,633 元)	<u>1</u>	<u>2</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

9 FINANCE INCOME AND COSTS

9 融資收入及成本

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Finance income from bank deposits	銀行存款融資收入	52,213	32,512
Finance income from loans to associates (Note 33(b))	向聯營公司貸款的融資收入 (附註33(b))	20,674	25,000
Finance income from loans to non-controlling interests	向非控制性權益貸款的融資收入	30,119	32,883
Finance income from loans to independent third parties	向獨立第三方貸款的融資收入	19,480	4,630
		<u>122,486</u>	<u>95,025</u>
Finance costs on bank and other borrowings	銀行及其他借款的融資成本	1,366,012	719,022
Finance costs on loans from non-controlling interests	來自非控制性權益貸款的 融資成本	44,429	20,938
Less: finance costs capitalised in qualifying assets	減：合資格資產的資本化 融資成本	<u>(1,390,460)</u>	<u>(681,580)</u>
		19,981	58,380
Finance charges on early redemption of senior notes	提早贖回優先票據的財務費用	—	13,282
		<u>19,981</u>	<u>71,662</u>
Weighted average interest rate on capitalised borrowings (per annum)	資本化借款的加權平均年利率	<u>9.33%</u>	<u>7.13%</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

10 INCOME TAX EXPENSE

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the year ended 31 December 2019 (2018: 25%).

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2019.

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2018.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

10 所得稅開支

截至二零一九年十二月三十一日止年度，於中國成立及營運的附屬公司須按25%的稅率繳納中國企業所得稅(二零一八年：25%)。

截至二零一九年十二月三十一日止年度，香港利得稅乃根據香港之估計應課稅溢利按稅率16.5%計算。

截至二零一八年十二月三十一日止年度，由於位於香港的公司並無產生任何應課稅溢利，故並未就香港利得稅計提撥備。

中國土地增值稅按介乎土地增值額(即出售物業所得款項減去可扣減開支(包括土地成本以及開發及建築開支))的30%至60%的累進稅率徵收。

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Current income tax	即期所得稅		
Hong Kong profits tax	香港利得稅	6,428	—
PRC corporate income tax	中國企業所得稅	901,458	747,694
PRC land appreciation tax	中國土地增值稅	577,218	381,902
Deferred income tax (Note 16)	遞延所得稅(附註16)	(377,387)	(212,552)
Overstatement in prior years	沖回過往年度計提	(18,392)	—
		1,089,325	917,044



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

10 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise by applying the statutory tax rate in the PRC to profits of the group companies as follows:

10 所得稅開支(續)

如下表所示，本集團除所得稅前溢利應繳稅項有別於對集團公司的利潤應用中國法定稅率而將產生的理論數額：

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Profit before income tax	除所得稅前溢利	2,640,985	2,213,472
Calculated at PRC corporate income tax rate of 25%	按中國企業所得稅稅率25%計算	660,246	553,368
Effect of different tax rate in other countries	其他國家不同稅率影響	(3,312)	—
Expenses not deductible for tax purpose	不可扣稅開支	83,409	65,471
Income not subject to taxation	毋須課稅收入	(74,264)	(41,855)
Unrecognised tax losses	未確認稅項虧損	4,157	15,548
Previously unrecognised tax losses now recouped to reduce current tax expense	先前未確認稅項虧損現彌補以減少即期稅項開支	(38,865)	—
Provision for land appreciation tax	土地增值稅撥備	549,167	381,902
Tax effect on land appreciation tax	土地增值稅的稅務影響	(137,292)	(95,476)
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	本集團中國附屬公司分派利潤的預扣稅的稅務影響	64,471	38,086
Overstatement in prior years	沖回過往年度計提	(18,392)	—
Income tax expense	所得稅開支	<u>1,089,325</u>	<u>917,044</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

11 PROPERTY, PLANT AND EQUIPMENT

11 物業、廠房及設備

		Leasehold improvement	Furniture and office equipment	Motor vehicles	Buildings	Total
		租賃物業裝修	傢俬及辦公設備	汽車	樓宇	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
Year ended 31 December 2018	截至二零一八年十二月三十一日止年度					
Opening net book amount	年初賬面淨值	22,999	8,766	4,724	—	36,489
Additions	添置	10,019	7,107	5,673	167,751	190,550
Acquisitions of subsidiaries	收購附屬公司	—	3,657	68	—	3,725
Step acquisitions of subsidiaries	分次收購附屬公司	583	75	512	—	1,170
Disposals	出售	(87)	(32)	(177)	—	(296)
Depreciation	折舊	(1,437)	(3,917)	(3,076)	(1,901)	(10,331)
Exchange differences	匯兌差額	—	2	(9)	—	(7)
Closing net book amount	年末賬面淨值	<u>32,077</u>	<u>15,658</u>	<u>7,715</u>	<u>165,850</u>	<u>221,300</u>
As at 31 December 2018	於二零一八年十二月三十一日					
Cost	成本	43,215	31,863	22,708	167,751	265,537
Accumulated depreciation	累積折舊	(11,138)	(16,205)	(14,993)	(1,901)	(44,237)
Net book amount	賬面淨值	<u>32,077</u>	<u>15,658</u>	<u>7,715</u>	<u>165,850</u>	<u>221,300</u>
Year ended 31 December 2019	截至二零一九年十二月三十一日止年度					
Opening net book amount	年初賬面淨值	32,077	15,658	7,715	165,850	221,300
Additions	添置	10,403	13,271	7,240	13,818	44,732
Acquisitions of subsidiaries (Note 27.1 and 27.2)	收購附屬公司 (附註 27.1 及 27.2)	17,105	2,099	1,773	—	20,977
Step acquisitions of subsidiaries (Note 27.3)	分次收購附屬公司 (附註 27.3)	1,805	1,451	366	—	3,622
Disposals	出售	(8,629)	(1,147)	(465)	—	(10,241)
Disposals of subsidiaries (Note 28)	出售附屬公司 (附註 28)	(5)	(295)	(1,032)	—	(1,332)
Depreciation	折舊	(2,393)	(5,482)	(3,152)	(8,838)	(19,865)
Exchange differences	匯兌差額	(3)	(17)	(21)	—	(41)
Closing net book amount	年末賬面淨值	<u>50,360</u>	<u>25,538</u>	<u>12,424</u>	<u>170,830</u>	<u>259,152</u>
As at 31 December 2019	於二零一九年十二月三十一日					
Cost	成本	63,931	43,445	30,172	181,569	319,117
Accumulated depreciation	累積折舊	(13,571)	(17,907)	(17,748)	(10,739)	(59,965)
Net book amount	賬面淨值	<u>50,360</u>	<u>25,538</u>	<u>12,424</u>	<u>170,830</u>	<u>259,152</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charges were capitalised or expensed in the following categories in the consolidated balance sheet and the consolidated statement of profit or loss:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Properties under development for sale	持作出售的開發中物業	867	401
Cost of sales (Note 6)	銷售成本(附註6)	421	—
General and administrative expenses (Note 6)	一般及行政開支(附註6)	18,577	9,930
		<u>19,865</u>	<u>10,331</u>

11 物業、廠房及設備(續)

折舊支出於合併資產負債表及合併損益表中按下列分類資本化或計入開支：

12 INVESTMENT PROPERTIES

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
At 1 January	於一月一日	803,899	434,669
Additions	添置	—	284,854
Transfer from properties under development for sale (Note a)	轉自持作出售的開發中物業(附註a)	156,285	—
Capitalised subsequent expenditure	期後開支撥充資本	1,097	204
Fair value gain	公平值收益	63,723	84,172
At 31 December	於十二月三十一日	<u>1,025,004</u>	<u>803,899</u>

12 投資物業



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

12 INVESTMENT PROPERTIES (CONTINUED)

Note:

- (a) During the year ended 31 December 2019, the Group has entered into rental agreements with several independent third parties for property under development for sale, indicating a change in the intended use of the property under development for sale. As a result, the property under development for sale was reclassified as investment property carried at fair value. At the date of transfer, the cost of properties under development for sale was approximately RMB93,853,000 and there was fair value gain of approximately RMB62,432,000.
- (b) As at 31 December 2019, an investment property with fair value of RMB540,837,000 (2018: RMB480,777,000) was pledged as collaterals for the Group's bank borrowings of approximately RMB137,400,000 (2018: RMB175,000,000) (Note 23).

Fair value measurement

As at 31 December 2019 and 2018, the fair values of the investment properties were measured at level 3 of fair value hierarchy using significant unobservable inputs.

There were no transfers between levels 1, 2 and 3 during the year.

12 投資物業(續)

附註：

- (a) 截至二零一九年十二月三十一日止年度，本集團已與多名獨立第三方就發展中待售物業訂立租賃協議，表明發展中待售物業的擬定用途有所變化。因此，待售發展物業重新分類為按公平值列賬的投資物業。於轉讓日期，發展中待售物業的成本約為人民幣93,853,000元，而公平值收益約為人民幣62,432,000元。
- (b) 於二零一九年十二月三十一日，公平值為人民幣540,837,000(二零一八年：人民幣480,777,000元)的投資物業已予抵押，作為本集團銀行借款約人民幣137,400,000元(二零一八年：人民幣175,000,000元)的抵押品(附註23)。

公平值計量

於二零一九年及二零一八年十二月三十一日，投資物業的公平值乃按使用重大不可觀察輸入值計算的公平值層級第三級計量。

年內第一、二及三級之間並無轉換。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

12 INVESTMENT PROPERTIES (CONTINUED)

Valuation process of investment properties

The Group engages an external, independent and qualified valuer, Jiangxi Hengfang Real Estate and Land Valuation Consultancy Co., Ltd. (“江西恒方房地產土地估價諮詢有限公司”) to determine the fair values of the investment properties.

Discussions of valuation processes and results had been held between management and the valuer in respect of the valuation as at reporting date.

Information about fair value measurements using significant unobservable input (Level 3) is as follows:

Description	Fair value (RMB' 000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
描述	公平值 (人民幣千元)	估值技術	不可觀察輸入值	不可觀察輸入值的範圍	與公平值不可觀察輸入值的關係
Investment property under development	504,837	Residual method	(1) Market selling prices (2) Developer's margin	(1) RMB7,281 per sq.m. (2) 35%	The higher the market selling prices and lower the developer's margin, the higher the fair value
開發中投資物業		餘值法	(1) 市場售價 (2) 開發商利潤	(1) 每平方米人民幣7,281元 (2) 35%	市場售價越高及開發商利潤越低，則公平值越高
Completed investment properties	520,167	Direct Comparison	(1) Market selling prices	(1) RMB8,190 - 56,700 per sq.m.	The higher the market selling prices, the higher the fair value
已落成投資物業		直接比較法	(1) 市場售價	(1) 每平方米人民幣8,190元至人民幣56,700元	市場售價越高，則公平值越高

12 投資物業(續)

投資物業的估值程序

本集團已委聘外部、獨立及合資格估值師江西恒方房地產土地估價諮詢有限公司，以釐定投資物業於報告日期的公平值。

管理層與估值師已就報告日期的估值討論估值程序及結果。

有關使用重大不可觀察輸入值的公平值計量(第三級)的資料如下：

Amounts recognised in profit or loss for investment properties

於損益內確認的投資物業金額

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Rental income from operating leases	經營租賃租金收入	10,573	551
Direct operating expenses from property that generated rental income	產生租金收入的物業直接經營開支	1,462	210
Fair value gain recognised in other income	於其他收入內確認的公平值收益	63,723	84,172



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

12 INVESTMENT PROPERTIES (CONTINUED)

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Within 1 year	1年內	15,825	10,573
Between 1 and 2 years	1至2年	18,958	13,465
Between 2 and 3 years	2至3年	20,183	14,183
Between 3 and 4 years	3至4年	21,423	15,074
Between 4 and 5 years	4至5年	15,836	16,158
Later than 5 years	超過5年	17,100	32,936
		<u>109,325</u>	<u>102,389</u>

12 投資物業(續)

租賃安排

投資物業按經營租賃向租戶出租，租金每月支付。租賃投資物業的最低應收租賃付款如下：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

13 INTANGIBLE ASSETS

13 無形資產

		Customer relationship 客戶關係 RMB' 000 人民幣千元	Trademark 商標 RMB' 000 人民幣千元	Goodwill 商譽 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
As at 31 December 2018	於二零一八年 十二月三十一日				
Cost	成本	—	—	—	—
Accumulated amortisation	累計攤銷	—	—	—	—
Net book amount	賬面淨值	—	—	—	—
Year ended 31 December 2019	截至二零一九年 十二月三十一日止年度				
Opening net book amount	年初賬面淨值	—	—	—	—
Acquisitions of subsidiaries (Note 27.3)	收購附屬公司(附註27.3)	30,138	34,626	271,228	335,992
Amortisation (Note 6)	攤銷(附註6)	(2,009)	(1,731)	—	(3,740)
Impairment	減值	—	—	—	—
Closing net book amount	年末賬面淨值	28,129	32,895	271,228	332,252
As at 31 December 2019	於二零一九年 十二月三十一日				
Cost	成本	30,138	34,626	271,228	335,992
Accumulated amortisation	累計攤銷	(2,009)	(1,731)	—	(3,740)
Net book amount	賬面淨值	28,129	32,895	271,228	332,252

The intangible assets were acquired as part of a business combination of Top Glory Group (see Note 27.3 for details). The customer relationship and trademark are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the assets over their estimated useful lives. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Amortisation charges were expensed in general and administrative expenses in the consolidated statement of profit or loss.

作為銘高集團業務合併的一部分，無形資產已予收購(詳情請見附註27.3)。客戶關係及商標按其於收購日期的公平值確認，其後根據其預計可用年期內資產預測現金流量的時間按直線法攤銷。商譽並無作出攤銷，惟每年須進行減值測試，或倘發生事件或情況變動表明其可能出現減值，則減值測試將更頻繁。

攤銷費用於合併損益表的一般及行政開支內支銷。



13 INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

Goodwill of RMB271,228,000 arose from the acquisition of Top Glory Group (Note 27.3). The goodwill amount relates to the value of expected future economic benefits of the provision of property management business operated by Top Glory Group. Management of the Group had conducted an impairment assessment review of the cash generating unit (the “CGU”) and determined that there is no impairment of the goodwill. Recoverable amount of the CGU is determined as higher of fair value less cost of disposal (“FVLCD”) and value in use (“VIU”) of the underlying assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. The VIU was determined by applying discounted cash flow model on post-tax cash flow projections based on financial budgets approved by management covering a 10-year period, and a discount rate of 15.4%. The discount rate used is post-tax and reflects specific risks related to the relevant operation. The revenue growth CAGR (i.e. compound annual growth rate over the 10-year projection period) used is 17.0%. Cash flows beyond the 10-year period are extrapolated using a weighted average growth rate of 3%. The volume of service revenue in each period is the main driver for revenue and costs. The growth in revenue and the relevant costs are estimated based on past performance and management’s expectations for the market development.

The recoverable amount of Top Glory Group is estimated to exceed the carrying amount by RMB9,119,000 as at 31 December 2019.

The recoverable amount of Top Glory Group would equal its carrying amount if the key assumptions were to change as follows:



		From 自	To 至
CAGR	複合年增長率	17.0%	16.6%
Budgeted gross margin	預算毛利率	15.0%	13.6%
Long-term growth rate	長期增長率	3.0%	1.9%
Pre-tax discount rate	除稅前折現率	15.4%	15.8%

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of Top Glory Group to exceed its recoverable amount.

13 無形資產(續)

商譽減值測試

商譽人民幣271,228,000元來自收購銘高集團(附註27.3)。商譽金額與銘高集團經營的物業管理業務撥備的預計未來經濟利益價值有關。本集團管理層已進行現金產生單位(「現金產生單位」)的減值評估檢討，並釐定商譽概無減值。現金產生單位的可收回金額釐定為公平值減出售成本(「公平值減出售成本」)與相關資產使用價值(「使用價值」)中較高者。由於估值使用不可觀察輸入值，故估值被視為公平值層級的第三級。使用價值根據管理層批准的財務預算應用除稅後現金流量預測折現現金流量模型而釐定，為期覆蓋10年，折現率為15.4%。所用折現率為除稅後，反映與相關營運有關的特定風險。所用收益增長複合年增長率(即10年預測期內的複合年增長率)為17.0%。超過10年期的現金流量使用加權平均增長率3%推算。各期間服務收益量為收益及成本的主要驅動力。收益增長及相關成本根據過往表現及管理層對市場發展的預計作出估計。

預計於二零一九年十二月三十一日銘高集團可收回金額將超過賬面值人民幣9,119,000元。

倘主要假設變動如下，則銘高集團的可收回金額相等於其賬面值：

董事及管理層已考慮及評估其他主要假設的合理可能變動，且概無識別任何可能導致銘高集團賬面值超過其可收回金額的情況。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES

(a) Details of the principal subsidiaries at 31 December 2019 are set out below:

14 附屬公司

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Redco Properties Holdings Limited 力高地產控股有限公司	The British Virgin Islands ("BVI") 英屬處女群島 (「英屬處女群島」)	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar and 1 ordinary share of nil consideration, US\$1 1股1美元的普通股及1股無代價的普通股1美元	100%	100%	—
Power Creation International Development Limited 力創國際發展有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	100 ordinary shares of 1 US dollar each, US\$100 100股每股1美元的普通股100美元	—	100%	—
Max Income Holdings Limited 富宏控股有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Maxprofit Globe Holdings Limited 利達集團有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	100 ordinary shares of 1 US dollar each, US\$100 100股每股1美元的普通股100美元	—	100%	—
Power Spring International Investments Limited 力泉國際投資有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Top Thrive Real Estates Investments Limited 盛高置業投資有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Li Jia International Investments Limited 力嘉國際投資有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)



Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益(%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益(%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益(%)
Top Creation Worldwide Investments Limited 創高環球投資有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Wei Li International Developments Limited 偉力國際發展有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Redco Education International Company Limited 力高教育國際有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Shengye International Investments Company Limited 盛業國際投資有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Weisheng International Investments Company Limited 偉盛國際投資有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Weiye International Investments Company Limited 偉業國際投資有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—
Redco Education Holdings Limited 力高教育控股有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 US dollar each, US\$1 1股每股1美元的普通股1美元	—	100%	—



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益(%)	Ownership interest held by Group (%) 由本集團持有的擁有權益(%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益(%)
Top Glory International Holdings Limited 銘高國際控股有限公司	BVI 英屬處女群島	Limited liability company 有限責任公司	Investment holding 投資控股	100 ordinary shares of 1 US dollar each, US\$100 100股每股1美元的普通股100美元	—	100%	—
Redco Holdings (Hong Kong) Co. Limited 力高集團(香港)有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	100,000 ordinary shares of 1 HK dollar each, HK\$100,000 100,000股每股1港元的普通股100,000港元	—	100%	—
Power Thrive International Investment Limited 力盛國際投資有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Redco Investment (International) Company Limited 力高投資(國際)有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	10,000 ordinary shares of 1 HK dollar each, HK\$10,000 10,000股每股1港元的普通股10,000港元	—	50% (Note (i)) (附註(i))	50%
Bloom Trend International Industrial Limited 興達國際實業有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Redco Industrial Investment Limited 力高實業投資有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Hong Kong Royal Lofty Investments Limited 香港禦高投資有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Redco Properties (Hong Kong) Company Limited 力高置業(香港)有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Hong Kong Bingjiang Industrial Limited 香港濱江實業有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	150,000,000 ordinary shares of 1 HK dollar each, HK\$150,000,000 150,000,000股每股1港元的普通股150,000,000港元	—	100%	—
Hong Kong Wing Power Developments Limited 香港榮力發展有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Hong Kong Power Profit Investments Limited 香港力宏投資有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Hong Kong Shengye Investments Company Limited 香港盛業投資有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Hong Kong Weisheng Properties Company Limited 香港偉盛置業有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Hong Kong Weiye Holdings Company Limited 香港偉業控股有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					directly held by parent (%) 直接由母公司持有的擁有權益 (%)	by the Group (%) 由本集團持有的擁有權益 (%)	by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Hong Kong Power Win Properties Limited 香港力勝置業有限公司	Hong Kong 香港	Limited liability company 有限責任公司	Investment holding 投資控股	1 ordinary shares of 1 HK dollar each, HK\$1 1股每股1港元的普通股1港元	—	100%	—
Redco (Tianjin) Real Estate Co., Ltd. 力高(天津)地產有限公司	PRC 中國	Wholly owned foreign enterprise 外商獨資企業	Property development in the PRC 在中國開發物業	Registered HK\$490,000,000 Paid up HK\$490,000,000 已登記490,000,000港元 已繳足490,000,000港元	—	100%	—
Tianjin Redco Hongye Investment Co., Ltd. 天津力高宏業投資有限公司	PRC 中國	Wholly owned foreign enterprise 外商獨資企業	Investment holding 投資控股	Registered US\$598,000,000 Paid up US\$288,000,000 已登記598,000,000美元 已繳足288,000,000美元	—	100%	—
Tianjin Redco Jiye Co., Ltd. 天津力高基業有限公司	PRC 中國	Wholly owned foreign enterprise 外商獨資企業	Operation and management of cultural tourism project in the PRC 在中國營運及管理文旅項目	Registered RMB1,217,064,630 Paid up RMB 1,217,064,630 已登記人民幣1,217,064,630元 已繳足人民幣1,217,064,630元	—	100%	—



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益(%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益(%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益(%)
Tianjin Redco Xingye Cultural Dissemination Co., Ltd.	PRC	Wholly owned foreign enterprise	Cultural product design consulting in the PRC	Registered RMB600,000,000 Paid up RMB 593,793,509	—	100%	—
天津力高興業文化傳播有限公司	中國	外商獨資企業	在中國提供文化產品設計諮詢	已登記人民幣600,000,000元 已繳足人民幣593,793,509元			
Tianjin Redco Shengye Investment Co., Ltd.	PRC	Sino-foreign equity joint venture	Operation and management of cultural tourism project in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	70%	30%
天津力高盛業有限公司	中國	中外合資合營企業	在中國營運及管理文旅項目	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Tianjin Redco Dadao Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB30,000,000 Paid up RMB30,000,000	—	18% (Note xi)	82%
天津力高大道置業發展有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣30,000,000元 已繳足人民幣30,000,000元		(附註xi)	
Changfeng Lianhua Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,750,000 Paid up RMB50,750,000	—	80%	20%
長豐聯華置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣50,750,000元 已繳足人民幣50,750,000元			
Hefei Redco Hongye Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	100%	—
合肥力高宏業地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣50,000,000元 已繳足人民幣50,000,000元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest	Ownership interest	Ownership interest
					directly held by parent (%) 直接由母公司持有的擁有權益 (%)	held by Group (%) 由本集團持有的擁有權益 (%)	held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Heifei Liqusan Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	100%	—
合肥力泉置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Heifei Redco Weisheng Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	30% (Note xi)	70%
合肥力高偉盛地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣20,000,000元 已繳足人民幣20,000,000元		(附註 xi)	
Hefei Lisheng Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB14,286,000 Paid up Nil	—	100%	—
合肥力盛置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣14,286,000元 已繳足零元			
Hefei Licheng Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	70%	30%
合肥力城置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			
Hefei Weili Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	—	100%	—
合肥市偉力地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足零元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest held directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Hefei Lihong Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	—	60%	40%
合肥力宏置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足零元			
Hefei Lijia Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up Nil	—	100%	—
合肥力嘉置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足零元			
Hefei Panrui Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	70%	30%
合肥磐瑞置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣50,000,000元 已繳足人民幣50,000,000元			
Hefei Zhiyue Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	70%	30%
合肥智越置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣50,000,000元 已繳足人民幣50,000,000元			
Hefei Tongzhu Properties Company Limited	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	60%	40%
合肥同鑄置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Linquan Huaxin Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	20% (Note (ii))	80%
臨泉縣華鑫房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣20,000,000元 已繳足人民幣20,000,000元		(附註(ii))	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held	Ownership interest held	Ownership interest held
					by parent (%) 直接由母公司持有的擁有權益(%)	by Group (%) 由本集團持有的擁有權益(%)	by non-controlling interests (%) 由非控制性權益持有的擁有權益(%)
Hefei Zhonghe Project Management Co., Ltd. 合肥眾合項目管理有限公司	PRC 中國	Limited liability company 有限責任公司	Investment holding 投資控股	Registered RMB20,000,000 Paid up RMB20,000,000 已登記人民幣20,000,000元 已繳足人民幣20,000,000元	—	100%	—
Lu'an Ruiyuan Real Estate Development Co., Ltd. 六安瑞源置業發展有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB500,000,000 Paid up RMB500,000,000 已登記人民幣500,000,000元 已繳足人民幣500,000,000元	—	20% (Note (iii)) (附註 (iii))	80%
Hefei Maomin Real Estate Co., Ltd. 合肥茂鳴置業有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB50,000,000 Paid up RMB50,000,000 已登記人民幣50,000,000元 已繳足人民幣50,000,000元	—	85%	15%
Hefei Lianggao Real Estate Co., Ltd. 合肥梁高置業有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB50,000,000 Paid up RMB50,000,000 已登記人民幣50,000,000元 已繳足人民幣50,000,000元	—	51%	49%
Anhui Xinde Business Management Co., Ltd. 安徽鑫德商業管理有限公司	PRC 中國	Limited liability company 有限責任公司	Investment holding 投資控股	Registered RMB5,000,000 Paid up RMB5,000,000 已登記人民幣5,000,000元 已繳足人民幣5,000,000元	—	100%	—
Huaiyuan Yide City Development Co., Ltd. 懷遠毅德城發展有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB420,000,000 Paid up RMB420,000,000 已登記人民幣420,000,000元 已繳足人民幣420,000,000元	—	20% (Note (iv)) (附註 (iv))	80%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership	Ownership	Ownership
					interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	interest held by the Group (%) 由本集團持有的擁有權益 (%)	interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Shenzhen Xingju Trading Co., Ltd. 深圳興居貿易有限公司	PRC 中國	Limited liability company 有限責任公司	Trading in the PRC 在中國進行貿易	Registered RMB1,000,000 Paid up RMB1,000,000 已登記人民幣1,000,000元 已繳足人民幣1,000,000元	—	100%	—
Shenzhen Jindian Design Consulting Co., Ltd. 深圳市今典建築科技有限公司	PRC 中國	Limited liability company 有限責任公司	Construction design consulting in the PRC 在中國提供建築設計諮詢	Registered RMB10,000,000 Paid up RMB500,000 已登記人民幣10,000,000元 已繳足人民幣500,000元	—	61%	39%
Shenzhen Chuangxin Construction Cost Consulting Co., Ltd. 深圳創信工程造價諮詢有限公司	PRC 中國	Limited liability company 有限責任公司	Construction cost consulting in the PRC 在中國提供建築成本諮詢	Registered RMB1,000,000 Paid up RMB1,000,000 已登記人民幣1,000,000元 已繳足人民幣1,000,000元	—	100%	—
Shenzhen Redco Dadao Real Estate Co. Ltd 深圳市力高大道置業有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB50,000,000 Paid up RMB50,000,000 已登記人民幣50,000,000元 已繳足人民幣50,000,000元	—	51%	49%
Shenzhen Redco Jiye Property Development Co., Ltd. 深圳力高基業地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB100,000,000 Paid up nil 已登記人民幣100,000,000元 已繳足零元	—	100%	—



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益(%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益(%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益(%)
Shenzhen Redco Weili Shiye Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	100%	—
深圳力高偉力實業發展有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			
Shenzhen Redco Hongye Xinxing Real Estate Service Co., Ltd	PRC	Limited liability company	Operation and management of cultural tourism project in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	100%	—
深圳市力高宏業新興產業服務有限公司	中國	有限責任公司	在中國營運及管理文旅項目	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Zhongshansi Haoyu Real Estate Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	70%	30%
中山市浩域房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Zhongshan Jintian Real Estate Industry Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB3,333,400 Paid up RMB3,333,400	—	70%	30%
中山市金田房地產實業發展有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣3,333,400元 已繳足人民幣3,333,400元			
Shenzhen Redco Cultural Tourism Industry Holding Co., Ltd.	PRC	Wholly owned foreign enterprise	Operation and management of cultural tourism project in the PRC	Registered US\$1,000,000 Paid up Nil	—	100%	—
深圳力高文旅產業控股有限公司	中國	外商獨資企業	在中國營運及管理文旅項目	已登記人民幣1,000,000元 已繳足零元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
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Shenzhen Redco Healthcare & Nutrition Holding Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holding	Registered US\$1,000,000 Paid up Nil	—	100%	—
深圳力高健康醫養控股有限公司	中國	外商獨資企業	投資控股	已登記1,000,000美元 已繳足零元			
Shenzhen Redco Kangan Health Management Co., Ltd.	PRC	Limited liability company	Provision of healthcare service in the PRC	Registered RMB5,000,000 Paid up Nil	—	100%	—
深圳力高康安健康管理有限公司	中國	有限責任公司	在中國提供康養服務	已登記人民幣5,000,000元 已繳足零元			
Shenzhen Redco Zhangzhewu Health Investment Development Co., Ltd.	PRC	Limited liability company	Provision of healthcare service in the PRC	Registered RMB29,400,000 Paid up RMB18,000,000	—	75%	25%
深圳力高長者屋健康投資發展有限公司	中國	有限責任公司	在中國提供康養服務	已登記人民幣29,400,000元 已繳足人民幣18,000,000元			
Shenzhen Huimeijia Decoration Engineering Co., Ltd.	PRC	Limited liability company	Construction and design consulting in the PRC	Registered RMB5,000,000 Paid up Nil	—	100%	—
深圳薈美家裝飾工程有限公司	中國	有限責任公司	在中國提供建築及設計諮詢	已登記人民幣5,000,000元 已繳足零元			
Foshan Gaoming Ligao Real Estate Development Co., Ltd	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK\$10,000,000 Paid up HK\$10,000,000	—	100%	—
佛山市高明區力高房地產開發有限公司	中國	外商獨資企業	在中國開發物業	已登記10,000,000港元 已繳足10,000,000港元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Jiangxi Man Wo Property Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK\$300,000,000 Paid up HK\$300,000,000	—	100%	—
江西萬和房地產開發有限公司	中國	外商獨資企業	在中國開發物業	已登記300,000,000港元 已繳足300,000,000港元			
Jiangxi Redco Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	100%	—
江西力高房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Jiangxi Chong De Real Estate Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK\$200,000,000 Paid up HK\$200,000,000	—	100%	—
江西崇德房地產開發有限公司	中國	外商獨資企業	在中國開發物業	已登記200,000,000港元 已繳足200,000,000港元			
Jiangxi Zhengli Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB200,000,000 Paid up RMB200,000,000	—	51%	49%
江西政力房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣200,000,000元 已繳足人民幣200,000,000元			
Jiangxi Lida Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	78%	22%
江西力達房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣20,000,000元 已繳足人民幣20,000,000元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Jiangxi Yiju Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB80,000,000 Paid up RMB80,000,000	—	51%	49%
江西怡居房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣80,000,000元 已繳足人民幣80,000,000元			
Jiangxi Haixiang Property Development Co.Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	100%	—
江西海祥房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			
Jiangxi Lisheng Real Estate Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	70%	30%
江西力盛置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			
Jiangxi Redco Shengye Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000		70%	30%
江西力高盛業地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			
Jiangxi Redco Travel Cultural Real Estate Co., Ltd	PRC	Limited liability company	Investment holding	Registered RMB100,000,000 Paid up RMB100,000,000	—	100%	—
江西力高旅遊文化產業有限公司	中國	有限責任公司	投資控股	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Jiangxi Lirun Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	80%	20%
江西力潤房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
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Jiangxi Redco Weisheng Business Managing Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	100%	—
江西力高偉盛企業管理有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣50,000,000元 已繳足人民幣50,000,000元			
Jiangxi Redco Guocheng Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	20% (Note (vi))	80%
江西力高國誠地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元		(附註 (vi))	
Nanchang Redco Zhangzhewu Health Industry Co., Ltd.	PRC	Limited liability company	Provision of healthcare service in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	—	75%	25%
南昌力高長者屋健康產業有限責任公司	中國	有限責任公司	在中國開發物業	已登記人民幣1,000,000元 已繳足人民幣1,000,000元			
Jiangxi Chenggao Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	16% (Note (vi))	84%
江西城高房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元		(附註 (vi))	
Jiangxi Zili Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	51%	49%
江西資力房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Nanchang Gaoyuan Real Estate Development Company Limited 南昌高遠房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB20,000,000 Paid up RMB20,000,000 已登記人民幣20,000,000元 已繳足人民幣20,000,000元	—	51%	49%
Jiangxi Li Rui Real Estate Development Company Limited 江西力瑞房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB100,000,000 Paid up RMB100,000,000 已登記人民幣100,000,000元 已繳足人民幣100,000,000元	—	41% (Note xi)	59%
Jiangxi Life Sunshine City Investment Co., Ltd. 江西生命陽光城投資股份有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB20,000,000 Paid up RMB20,000,000 已登記人民幣20,000,000元 已繳足人民幣20,000,000元	—	100%	—
Jiangxi Li Run Property Development Company Limited 江西力葵房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB30,000,000 Paid up RMB30,000,000 已登記人民幣30,000,000元 已繳足人民幣30,000,000元	—	100%	—
Nanchang Litou Real Estate Development Co., Ltd. 南昌力投房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB20,000,000 Paid up RMB20,000,000 已登記人民幣20,000,000元 已繳足人民幣20,000,000元	—	51%	49%
Ganzhou Litou Real Estate Development Co., Ltd. 贛州力投房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB50,000,000 Paid up RMB50,000,000 已登記人民幣50,000,000元 已繳足人民幣50,000,000元	—	49% (Note xi)	51%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Nanchang Guogao Real Estate Co., Ltd. 南昌國高房地產置業有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB230,000,000 Paid up RMB230,000,000 已登記人民幣230,000,000元 已繳足人民幣230,000,000元	—	51%	49%
Redco (China) Real Estate Co., Ltd. 力高(中國)地產有限公司	PRC 中國	Sino-foreign equity joint venture 中外合資合營企業	Property development in the PRC 在中國開發物業	Registered HK\$100,000,000 Paid up HK\$100,000,000 已登記人民幣100,000,000元 已繳足人民幣100,000,000元	—	100%	—
Longyan Redco Real Estate Development Co., Ltd. 龍岩市力高房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB1,000,000 Paid up nil 已登記人民幣1,000,000元 已繳足零元	—	60%	40%
Quanzhou Lixing Real Estate Development Co., Ltd. 泉州麗興房地產開發有限公司	PRC 中國	Sino-foreign equity joint venture 中外合資合營企業	Property development in the PRC 在中國開發物業	Registered RMB30,000,000 Paid up RMB30,000,000 已登記人民幣30,000,000元 已繳足人民幣30,000,000元	—	33% (Note (vii)) (附註(vii))	67%
Quanzhou Litou Real Estate Development Company Limited 泉州力投房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB10,000,000 Paid up RMB10,000,000 已登記人民幣10,000,000元 已繳足人民幣10,000,000元	—	59%	41%
Quanzhou Kelongshan Tourism Development Co., Ltd. 泉州科龍山旅遊發展有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB50,000,000 Paid up RMB50,000,000 已登記人民幣50,000,000元 已繳足人民幣50,000,000元	—	55%	45%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest held directly by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Quanzhou Lisheng Real Estate Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	100%	—
泉州力盛房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			
Xianyang Redco Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	70%	30%
咸陽力高房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣20,000,000元 已繳足人民幣20,000,000元			
Xi'an Redco Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	—	100%	—
西安力高置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足零元			
Xianyang Baorong Industrial Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB98,000,000 Paid up RMB98,000,000	—	75%	25%
咸陽保榮實業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣98,000,000元 已繳足人民幣98,000,000元			
Shandong Redco Real Estate Development Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered HK\$100,000,000 Paid up HK\$100,000,000	—	100%	—
山東力高房地產開發有限公司	中國	中外合資合營企業	在中國開發物業	已登記100,000,000港元 已繳足100,000,000港元			
Yantai Redco Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered US\$101,000,000 Paid up US\$101,000,000	—	100%	—
煙台力高置業有限公司	中國	外商獨資企業	在中國開發物業	已登記101,000,000美元 已繳足101,000,000美元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Shandong Redco Jianghao Real Estate Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	80%	20%
山東力高江浩房地產有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Shandong Xin Guangyou Properties Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB36,734,600 Paid up RMB36,734,600	—	51%	49%
山東新廣友置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣36,734,600元 已繳足人民幣36,734,600元			
Jinan Redco Weisheng Property Development Co.Ltd	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	80%	20%
濟南力高偉盛地產開發有限公司	中國	中外合資合營企業	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元			
Jinan Redco Hongsheng Property Development Co.Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB18,734,600 Paid up nil	—	100%	—
濟南力高宏盛地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣18,734,600元 已繳足零元			
Shandong Jiali Real Estate Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	80%	20%
山東嘉力置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣50,000,000元 已繳足人民幣50,000,000元			
Jinan Redco Yingli Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up nil	—	80%	20%
山東力高盈力房地產有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣50,000,000元 已繳足零元			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

14 附屬公司(續)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Shandong Redco Jinsheng Jiye Property Development Co., Ltd 山東力高錦盛基業房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB100,000,000 Paid up nil 已登記人民幣100,000,000元 已繳足零元	—	100%	—
Shandong Redco Kaili Real Estate Co., Ltd. 山東力高凱力房地產有限公司	PRC 中國	Sino-foreign equity joint venture 中外合資合營企業	Property development in the PRC 在中國開發物業	Registered US\$23,529,400 Paid up US\$23,529,400 已登記23,529,400美元 已繳足23,529,400美元	—	85%	15%
Shandong Weisheng Real Estate Development Co., Ltd. 山東偉勝房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered USD33,990,000 Paid up USD33,990,000 已登記33,990,000美元 已繳足33,990,000美元	—	100%	—
Shandong Xinghong Real Estate Development Co., Ltd 山東興鴻房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Investment holding 投資控股	Registered USD36,172,100 Paid up USD36,172,100 已登記36,172,100美元 已繳足36,172,100美元	—	85%	15%
Jinan Dongfeng Real Estate Co., Ltd. 濟南東風置業有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB20,000,000 Paid up RMB20,000,000 已登記人民幣20,000,000元 已繳足人民幣20,000,000元	—	90%	10%
Yantai Redco CP Homes Health Industry Investment CO., Ltd. 煙台力高長者屋健康產業投資有限公司	PRC 中國	Limited liability company 有限責任公司	Provision of healthcare service in the PRC 在中國提供康養服務	Registered RMB1,000,000 Paid up RMB1,000,000 已登記人民幣1,000,000元 已繳足人民幣1,000,000元	—	75%	25%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership interest held		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Shandong Redco Tianrun Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	60%	40%
山東力高天潤房地產有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			
Yantai Redco Kangan Health Management Company Limited	PRC	Limited liability company	Provision of healthcare service in the PRC	Registered RMB2,000,000 Paid up RMB2,000,000	—	100%	—
煙台力高康安健康管理有限公司	中國	有限責任公司	在中國提供康養服務	已登記人民幣2,000,000元 已繳足人民幣2,000,000元			
Jinan Guorong Property Company Limited	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	53%	47%
濟南國融置業有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣10,000,000元 已繳足人民幣10,000,000元			
Hebei Aohong Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB205,000,000 Paid up RMB205,000,000	—	40% (Note xi)	60%
河北澳鴻房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣205,000,000元 已繳足人民幣205,000,000元		(附註xi)	
Taizhou Jiakai Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	30% (Note (viii))	70%
泰州嘉凱房地產開發有限公司	中國	有限責任公司	在中國開發物業	已登記人民幣100,000,000元 已繳足人民幣100,000,000元		(附註(viii))	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)



Name of companies 公司名稱	Place of incorporation 註冊成立地點	Kind of legal entity 法人類別	Principal activities and place of operation 主要活動及營運地點	Particulars of issued share capital and debt securities 已發行股本及債務證券細節	Ownership		
					Ownership interest directly held by parent (%) 直接由母公司持有的擁有權益 (%)	Ownership interest held by the Group (%) 由本集團持有的擁有權益 (%)	Ownership interest held by non-controlling interests (%) 由非控制性權益持有的擁有權益 (%)
Chongqing Wulong Zhongming Cultural Tourism Co., Ltd. 重慶市武隆中銘文化旅遊有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB100,000,000 Paid up RMB100,000,000 已登記人民幣100,000,000元 已繳足人民幣100,000,000元	—	51%	49%
Wuhan Redco Property Co., Ltd. 武漢力高置業有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB10,000,000 Paid up nil 已登記人民幣10,000,000元 已繳足零元	—	100%	—
Hubei Rongxin Renbang Real Estate Co., Ltd. 湖北省榮新仁邦置業有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB50,000,000 Paid up RMB50,000,000 已登記人民幣50,000,000元 已繳足人民幣50,000,000元	—	25% (Note (ix)) (附註 (ix))	75%
Wuhan Fengxiangdao Real Estate Development Co., Ltd. 武漢市鳳翔島房地產開發有限公司	PRC 中國	Limited liability company 有限責任公司	Property development in the PRC 在中國開發物業	Registered RMB200,000,000 Paid up RMB200,000,000 已登記人民幣200,000,000元 已繳足人民幣200,000,000元	—	70%	30%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

Note:

- (i) Although the Group owns not more than half of the equity interest in Redco Investment (International) Co., Ltd. (“Redco Investment”), it is able to control the financing and operating decisions since the Group and the other shareholder agreed that the directors of the Group have the casting vote in the Board of Directors’ meeting for resolution of operating and major decisions. The decision are made by simple majority. It follows that the Group should consolidate Redco Investment as a subsidiary in the Group’s financial statements.
- (ii) As the 31% shareholder of Linquan Huaxin Real Estate Development Co., Ltd. (“Linquan Huaxin”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Linquan Huaxin. The decisions are made by simple majority. It follows that the Group should consolidate Linquan Huaxin as a subsidiary in the Group’s financial statements.
- (iii) As the 31% shareholder of Lu’an Ruiyuan Real Estate Development Co., Ltd. (“Lu’an Ruiyuan”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Lu’an Ruiyuan. The decisions are made by simple majority. It follows that the Group should consolidate Lu’an Ruiyuan as a subsidiary in the Group’s financial statements.
- (iv) As the 31% shareholder of Huaiyuan Yide City Development Co., Ltd. (“Huaiyuna Yide”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Huaiyuna Yide. The decisions are made by simple majority. It follows that the Group should consolidate Huaiyuna Yide as a subsidiary in the Group’s financial statements.

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

附註：

- (i) 儘管本集團擁有力高投資(國際)有限公司(「力高投資」)的股權不超過一半，惟由於本集團及其他股東同意本集團董事於董事會會議上可就涉及經營及重大決策的決議案投決定票，故本集團可控制該公司的財務及經營決定。有關決定按簡單多數製作出。因此，本集團將力高投資作為附屬公司於本集團財務報表綜合入賬。
- (ii) 由於臨泉縣華鑫房地產開發有限公司(「臨泉華鑫」)的31%股東已向本集團授出其投票權，故本集團擁有臨泉華鑫的超過一半投票權。有關決定按簡單多數製作出。因此，本集團將臨泉華鑫作為附屬公司於本集團財務報表綜合入賬。
- (iii) 由於六安瑞源置業發展有限公司(「六安瑞源」)的31%股東已向本集團授出其投票權，故本集團擁有六安瑞源的超過一半投票權。有關決定按簡單多數製作出。因此，本集團將六安瑞源作為附屬公司於本集團財務報表綜合入賬。
- (iv) 由於懷遠毅德城發展有限公司(「懷遠毅德」)的31%股東已向本集團授出其投票權，故本集團擁有懷遠毅德的超過一半投票權。有關決定按簡單多數製作出。因此，本集團將懷遠毅德作為附屬公司於本集團財務報表綜合入賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

Note: (Continued)

- (v) Although the Group owns not more than half of the equity interest in Jiangxi Redco Guocheng Real Estate Development Co., Ltd. (“Jiangxi Redco Guocheng”), it is able to control more than one half of the voting rights by virtue of the fact that 2 out of 3 directors of Jiangxi Redco Guocheng are elected by the Group and the board of Jiangxi Redco Guocheng is able to direct the activities of Jiangxi Redco Guocheng which significantly affect the returns. The decisions are made by simple majority. It follows that the Group should consolidate Jiangxi Redco Guocheng as a subsidiary in the Group’s financial statements.
- (vi) As the 80% shareholder of Jiangxi Chenggao Real Estate Development Co., Ltd is Jiangxi Redco Guocheng Real Estate Development Co., Ltd., a subsidiary of the Group, the Group indirectly controls more than half of the voting rights of the Jiangxi Guocheng Shareholders’ Association, and has appointed more than half of the directors on the board of directors. The decisions are made by simple majority. It follows that the Group should consolidate Jiangxi Redco Guocheng as a subsidiary in the Group’s financial statements.
- (vii) As the 18% shareholder of Quanzhou Lixing Real Estate Development Co., Ltd. (“Quanzhou Lixing”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Quanzhou Lixing. The decisions are made by simple majority. It follows that the Group should consolidate Quanzhou Lixing as a subsidiary in the Group’s financial statements.

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

附註：(續)

- (v) 儘管本集團擁有江西力高國誠地產開發有限公司(「江西力高國誠」)的股權不超過一半，惟由於江西力高國誠三名中有兩名董事由本集團選出，且江西力高國誠的董事會可以領導江西力高國誠對回報產生巨大影響的活動，故本集團可控制超過一半的投票權。有關決定按簡單多數製作出。因此，本集團將江西力高國誠作為附屬公司於本集團財務報表綜合入賬。
- (vi) 由於江西城高房地產開發有限公司的80%股東為本集團的附屬公司江西力高國誠地產開發有限公司，故本集團間接控制江西國誠股東組織超過一半投票權，並已委任董事會超過半數的董事。有關決定按簡單多數製作出。因此，本集團將江西力高國誠作為附屬公司於本集團財務報表綜合入賬。
- (vii) 由於泉州麗興房地產開發有限公司(「泉州麗興」)的18%股東已向本集團授出其投票權，故本集團擁有泉州麗興的超過一半投票權。有關決定按簡單多數製作出。因此，本集團將泉州麗興作為附屬公司於本集團財務報表綜合入賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

14 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2019 are set out below: (Continued)

Note: (Continued)

- (viii) As the 21% shareholder of Taizhou Jiakai Real Estate Development Co., Ltd. (“Taizhou Jiakai”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Taizhou Jiakai. The decisions are made by simple majority. It follows that the Group should consolidate Taizhou Jiakai as a subsidiary in the Group’s financial statements.
- (ix) As the 26% shareholder of Hubei Rongxin Renbang Real Estate Co., Ltd. (“Hubei Rongxin”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Hubei Rongxin. The decisions are made by simple majority. It follows that the Group should consolidate Hubei Rongxin as a subsidiary in the Group’s financial statements.
- (x) The English names of PRC companies referred to above in this note represent management’s best efforts in translating the Chinese names of those companies as no English names have been registered or available.
- (xi) These subsidiaries are indirectly held by partially owned subsidiaries of the Group and thus the effective interests are less than 50%.

14 附屬公司(續)

(a) 於二零一九年十二月三十一日，主要附屬公司的詳情載列如下：(續)

附註：(續)

- (viii) 由於泰州嘉凱房地產開發有限公司(「泰州嘉凱」)的21%股東已向本集團授出其投票權，故本集團擁有泰州嘉凱的超過一半投票權。有關決定按簡單多數製作出。因此，本集團將泰州嘉凱作為附屬公司於本集團財務報表綜合入賬。
- (ix) 由於湖北榮信仁邦房地產有限公司(「湖北榮信」)的26%股東已向本集團授出其投票權，故本集團擁有湖北榮信的超過一半投票權。有關決定按簡單多數製作出。因此，本集團將湖北榮信作為附屬公司於本集團財務報表綜合入賬。
- (x) 以上於本附註所指的中國公司英文名稱由管理層盡力翻譯成中文，這是由於該等公司並無註冊或並無英文名稱。
- (xi) 該等附屬公司由本集團非全資附屬公司簡接持有，因此實際利率低於50%。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Associates	聯營公司	292,796	383,463
Joint ventures	合營企業	362,076	316,831
At 31 December	於十二月三十一日	<u>654,872</u>	<u>700,294</u>

15 以權益法入賬的投資

於合併資產負債表內確認的金額如下：

The amounts recognised in the consolidated statement of profit or loss are as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Associates	聯營公司	(54,054)	3,486
Joint ventures	合營企業	32,509	73,982
For the year ended 31 December	截至十二月三十一日止年度	<u>(21,545)</u>	<u>77,468</u>

於合併損益表內確認的金額如下：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(a) Interests in associates



		2019	2018
		二零一九年	二零一八年
		RMB' 000	RMB' 000
		人民幣千元	人民幣千元
At beginning of the year	年初	383,463	318,193
Additions	添置	189,100	66,699
Addition upon step acquisition (Note 27.3)	分次收購後添置(附註 27.3)	303	—
Transfer to subsidiaries (Note 27.3)	轉至附屬公司(附註 27.3)	(210,043)	(4,915)
Disposal (Note b(iv))	出售(附註 b(iv))	(15,973)	—
Share of loss, net	應佔虧損淨額		
– Gain on bargain purchase (Note b(i))	– 議價購買收益(附註 b(i))	—	28,588
– Others	– 其他	(54,054)	(25,102)
At end of the year	年末	292,796	383,463

15 以權益法入賬的投資(續)

(a) 於聯營公司的權益



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED) 15 以權益法入賬的投資(續)

(b) Nature of interests in associates

(b) 於聯營公司的權益性質

Name of entity 實體名稱	Principal place of business 主要經營地點	% of ownership indirectly held interest 間接擁有權益百分比		Nature of the relationship 關係性質	Measurement method 計量方法
		2019 二零一九年	2018 二零一八年		
Top Glory 銘高	PRC 中國	—	45%	Note 27.3 附註27.3	Equity 權益法
Ganzhou Baoherun Co., Limited (贛州葆和潤實業有限公司) ("Ganzhou Baoherun") 贛州葆和潤實業有限公司(「贛州葆和潤」)	PRC 中國	30%	30%	Note i 附註 i	Equity 權益法
Xianyang Baorong Co., Limited (咸陽保榮實業有限公司) ("Xianyang Baorong") 咸陽保榮實業有限公司(「咸陽保榮」)	PRC 中國	—	75%	Note ii & Note 27.3 附註 ii 及 附註 27.3	Equity 權益法
Lianyungang Hengrun Real Estate Co., Ltd (連雲港恒潤置業有限公司) ("Lianyungang Hengrun") 連雲港恒潤置業有限公司(「連雲港恒潤」)	PRC 中國	40%	40%	Note iii 附註 iii	Equity 權益法
Jiangxi Chang Da Rui Feng Technology Development Co., Limited (江西昌大瑞豐科技發展有限公司) ("Jiangxi Chang Da Rui Feng") 江西昌大瑞豐科技發展有限公司(「江西昌大瑞豐」)	PRC 中國	—	20%	Note iv 附註 iv	Equity 權益法



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

15 以權益法入賬的投資(續)

(b) Nature of interests in associates (Continued)

(b) 於聯營公司的權益性質(續)

Name of entity 實體名稱	Principal place of business 主要經營地點	% of ownership indirectly held interest 間接擁有權益百分比		Nature of the relationship 關係性質	Measurement method 計量方法
		2019 二零一九年	2018 二零一八年		
Fencheng Xinfei Property Development Co., Ltd. (豐城欣飛房地產開發有限公司) ("Fencheng Xinfei") 豐城欣飛房地產開發有限公司(「豐城欣飛」)	PRC 中國	40%	40%	—	Equity 權益法
Fengcheng Liding Property Development Co., Ltd (豐城市力鼎房地產開發有限公司) ("Fengcheng Liding") 豐城市力鼎房地產開發有限公司(「豐城市力鼎」)	PRC 中國	40%	40%	—	Equity 權益法
Fengcheng Hending Property Development Co., Ltd (豐城市恆鼎房地產開發有限公司) ("Fengcheng Hending") 豐城市恆鼎房地產開發有限公司(「豐城恆鼎」)	PRC 中國	40%	40%	—	Equity 權益法
Tibet Yunxi Enterprise Management Partnership (Limited Partnership) (西藏運禧企業管理合夥企業 (有限合夥)) ("Tibet Yunxi") 西藏運禧企業管理合夥企業(有限合夥)(「西藏運禧」)	PRC 中國	48%	—	Note v 附註v	Equity 權益法
Funan Anhua Times Real Estate Development Co., Ltd. (阜南安華時代房地產開發有限公司) ("Funan Anhua") 阜南安華時代房地產開發有限公司(「阜南安華」)	PRC 中國	20%	—	Note vi 附註vi	Equity 權益法



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED) 15 以權益法入賬的投資(續)

(b) Nature of interests in associates (Continued)

(b) 於聯營公司的權益性質(續)

Name of entity 實體名稱	Principal place of business 主要經營地點	% of ownership indirectly held interest 間接擁有權益百分比		Nature of the relationship 關係性質	Measurement method 計量方法
		2019	2018		
		二零一九年	二零一八年		
Love Care Redco (Shanghai) Senior Care Service Co., Ltd. (愛照護力高(上海)養老服務有限公司) ("Love Care Redco")	PRC	20%	—	Note vii	Equity
愛照護力高(上海)養老服務有限公司 (「愛照護力高」)	中國			附註vii	權益法
Huizhou Gaozhao Real Estate Development Co., Ltd. (惠州市高兆房地產開發有限公司) ("Huizhou Gaozhao")	PRC	49%	—	Note viii	Equity
惠州市高兆房地產開發有限公司 (「惠州高兆」)	中國			附註viii	權益法
Huizhou Lijia Real Estate Co., Ltd. (惠州力佳地產有限公司) ("Huizhou Lijia")	PRC	33%	—	Note ix	Equity
惠州力佳地產有限公司(「惠州力佳」)	中國			附註ix	權益法
Wuhan Huacheng Quanyou Real Estate Co., Ltd. (武漢華誠全友置業有限公司) ("Wuhan Huacheng")	PRC	20%	—	Note x	Equity
武漢華誠全友置業有限公司(「武漢華誠」)	中國			附註x	權益法
Nanchang Junyu Meijia Property Service Co., Ltd. (南昌君譽美家物業服務有限公司) ("Nanchang Junyu Meijia")	PRC	35%	—	Note xi	Equity
南昌君譽美家物業服務有限公司 (「南昌君譽美家」)	中國			附註xi	權益法



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(b) Nature of interests in associates (Continued)

The associates held by the Group have share capital consisting solely of ordinary shares. All of the associates are private companies with no quoted market price available for their shares.

Note:

- (i) Ganzhou Baoherun is a limited liability company incorporated on 19 June 2014. The principal activities are property development and management in the PRC. Ganzhou Baoherun is accounted for as an associate following the acquisition of 20% interest at a consideration of RMB57,500,000 on 30 September 2017. The Group acquired additional 10% equity interest of Ganzhou Baoherun at a consideration of RMB5,357,000 and the transaction was completed on 30 January 2018. The gain on bargain purchase of RMB28,588,000 was mainly resulted from the fact that the Group would bring in industry expertise to this associate.

The property project of Ganzhou Baoherun consists of three phases. The Group is entitled to 30% interest in phase 2 and 3 and an additional 21% voting rights of phase 2 and 3 of Ganzhou Baoherun was granted to the Group by the 70% shareholder of Ganzhou Baoherun. The decisions of phase 2 and 3 are made by simple majority. Meanwhile, the Group has no interests in phase 1 only.

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has assessed whether to consolidate Ganzhou Baoherun as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

15 以權益法入賬的投資(續)

(b) 於聯營公司的權益性質(續)

本集團所持聯營公司擁有的股本僅包括普通股。所有聯營公司均為私人公司，其股份並無市場報價。

附註：

- (i) 贛州葆和潤為於二零一四年六月十九日註冊成立的有限公司，主要業務為中國物業發展及管理。於二零一七年九月三十日以代價人民幣57,500,000元收購其20%權益後，贛州葆和潤作為一家聯營公司入賬。本集團以代價人民幣5,357,000元收購贛州葆和潤的額外10%股權，有關交易已於二零一八年一月三十日完成。議價購買收益人民幣28,588,000元主要來自將行業經驗帶予該聯營公司。

贛州葆和潤的物業項目分為三期。本集團有權獲得第二期及第三期的30%權益，而贛州葆和潤的70%股東向本集團授予贛州葆和潤第二期及第三期的額外21%投票權。第二期及第三期的決策以簡單多數票決定。同時，本集團僅於第一期並無任何權益。

根據香港財務報告準則第10號，本公司須將由其管控的公司猶如附屬公司般綜合計入財務報表。倘有如下情況則為公司管控另一公司：(i) 對另一公司擁有權力，(ii) 通過參與該另一公司而於不同的回報承擔風險或擁有權利，及(iii) 有能力運用其於該另一公司的權力以影響公司所得的回報。此三項情況必須全部符合。鑒於香港財務報告準則第10號的條文規定，本公司已就是在財務報表中將贛州葆和潤作為附屬公司綜合入賬進行考慮。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(b) Nature of interests in associates (Continued)

Note: (Continued)

(i) (Continued)

As of 31 December 2019 and 2018, even though the Company holds 51% voting right of phase 2 and 3 of Ganzhou Baoherun, the directors of the Company is of the view, having considered the terms stated in the operating agreement entered into with the other shareholder and the way in which the board of the Company governs the affairs of Ganzhou Baoherun legally, that the Company does not have power over certain operating business of Ganzhou Baoherun and is not exposed to or able to obtain variable returns from that operating segment for the purposes of HKFRS 10. It follows that the three requirements in HKFRS 10 for consolidation have not been met, the Company should not consolidate Ganzhou Baoherun as a subsidiary in the Company's financial statements and should account for its interest in Ganzhou Baoherun as an associate as at 31 December 2019 and 2018.

- (ii) Xianyang Baorong is a limited liability company incorporated on 5 September 2011. The principal activities are property development and management in the PRC. Xianyang Baorong is accounted for as an associate following the acquisition of 75% interest at a consideration of RMB188,783,000 by the Group on 1 September 2017 and the Group obtained the significant influence on 31 December 2017.

The property project of Xianyang Baorong consists of two phases. The Group is entitled to 75% interest in phase 2 and none of the interest in phase 1.

15 以權益法入賬的投資(續)

(b) 於聯營公司的權益性質(續)

附註：(續)

(i) (續)

於二零一九年及二零一八年十二月三十一日，儘管本公司持有贛州葆和潤第二期及第三期的51%投票權，但本公司董事經考慮與其他股東訂立的經營協議所述條款及本公司董事會依法管治贛州葆和潤事務之方式後，認為就香港財務報告準則第10號而言，本公司對贛州葆和潤的若干經營業務並無擁有權力，且並無獲授或能夠從該經營分部取得可變回報。因此，於二零一九年及二零一八年十二月三十一日，由於未有符合香港財務報告準則第10號對綜合入賬所定的三個規定，故本公司不應在公司財務報表中將贛州葆和潤作為一家附屬公司綜合入賬，而應將其於贛州葆和潤的權益作為一家聯營公司入賬。

- (ii) 咸陽保榮為於二零一一年九月五日註冊成立的有限責任公司，其主要業務為於中國從物業發展及管理。咸陽保榮於二零一七年九月一日獲本集團按代價人民幣188,783,000元收購75%權益，並取得重大影響後，於二零一七年十二月三十一日獲入賬列作聯營公司。

咸陽保榮的物業項目分為兩期。本集團擁有第二期的75%權益，而於第一期並無權益。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

**15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)**

(b) Nature of interests in associates (Continued)

Note: (Continued)

(ii) (Continued)

As of 31 December 2018 and up to the date of step acquisition, even though the Company holds 75% of the shareholding and voting right in phase 2, the directors of the Company is of the view, having considered the terms stated in the operating agreement entered into with the other shareholder and the way in which the board of the Company governs the affairs of Xianyang Baorong legally, that the Company does not have power over certain operating business of Xianyang Baorong and is not exposed to or able to obtain variable returns from that operating segment for the purposes of HKFRS 10. It follows that the three requirements in HKFRS 10 for consolidation have not been met, the Company should not consolidate Xianyang Baorong as a subsidiary in the Company's financial statements and should account for its interest in Xianyang Baorong as an associated company as at 31 December 2018.

As at 31 December 2019, majority of properties for phase 1 project, which the Group has no interest in, were completed and sold. The remaining operating business was dominated by phase 2 project, in which the Group is entitled to 75% interest. As of 31 December 2019, the Company has power over the remaining operating business of Xianyang Baorong and is exposed to variable returns from the operating segment. As a result, the Company should consolidate Xianyang Baorong as a subsidiary in the Company's financial statements as at 31 December 2019.

15 以權益法入賬的投資(續)

(b) 於聯營公司的權益性質(續)

附註：(續)

(i) (續)

於二零一八年十二月三十一日及截至分次收購日期，儘管本公司持有第二期75%的股權及投票權，但本公司董事經考慮與其他股東訂立的經營協議所述條款及本公司董事會依法管治咸陽保榮事務之方式後，認為就香港財務報告準則第10號而言，本公司對咸陽保榮的若干經營業務並無擁有權力，且並無獲授或能夠從該經營分部取得可變回報。因此，由於未有符合香港財務報告準則第10號對綜合入賬所定的三個規定，故本公司不應在公司財務報表中將咸陽保榮作為一家附屬公司綜合入賬，而於二零一八年十二月三十一日應將其於咸陽保榮的權益作為一家聯營公司入賬。

於二零一九年十二月三十一日，本集團概無擁有權益的大部分第一期項目物業已竣工及售出。餘下經營業務由第二期項目作主導，其中本集團將擁有75%權益。於二零一九年十二月三十一日，本公司於咸陽保榮餘下經營業務中擁有權力，並自經營分部獲得可變回報。因此，於二零一九年十二月三十一日，本公司應將咸陽保榮作為附屬公司於本公司財務報表綜合入賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(b) Nature of interests in associates (Continued)

Note: (Continued)

- (iii) Lianyungang Hengrun is a limited liability company incorporated on 15 May 2007. The principal activities are property development and management in the PRC. Lianyungang Hengrun is accounted for as an associate following the acquisition of 40% interest at a consideration of RMB33,340,000 by the Group and the Group obtained the significant influence on 22 August 2018.

The property project of Lianyungang Hengrun consists of three phases. The Group is entitled to 40% interest in phase 3 and none of the interests in phase 1 and phase 2.

- (iv) On 2 December 2019, the Group agreed to sell 20% interest of Jiangxi Chang Da Rui Feng, at a cash consideration of RMB24,380,000, to independent third party and the transaction was completed on 9 December 2019. Upon the completion, Jiangxi Chang Da Rui Feng was derecognised as an associate of the Group and the gain of disposal of RMB8,407,000 is included in "Other gains, net" in the consolidated statement of profit or loss (Note 7).
- (v) Tibet Yunxi is a partnership incorporated on 24 April 2019. The principal activity is investment holding. Tibet Yunxi is accounted for as an associate following the capital injection of RMB170,000,000 by the Group and appointment of 2 out of 5 investment decision board of Tibet Yunxi and the Group obtained the significant influence on 24 April 2019. The Group is able to obtain 14.29% variable returns from the interest in Tibet Yunxi.

15 以權益法入賬的投資(續)

(b) 於聯營公司的權益性質(續)

附註：(續)

- (iii) 連雲港恒潤為一家於二零零七年五月十五日註冊成立的有限公司，主要業務為中國物業發展及管理。本集團以代價人民幣33,340,000元收購其40%權益並於二零一八年八月二十二日取得重大影響力後，連雲港恒潤作為一家聯營公司入賬。

連雲港恒潤的物業項目分三期進行。本集團有權獲得第三期的40%權益，惟無權享有第一期及第二期的權益。

- (iv) 於二零一九年十二月二日，本集團同意以現金代價人民幣24,380,000元向獨立第三方出售江西昌大瑞豐的20%權益，交易已於二零一九年十二月九日完成。完成後，江西昌大瑞豐已終止確認為本集團聯營公司，而出售收益人民幣8,407,000元已計入合併損益表「其他收益淨額」內(附註7)。
- (v) 西藏運禧為於二零一九年四月二十四日註冊成立的合夥企業，主要活動為投資控股。隨著本集團注資人民幣170,000,000元後，西藏運禧已作為聯營公司入賬，並委任西藏運禧投資決策董事會5名董事中2名，而本集團於二零一九年四月二十四日取得重大影響力。本集團可自西藏運禧的權益中獲得14.29%可變回報。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interests in associates (Continued)

Note: (Continued)

- (vi) Funan Anhua is a limited liability company incorporated on 18 October 2018. The principal activities are property development and management in the PRC. Funan Anhua is accounted for as an associate following the acquisition of 20% interest at a consideration of RMB10,000,000 by the Group and the Group obtained the significant influence on 1 January 2019.
- (vii) Love Care Redco is a limited liability company incorporated on 25 January 2019. The principal activity is provision of healthcare service in the PRC. Love Care Redco is accounted for as an associate following the capital injection of RMB200,000 by the Group and the Group obtained the significant influence on 25 January 2019.
- (viii) Huizhou Gaozhao is a limited liability company incorporated on 11 September 2019. The principal activities are property development and management in the PRC. Huizhou Gaozhao is accounted for as an associate following the capital injection of RMB4,900,000 by the Group and the Group obtained the significant influence on 11 September 2019.
- (ix) Huizhou Lijia is a limited liability company incorporated on 16 August 2019. The principal activities are property development and management in the PRC. Huizhou Lijia is accounted for as an associate following the subscription of 33% interest by the Group and the Group obtained the significant influence on 23 December 2019.

15 以權益法入賬的投資(續)

(b) 於聯營公司的權益性質(續)

附註：(續)

- (vi) 阜南安華為於二零一八年十月十八日註冊成立的有限責任公司，主要活動為在中國開發及管理物業。隨著本集團以代價人民幣10,000,000元收購20%的權益後，阜南安華已作為聯營公司入賬，而本集團於二零一九年一月一日取得重大影響力。
- (vii) 愛照護力高為於二零一九年一月二十五日註冊成立的有限責任公司，主要活動為在中國提供康養服務。隨著本集團注資人民幣200,000元後，愛照護力高已作為聯營公司入賬，而本集團於二零一九年一月二十五日取得重大影響力。
- (viii) 惠州高兆為於二零一九年九月十一日註冊成立的有限責任公司，主要活動為在中國開發及管理物業。隨著本集團注資人民幣4,900,000元後，惠州高兆已作為聯營公司入賬，而本集團於二零一九年九月十一日取得重大影響力。
- (ix) 惠州力佳為於二零一九年八月十六日註冊成立的有限責任公司，主要活動為在中國開發及管理物業。隨著本集團認購33%的權益後，惠州力佳已作為聯營公司入賬，而本集團於二零一九年十二月二十三日取得重大影響力。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(b) Nature of interests in associates (Continued)

Note: (Continued)

- (x) Wuhan Huacheng is a limited liability company incorporated on 27 June 2006. The principal activities are property development and management in the PRC. Wuhan Huacheng is accounted for as an associate following the acquisition of 20% interest at a consideration of RMB4,000,000 by the Group and the Group obtained the significant influence on 1 July 2019.
- (xi) Nanchang Junyu Meijia is a limited liability company incorporated on 27 June 2006. The principal activity is provision of property management service in the PRC. Nanchang Junyu Meijia was an associate held by Top Glory Group and accounted for as an associate of the Group following the step acquisition of Top Glory Group on 26 June 2019.

(c) Summarised financial information for the associates

Set out below are the summarised financial information for Ganzhou Baoherun Co., Limited, Lianyungang Hengrun and Tibet Yunxi which, in the opinion of the directors, are material to the Group and other associates (“Others”). The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group’s share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

15 以權益法入賬的投資(續)

(b) 於聯營公司的權益性質(續)

附註：(續)

- (x) 武漢華誠為於二零零六年六月二十七日註冊成立的有限責任公司，主要活動為在中國開發及管理物業。隨著本集團以代價人民幣4,000,000元收購20%的權益後，武漢華誠已作為聯營公司入賬，而本集團於二零一九年七月一日取得重大影響力。
- (xi) 南昌君譽美家為於二零零六年六月二十七日註冊成立的有限責任公司，主要活動為在中國提供物業管理服務。南昌君譽美家為銘高集團持有的聯營公司，隨著於二零一九年六月二十六日分次收購銘高集團後已作為本集團聯營公司入賬。

(c) 聯營公司財務資料概要

以下載列有關贛州葆和潤實業有限公司、連雲港恒潤及西藏運禧財務資料之概要，董事認為有關資料對本集團及其他聯營公司(「其他」)屬重要，並以權益法入賬。所披露資料反映聯營公司財務報表呈列的金額，而非本集團應佔該等金額。有關金額已作修改以反映實體在使用權益法時所作的調整，包括公平值調整及會計政策差異的修改。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(c) Summarised financial information for the associates
(Continued)

Summarised balance sheet



15 以權益法入賬的投資(續)

(b) 於聯營公司的權益性質(續)

資產負債表概要

		Ganzhou Baoherrun Co., Limited (Note (i)) 贛州葆和潤實業 有限公司(附註(i))		Lianyungang Hengrun (Note (i)) 連雲港恒潤(附註(i))		Tibet Yunxi 西藏運禧		Others 其他	
		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Cash and cash equivalents and restricted cash	現金及現金等價物及受限制現金	317,035	135,935	15,175	103,580	518	—	332,004	322,772
Other current assets (excluding cash)	其他流動資產(現金除外)	2,527,852	1,979,495	1,150,071	1,072,259	280,417	—	4,548,558	1,877,960
Total current assets	流動資產總額	2,844,887	2,115,430	1,165,246	1,175,839	280,935	—	4,880,562	2,200,732
Financial current liabilities (excluding trade payables)	金融流動負債(不包括貿易應付款項)	—	(134,311)	—	—	—	—	(165,375)	(30,000)
Other current liabilities (including trade payables)	其他流動負債(包括貿易應付款項)	(2,429,357)	(1,559,507)	(804,465)	(768,676)	(3,389)	—	(4,318,848)	(2,113,466)
Total current liabilities	流動負債總額	(2,429,357)	(1,693,818)	(804,465)	(768,676)	(3,389)	—	(4,484,223)	(2,143,466)
Non-current assets	非流動資產	29,351	1,686	3,744	3,465	50,000	—	4,364	113,393
Financial liabilities	金融負債	(260,000)	(168,393)	(150,000)	(180,000)	—	—	(320,000)	(50,000)
Other liabilities	其他負債	(131,643)	(75,000)	—	—	—	—	—	(7,457)
Total non-current liabilities	非流動負債總額	(391,643)	(243,393)	(150,000)	(180,000)	—	—	(320,000)	(57,457)
Non-controlling interests	非控制性權益	—	—	—	—	—	—	—	—
Net assets	資產淨值	53,238	179,905	214,525	230,628	327,546	—	80,703	113,202



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

15 以權益法入賬的投資(續)

(c) Summarised financial information for the associates
(Continued)

(c) 聯營公司財務資料概要(續)

Summarised income statement

收益表概要

		Ganzhou Baoharun Co., Limited (Note (i)) 贛州葆和潤實業 有限公司(附註(i))		Lianyungang Hengrun (Note (i)) 連雲港恒潤(附註(i))		Tibet Yunxi 西藏運禧		Others (Note (i)) 其他(附註(i))	
		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Revenue	收益	—	—	—	—	—	—	70,389	129,269
Depreciation	折舊	(6,292)	(4,316)	(532)	(610)	—	—	(912)	(5,530)
Operating loss	經營虧損	(96,211)	(45,420)	(303)	(2,182)	(5,515)	—	(64,038)	(4,356)
Interest income	利息收入	2,150	784	151	36	25	—	3,079	1,699
Interest expenses	利息開支	(18,837)	(25,116)	—	(4)	—	—	(22,631)	(5,018)
Tax credit	稅項抵免	28,234	—	—	—	—	—	3,459	(2,682)
Profit attributable to non-controlling interests	非控制性權益應佔溢利	—	—	—	—	—	—	58	(366)
Total comprehensive loss	全面虧損總額	(84,664)	(69,752)	(152)	(2,150)	(5,490)	—	(80,073)	(10,723)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(c) Summarised financial information for the associates
(Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information of the associates presented to the carrying amount of the Group's interests in associates.

15 以權益法入賬的投資(續)

(c) 聯營公司財務資料概要(續)

財務資料概要的對賬

聯營公司的財務資料概要的對賬乃按本集團於聯營公司權益的賬面值呈列。



		Ganzhou Baoherun Co., Limited (Note (i))		Lianyungang Hengrun (Note (i))		Tibet Yunxi		Others (Note (i))		Total	
		贛州葆和潤實業有限公司(附註(i))		連雲港恒潤(附註(i))		西藏運禧		其他(附註(i))		總計	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年
		RMB' 000	RMB' 000	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	人民幣千元	人民幣千元
Opening net assets	於一月一日的年										
1 January	初資產淨值	269,696	339,448	73,878	—	—	—	170,257	123,457	513,831	462,905
Initial recognition of the investment	初步確認投資	—	—	—	76,028	310,436	—	57,798	68,848	368,234	144,876
Capital injection	注資	—	—	—	—	22,600	—	800	—	23,400	—
Additions upon step acquisition of subsidiaries	分次收購附屬公司後添置	—	—	—	—	—	—	866	—	866	—
Transfer to subsidiaries	轉撥至附屬公司	—	—	—	—	—	—	(129,932)	(11,325)	(129,932)	(11,325)
Disposal of an associate	出售一家聯營公司	—	—	—	—	—	—	60,987	—	60,987	—
Loss for the year/period	年/期內虧損	(84,664)	(69,752)	(152)	(2,150)	(5,490)	—	(80,073)	(10,723)	(170,379)	(82,625)
Closing net assets	年末資產淨值	185,032	269,696	73,726	73,878	327,546	—	80,703	170,257	667,007	513,831
Interests in associates	於聯營公司的權益	55,510	80,909	29,490	29,551	169,215	—	19,641	117,206	273,856	227,666
Implicit goodwill	隱含商譽	—	—	2,931	2,931	—	—	16,009	152,866	18,940	155,797
Carrying value	賬面值	55,510	80,909	32,421	32,482	169,215	—	35,650	270,072	292,796	383,463



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(c) Summarised financial information for the associates
(Continued)

Notes:

- (i) As mentioned in Note 15(b)(i), Note 15(b)(ii) and Note 15(b)(iii), the Group does not have power over certain operating business of Ganzhou Baoherun and Lianyungang Herun (2018: Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun) and is not exposed to or able to obtain variable returns from those operating segments.

In addition, the Group has contingent liabilities relating to liabilities relating to those operating businesses which they have no control or power over when there is any defaults. As of 31 December 2019 and 2018, there is no indicator of such defaults and the outflow of resources of the Group is not probable.

Hence, the summarised balance sheet as of 31 December 2019, shown above is the financial position of Ganzhou Baoherun and Lianyungang Herun (2018: Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun) as a whole while the summarised income statement for the year ended 31 December 2019 of Ganzhou Baoherun and Lianyungang Herun (2018: Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun) only presented the results of phase 2 and phase 3, and phase 3, (2018: phase 2, phase 2 and phase 3) respectively.

- (ii) No dividend has been paid or declared by associates to the Group since the dates of investments and there are no other contingent liabilities relating to the Group's interests in associates.
- (iii) There are no contingent liabilities or commitment relating to the Group's interest in the associates.

15 以權益法入賬的投資(續)

(c) 聯營公司財務資料概要(續)

附註：

- (i) 誠如附註15(b)(i)、附註15(b)(ii)及附註15(b)(iii)所述，本集團於贛州葆和潤及連雲港恒潤(二零一八年：贛州葆和潤、咸陽保榮及連雲港恒潤)的若干營運業務中並無擁有權力，亦無就有關經營分部面臨風險或可取得可變回報。

此外，倘出現任何違約，本集團就其並無控制權或權力的營運業務相關的負債擁有或然負債。於二零一九年及二零一八年十二月三十一日，概無跡象顯示出現拖欠負債或本集團資源可能流出。

因此，上述於二零一九年十二月三十一日的資產負債表摘要為贛州葆和潤及連雲港恒潤(二零一八年：贛州葆和潤、咸陽保榮及連雲港恒潤)作為整體的財務狀況，而贛州葆和潤及連雲港恒潤(二零一八年：贛州葆和潤、咸陽保榮及連雲港恒潤)截至二零一九年十二月三十一日止年度的收益表摘要僅呈列其各自的第二期及第三期以及第三期(二零一八年：第二期、第二期及第三期)業績。

- (ii) 自投資日期以來，各聯營公司概無向本集團派付或宣派任何股息，亦無有關本集團於聯營公司的權益的任何其他或然負債。
- (iii) 概無任何與本集團於聯營公司的權益有關的或然負債或承擔。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(d) Interests in joint ventures



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
At beginning of the year	年初	241,046	401,886
Addition	添置	10,000	—
Addition upon step-acquisition (Note 27.3)	分次收購後添置(附註 27.3)	171	—
Capital injection to a joint ventures	向合營企業注資	—	500
Transfer to subsidiaries	轉撥至附屬公司	—	(235,322)
Share of profit	應佔溢利	32,509	73,982
Net asset attributable to the Group's interest	本集團權益的應佔資產淨值	283,726	241,046
Unrealised gain from the transaction with a joint venture	與一家合營企業交易的 未變現收益	(22,380)	(22,740)
At end of the year	年末	261,346	218,306
Loans due from joint ventures (Note i)	應收合營企業款項(附註 i)	100,730	98,525
		362,076	316,831

Note:

- (i) The loans due from joint ventures, Hui Gao Investments Development Limited and Power Out International Holding Limited, are interest-free, unsecured and have no fixed repayment terms. The carrying amount approximates their fair values and are denominated in HK\$.

附註：

- (a) 應收合營企業匯高投資發展有限公司及力澳國際控股有限公司之貸款為免息、無抵押及無固定還款年期。賬面值與其公平值相若，並以港元計值。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED) 15 以權益法入賬的投資(續)

(e) Nature of interests in joint ventures

(e) 於合營企業的權益性質

Name of entity 實體名稱	Principal place of business 主要營業地點	% of ownership indirectly held interest 間接擁有權權益百分比		Nature of the relationship 關係性質	Measurement method 計量方法
		2019	2018		
		二零一九年	二零一八年		
Redco Industry (Jiangxi) Co., Limited ("Redco Industry") 力高實業(江西)有限公司(「力高實業」)	PRC 中國	50%	50%		Equity 權益法
Power Out International Holding Limited ("Power Out") 力澳國際控股有限公司(「力澳」)	PRC 中國	68%	68%		Equity 權益法
Hui Gao Investments Development Limited 匯高投資發展有限公司	PRC 中國	51%	51%		Equity 權益法
Shenzhen Redco Hongye Property Development Co., Limited (深圳力高宏業地產開發有限公司) 深圳力高宏業地產開發有限公司	PRC 中國	50%	50%		Equity 權益法
Qingyuan Ligao Hongye Real Estate Development Co., Ltd. (清遠力高鴻業地產開發有限公司) ("Qingyuan Ligao Hongye") 清遠力高鴻業地產開發有限公司(「清遠力高鴻業」)	PRC 中國	14%	—	Note i 附註 i	Equity 權益法
Jiangxi Province Guogao Property Services Limited (江西省國高物業服務有限公司) ("Jiangxi Guogao") 江西省國高物業服務有限公司(「江西國高」)	PRC 中國	51%	—	Note ii 附註 ii	Equity 權益法
Nanchang Yingmei Property Co., Ltd. (南昌盈美物業有限公司) ("Nanchang Yingmei") 南昌盈美物業有限公司(「南昌盈美」)	PRC 中國	51%	—	Note ii 附註 ii	Equity 權益法
Shijiazhuang Lanting Property Management Co., Ltd. (石家莊蘭庭物業管理有限公司) ("Shijiazhuang Lanting") 石家莊蘭庭物業管理有限公司(「石家莊蘭庭」)	PRC 中國	51%	—	Note iii 附註 iii	Equity 權益法



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(e) Nature of interests in joint ventures (Continued)

The Group has joint control over the above entities under contractual agreements, and unanimous consent is required from all parties for all relevant activities of the entities.

The joint ventures held by the Group have share capital consisting solely of ordinary shares. All of the joint ventures are private companies with no quoted market price available for their shares.

Note:

- (i) Qingyuan Ligao Hongye is a limited liability company incorporated on 24 July 2019. The principal activities are property development and management in the PRC. Qingyuan Ligao Hongye is accounted for as an joint venture following the capital injection of RMB10,000,000 by the Group and the Group obtained the joint control on 11 November 2019, which the Group has committed to further inject until 51% of shareholding is held.
- (ii) Jiangxi Guogao and Nanchang Yingmei are a limited liability companies incorporated on 1 August 2016 and 19 April 2017 respectively. The principal activity is provision of property management service in the PRC. Jiangxi Guogao and Nanchang Yingmei were joint ventures held by Top Glory Group and accounted for as joint ventures of the Group following the step acquisition of Top Glory Group on 26 June 2019.
- (iii) Shijiazhuang Lanting is a limited liability company incorporated on 26 August 2019. The principal activity is provision of property management service in the PRC. Shijiazhuang Lanting is accounted for as an joint venture following the subscription of 51% interest by the Group and the Group obtained the joint control on 11 November 2019.

15 以權益法入賬的投資(續)

(e) 於合營企業的權益性質(續)

本集團根據合約協議對上述實體具有聯合控制權，而所有訂約方須一致同意方可進行該實體的所有相關活動。

本集團所持合營企業擁有的股本僅包括普通股。所有合營企業均為私人公司，其股份並無市場報價。

附註：

- (i) 清遠力高鴻業為於二零一九年七月二十四日註冊成立的有限責任公司，主要活動為在中國開發及管理物業。隨著本集團注資人民幣10,000,000元後，清遠力高鴻業已作為合營企業入賬，而本集團於二零一九年十一月十一日取得聯合控制權，而本集團已承擔作出進一步注資，直至持有51%股權為止。
- (ii) 江西國高及南昌盈美為分別於二零一六年八月一日及二零一七年四月十九日註冊成立的有限責任公司，主要活動為在中國提供物業管理服務。江西國高及南昌盈美為銘高集團持有的合營企業，隨著於二零一九年六月二十六日分次收購銘高集團後已作為本集團合營企業入賬。
- (iii) 石家莊蘭庭為於二零一九年八月二十六日註冊成立的有限責任公司，主要活動為在中國提供物業管理服務。隨著本集團認購51%的權益後，石家莊蘭庭已作為合營企業入賬，而本集團於二零一九年十一月十一日取得聯合控制權。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(f) Summarised financial information for the joint ventures

Set out below are the summarised financial information for Redco Industry and its subsidiaries and Power Out and its subsidiaries which, in the opinion of the directors, are material to the Group and other immaterial joint ventures (“Others”). The information disclosed reflects the amounts presented in the financial statements of the joint ventures and not the Group’s share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

15 以權益法入賬的投資(續)

(f) 合營企業財務資料概要

以下載列有關力高實業及其附屬公司以及力澳及其附屬公司財務資料之概要，董事認為有關資料對本集團及其他相對規模較小的合營企業(「其他」)屬重要。所披露資料反映合營企業財務報表呈列的金額，而非本集團應佔該等金額。有關金額已作修改以反映使用權益法時所作的調整，包括公平值調整及會計政策差異的修改。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(f) Summarised financial information for the joint ventures
(Continued)

Summarised balance sheet



15 以權益法入賬的投資(續)

(f) 合營企業財務資料概要(續)

資產負債表概要

		Redco Industry and its subsidiaries 力高實業及其附屬公司		Power Out and its subsidiaries 力澳及其附屬公司		Others 其他	
		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Cash and cash equivalents	現金及現金等價物	28,757	19,076	1,070	260	6,330	758
Other current assets (excluding cash)	其他流動資產(現金除外)	44,159	12,381	58,375	29,611	231,597	133,639
Total current assets	流動資產總額	72,916	31,457	59,445	29,871	237,927	134,397
Financial current liabilities (excluding trade payables)	金融流動負債 (不包括貿易應付款項)	—	—	—	—	—	—
Other current liabilities (including trade payables)	其他流動負債 (包括貿易應付款項)	(39,679)	(18,722)	(259,192)	(160,858)	(174,565)	(138,851)
Total current liabilities	流動負債總額	(39,679)	(18,722)	(259,192)	(160,858)	(174,565)	(138,851)
Non-current assets	非流動資產	499,502	514,172	634,389	419,644	744	373
Financial liabilities (excluding trade payables)	金融負債(不包括 貿易應付款項)	—	—	(341,936)	(337,702)	—	—
Other liabilities	其他負債	(45,608)	(45,608)	(48,898)	—	—	—
Total non-current liabilities	非流動負債總額	(45,608)	(45,608)	(390,834)	(337,702)	—	—
Non-controlling interests	非控股權益	—	—	(3)	(3)	—	—
Net assets/(liabilities)	資產/(負債)淨值	487,131	481,299	43,805	(49,048)	64,106	(4,081)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

15 以權益法入賬的投資(續)

(f) Summarised financial information for the joint ventures
(Continued)

(f) 合營企業財務資料概要(續)

Summarised income statement

收益表概要

		Redco Industry and its subsidiaries 力高實業及其附屬公司		Power Out and its subsidiaries 力澳及其附屬公司		Others 其他	
		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Revenue	收益	108,433	103,081	—	—	11,472	577,570
Depreciation	折舊	(20,649)	(17,249)	—	—	(42)	(127)
Operating profit/(loss)	經營溢利/(虧損)	5,292	7,558	(1,236)	(4,331)	(2,568)	164,306
Fair value gain on an investment property	投資物業公平值收益	1,050	17,251	—	—	—	—
Interest income	利息收入	42	118	2	57	15	121
Interest expenses	利息開支	—	(31)	(20,009)	(18,032)	(7)	—
Share of profit/(loss) from a joint venture	應佔一家合營企業溢利/ (虧損)	—	—	162,994	(11,025)	—	—
Tax expenses	稅項開支	(552)	(4,313)	(48,898)	—	412	(42,867)
Total comprehensive income/(losses)	全面收益/(虧損)總額	<u>5,832</u>	<u>20,583</u>	<u>92,853</u>	<u>(33,331)</u>	<u>(2,148)</u>	<u>121,560</u>
Unrecognised share of profit/(losses)	未確認應佔溢利/(虧損)	—	—	<u>33,353</u>	<u>(22,665)</u>	<u>(449)</u>	<u>(1,689)</u>
Cumulative unrecognised share of losses	累計未確認應佔虧損	—	—	—	<u>(33,353)</u>	<u>(2,817)</u>	<u>(2,368)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
(CONTINUED)

(f) Summarised financial information for the joint ventures
(Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information of the joint ventures presented to the carrying amount of the Group's interests in joint ventures.



	Redco Industry and its subsidiaries 力高實業及其附屬公司		Power Out and its subsidiaries 力澳及其附屬公司		Others 其他		Total 總計	
	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Opening net assets 1 January	481,299	460,716	(49,048)	(15,717)	(4,081)	327,613	428,170	772,612
Initial recognition of the investment	—	—	—	—	70,000	—	70,000	—
Capital injection	—	—	—	—	—	1,000	—	1,000
Addition upon acquisition of subsidiaries	—	—	—	—	335	—	335	—
Transfer to subsidiaries	—	—	—	—	—	(454,254)	—	(454,254)
Profit for the year	5,832	20,583	92,853	(33,331)	(2,148)	121,560	96,537	108,812
Closing net assets/(liabilities)	487,131	481,299	43,805	(49,048)	64,106	(4,081)	595,042	428,170
Interests in joint ventures	243,565	240,648	29,786	—	10,375	398	283,726	241,046
Unrealised profit from the transaction with a joint venture	(22,380)	(22,740)	—	—	—	—	(22,380)	(22,740)
Amount due from a joint venture	—	—	51,706	50,574	49,024	47,951	100,730	98,525
Carrying value	221,185	217,908	81,492	50,574	59,399	48,349	362,076	316,831

No dividend has been paid or declared by the joint ventures to the Group since the dates of investments.

There are no contingent liabilities or commitment relating to the Group's interest in the joint ventures.

A corporate guarantee provided by the Group to the subsidiary of Power Out International Holding Limited for a loan facility. Please see Note 30(c) for details.

15 以權益法入賬的投資(續)

(f) 合營企業財務資料概要(續)

財務資料概要的對賬

合營企業財務資料概要的對賬乃按本集團於合營企業權益的賬面值呈列。

合營企業自成立投資日期以來並無向本集團支付或宣派股息。

概無任何與本集團於合營企業的權益有關的或然負債或承擔。

本集團向力澳國際控股有限公司的附屬公司提供貸款融資的企業擔保。詳情請參閱附註30(c)。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

16 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax assets, net, is as follows:



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Deferred income tax assets	遞延所得稅資產		
- to be recovered within 12 months	- 將於12個月內撥回	327,709	283,867
- to be recovered after more than 12 months	- 將於超過12個月後撥回	506,905	175,966
		<u>834,614</u>	<u>459,833</u>
Deferred income tax liabilities	遞延所得稅負債		
- to be settled within 12 months	- 將於12個月內結清	(237,650)	(71,868)
- to be settled after more than 12 months	- 將於超過12個月後結清	(397,256)	(214,183)
		<u>(634,906)</u>	<u>(286,051)</u>
Deferred tax assets, net	遞延稅項資產淨額	<u>199,708</u>	<u>173,782</u>

16 遞延所得稅

遞延所得稅資產及負債在有合法行使的權利將即期稅項資產與即期稅項負債互相抵銷，且遞延所得稅由同一稅務機關徵收時方可互相抵銷。遞延稅項資產淨額的分析如下：

The movements on the net deferred income tax assets/ (liabilities) are as follows:

遞延所得稅資產/(負債)淨額的變動如下：



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
At 1 January	於一月一日	173,782	(26,673)
Credited to the consolidated statement of profit or loss (Note 10)	於合併損益表中抵免(附註10)	377,387	212,552
Acquisition of subsidiaries (Note 27)	收購附屬公司(附註27)	(339,941)	(12,097)
Disposal of subsidiaries (Note 28)	出售附屬公司(附註28)	(11,520)	—
At 31 December	於十二月三十一日	<u>199,708</u>	<u>173,782</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

16 DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets:



16 遞延所得稅(續)

遞延稅項資產：

		Unrealised profit 未變現溢利 RMB' 000 人民幣千元	Tax losses 稅項虧損 RMB' 000 人民幣千元	Provisions 撥備 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
At 1 January 2018	於二零一八年一月一日	5,760	53,663	179,508	238,931
(Charged)/credited to consolidated statement of profit of loss	於合併損益表中 (扣除)/計入	(75)	60,180	158,628	218,733
Acquisition of subsidiaries	收購附屬公司	—	2,169	—	2,169
At 31 December 2018	於二零一八年 十二月三十一日	<u>5,685</u>	<u>116,012</u>	<u>338,136</u>	<u>459,833</u>
At 1 January 2019	於二零一九年一月一日	5,685	116,012	338,136	459,833
Credited to consolidated statement of profit of loss	於合併損益表中計入	70,190	21,809	290,509	382,508
Acquisition of subsidiaries (Note 27)	收購附屬公司(附註27)	—	3,793	—	3,793
Disposal of subsidiaries (Note 28)	出售附屬公司(附註28)	—	(11,520)	—	(11,520)
At 31 December 2019	於二零一九年 十二月三十一日	<u>75,875</u>	<u>130,094</u>	<u>628,645</u>	<u>834,614</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

16 DEFERRED INCOME TAX (CONTINUED)

Deferred tax liabilities:



16 遞延所得稅(續)

遞延稅項負債：

		Fair value adjustment on acquisition of subsidiaries 收購 附屬公司的 公平值調整 RMB' 000 人民幣千元	Fair value gain on an investment property 投資物業 公平值收益 RMB' 000 人民幣千元	Interest capitalised 資本化利息 RMB' 000 人民幣千元	Withholding tax 預扣稅 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
At 1 January 2018	於二零一八年一月一日	71,709	89,759	13,692	90,444	265,604
(Credited)/charged to consolidated statement of profit of loss	於合併損益表中(計入)/扣除	(33,107)	21,043	(13,692)	31,937	6,181
Acquisition of subsidiaries (Note 27)	收購附屬公司(附註27)	14,266	—	—	—	14,266
At 31 December 2018	於二零一八年十二月三十一日	52,868	110,802	—	122,381	286,051
At 1 January 2019	於二零一九年一月一日	52,868	110,802	—	122,381	286,051
(Credited)/charged to consolidated statement of profit of loss	於合併損益表中(計入)/扣除	(90,890)	31,539	—	64,472	5,121
Acquisition of subsidiaries (Note 27)	收購附屬公司(附註27)	343,734	—	—	—	343,734
At 31 December 2019	於二零一九年十二月三十一日	305,712	142,341	—	186,853	634,906



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

16 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2019 and 2018, the unrecognised tax losses are as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Expiry date in:	屆滿日期：		
2019	二零一九年	—	38,730
2020	二零二零年	1,949	24,100
2021	二零二一年	2,954	27,527
2022	二零二二年	11,550	35,789
2023	二零二三年	16,087	62,194
2024	二零二四年	16,630	—
No expiry date	並無屆滿日期	15,345	15,345
		64,515	203,685

During the year, tax losses amounting to RMB340,000 (2018: RMB3,206,000) expired.

Pursuant to the relevant PRC corporate income tax rules and regulations, deferred tax on withholding tax is imposed on declared dividends in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008.

Deferred income tax liabilities of approximately RMB45,087,000 (2018: RMB45,087,000) as at 31 December 2019 have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of the Group's certain PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

16 遞延所得稅(續)

遞延所得稅資產乃於有可能藉日後應課稅溢利變現有關利益的情況下就結轉稅項虧損確認。於二零一九年及二零一八年十二月三十一日，未確認稅項虧損如下：

年內，稅項虧損人民幣340,000元(二零一八年：人民幣3,206,000元)已屆滿。

根據相關中國企業所得稅規則及法規，就本集團的中國附屬公司自二零零八年一月一日起所得溢利而宣派的股息須繳納預扣稅遞延稅。

於二零一九年十二月三十一日的遞延所得稅負債約為人民幣45,087,000元(二零一八年：人民幣45,087,000元)，且並無於合併資產負債表中就本集團若干中國附屬公司累計溢利應佔臨時差額作出撥備，原因為本集團控制該等中國附屬公司的股息政策且臨時差額可能不會於可見將來撥回。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

17 COMPLETED PROPERTIES HELD FOR SALE

17 持作出售的已竣工物業

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Amount comprised:	款項包括：		
Land use rights	土地使用權	1,159,641	786,156
Construction costs and capitalised expenditures	建築成本及資本化開支	1,691,556	1,201,986
Interest capitalised	資本化利息	185,855	145,676
		<u>3,037,052</u>	<u>2,133,818</u>

Completed properties held for sale are all located in the PRC.

持作出售的已竣工物業均位於中國。

18 PROPERTIES UNDER DEVELOPMENT FOR SALE

18 持作出售的開發中物業

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Within normal operating cycle included under current assets	在正常營運週期內列作流動資產		
Amount comprised:	款項包括：		
Land use rights	土地使用權	22,896,833	12,350,903
Construction costs and capitalised expenditures	建築成本及資本化開支	6,353,672	2,523,725
Interest capitalised	資本化利息	1,719,254	805,500
		<u>30,969,759</u>	<u>15,680,128</u>

The normal operating cycle of the Group's property development generally ranges from one to two years.

本集團開發中物業的正常營運週期一般介乎一至兩年。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

18 PROPERTIES UNDER DEVELOPMENT FOR SALE (CONTINUED)

The properties under development for sale are all located in the PRC.

18 持作出售的開發中物業(續)

持作出售的開發中物業均位於中國。

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Properties under development for sale:	持作出售的開發中物業：		
Expected to be completed and available for sale after more than 12 months	預期將於超過 12 個月後竣工及可供出售	10,521,984	10,655,370
Expected to be completed and available for sale within 12 months	預期將於 12 個月內竣工及可供出售	<u>20,447,775</u>	<u>5,024,758</u>
		<u>30,969,759</u>	<u>15,680,128</u>
Pledged as collateral for the Group's borrowings (Note 23)	已抵押為本集團借款的抵押品(附註 23)	<u>19,010,759</u>	<u>8,913,463</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS

19 貿易應收款項、其他應收款項、按金及其他預付款項

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Trade receivables, other receivables and deposits:	貿易應收款項、其他應收款項及按金：		
Trade receivables (Note a, b, c and g)	貿易應收款項(附註a、b、c及g)	359,763	263,682
Other receivables (Note b)	其他應收款項(附註b)	1,620,236	2,119,885
Loan receivables (Note d)	應收貸款(附註d)	20,744	212,412
Receivables in relation to the disposal of assets and liabilities held for sales	有關出售分類為持作出售資產及負債的應收款項	150,000	150,000
Deposits with local real estate associations (Note e)	於地方房地產業協會的按金(附註e)	401,940	555,791
Deposits with labour department	於勞動部門的按金	19,112	10,275
Deposits with treasury bureau	於財政部的按金	89,391	109,759
		2,301,423	3,158,122
Less: provision for impairment on other receivables and deposits (Note f)	減：其他應收款項及按金減值撥備(附註f)	(65,260)	(50,260)
		2,236,163	3,107,862
		2,595,926	3,371,544
Prepayments:	預付款項：		
Prepaid other taxes	其他預繳稅項	661,907	127,688
Prepayments for construction costs	建築成本預付款項	77,658	29,757
Prepayments for land use rights	土地使用權預付款項	924,184	850,865
Prepayments for acquisitions of subsidiaries	就收購附屬公司的預付款項	195,020	45,300
Prepayments for investment in an associate	就投資於一家聯營公司的預付款項	—	60,000
		1,858,769	1,113,610
Less: Non-current portion – prepayments for investment in an associate	減：非流動部分 – 就投資於一家聯營公司的預付款項	—	(60,000)
		1,858,769	1,053,610



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS (CONTINUED)

Note:

- (a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit terms are generally granted to certain customers and the customers are required to settle the receivables according to the sales and purchase agreements.
- (b) As at 31 December 2018, included in trade receivables and other receivables were amounts due from Customer A (Note 5(b)) of RMB193,343,000 and RMB338,143,000 respectively.
- (c) The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
0 - 30 days	0至30天	233,732	197,142
31 - 60 days	31至60天	73,831	—
61 - 90 days	61至90天	669	2,370
91 - 180 days	91至180天	511	6,111
Over 180 days	超過180天	51,020	58,059
		359,763	263,682

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The expected losses rate is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. No provision was made against the gross amount of trade receivables (2018: Nil).

19 貿易應收款項、其他應收款項、按金及其他預付款項(續)

附註：

- (a) 貿易應收款項主要產生自銷售物業。銷售物業所得款項會根據有關的買賣協議條款收取。一般而言，若干客戶獲授信用期，而有關客戶須按照買賣協議清償應收款項。
- (b) 於二零一八年十二月三十一日，計入貿易應收款項及其他應收款項的應收客戶A款項(附註5(b))分別為人民幣193,343,000元及人民幣338,143,000元。
- (c) 貿易應收款項於結算日(以收益確認日為準)的賬齡分析如下：

本集團應用香港財務報告準則第9號所訂明的簡化方法就預期信貸虧損作出撥備。由於客戶過往並無重大拖欠記錄，且按照前瞻性估計的影響甚微，因此預期虧損率極低。並無就貿易應收賬款總額作出撥備(二零一八年：無)。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS (CONTINUED)

Note: (Continued)

- (d) During the year ended 31 December 2018, the Group granted an unsecured loan of HK\$100,000,000 (equivalent to RMB87,620,000) to an independent third party for a term of 12 months at interest rates of 11% per annum from 25 July 2018 to 31 October 2018 and 14.875% per annum from 1 November 2018 to 31 December 2019. Included in loan receivables amount is an interest receivable of RMB11,786,000 (2018: RMB4,792,000) as at 31 December 2019.

During the year ended 31 December 2018, the Group granted loans of RMB100,000,000 and RMB20,000,000 to 2 independent third parties respectively. The loans are at interest rates of 10% and 12%, repayable within 12 months from the date of grant and secured by the pledge of 20% equity interest of an entity held by these third parties. During the year ended 31 December 2019, the above stated loans were fully repaid.

- (e) The deposits with local real estate associations mainly included deposits made to PRC government bodies for future land development and site clearing for the listing-for-sale or in connection with the retention of the quality for properties construction as required by the relevant regulations in respect of the Group's property development projects.

19 貿易應收款項、其他應收款項、按金及其他預付款項(續)

附註：(續)

- (d) 截至二零一八年十二月三十一日止年度，本集團向一名獨立第三方授出無抵押貸款100,000,000港元(相當於人民幣87,620,000元)，為期12個月，於二零一八年七月二十五日至二零一八年十月三十一日止期間按年利率11%計息及於二零一八年十一月一日至二零一九年十二月三十一日止期間按年利率14.875%計息。於二零一九年十二月三十一日，計入應收貸款金額為應收利息人民幣11,786,000元(二零一八年：人民幣4,792,000元)。

截至二零一八年十二月三十一日止年度，本集團分別向兩名獨立第三方授出貸款人民幣100,000,000元及人民幣20,000,000元。有關貸款利率為10%及12%、須於授出日期起計12個月內償還，並以有關第三方持有實體的20%股權質押作抵押。截至二零一九年十二月三十一日止年度，上述貸款已悉數償還。

- (e) 於當地房地產協會的按金主要包括向中國政府機構就未來土地開發及清理地盤待售作出的按金，或因相關規例就本集團物業發展項目規定須維持物業的建築質素的按金。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS (CONTINUED)

Note: (Continued)

- (f) Movements on the provision for impairment for other receivables are as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
At 1 January	於一月一日	50,260	31,915
Impairment loss on other receivables (Note 6)	其他應收款項減值虧損(附註6)	15,000	18,345
At 31 December	於十二月三十一日	65,260	50,260

- (g) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free.
- (h) The carrying amounts of other receivables and deposits approximate their fair values and are unsecured, interest-free and repayable on demand.
- (i) The carrying amounts of the Group's trade and other receivables and deposits are denominated in the following currencies:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
RMB	人民幣	2,559,180	3,249,980
HK\$	港元	36,746	102,564
US\$	美元	—	19,000
		2,595,926	3,371,544

19 貿易應收款項、其他應收款項、按金及其他預付款項(續)

附註：(續)

- (f) 其他應收款項減值撥備變動如下：

- (g) 貿易應收款項以已售物業作抵押。貿易應收款項的賬面值與其公平值相若，並為免息。
- (h) 貿易應收款項及按金的賬面值與其公平值相若，並為無抵押、免息及須按要求償還。
- (i) 本集團貿易及其他應收款項及按金的賬面值以下列貨幣計值：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

20 現金及現金等價物及受限制現金

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Cash at bank and on hand	銀行及手頭現金	11,094,295	3,661,763
Short term bank deposit (Note a)	短期銀行存款(附註a)	—	2,017,100
Cash and cash equivalents	現金及現金等價物	11,094,295	5,678,863
Restricted cash (Note b)	受限制現金(附註b)	3,965,210	2,186,139
Cash and cash equivalents and restricted cash	現金及現金等價物及受限制現金	15,059,505	7,865,002

The carrying amounts of the Group's cash and cash equivalents and restricted cash are equivalent to their fair values and are denominated in the following currencies:

本集團現金及現金等價物及受限制現金的賬面金額與其公平值相等並以下列貨幣計值：

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
RMB	人民幣	13,154,846	7,808,282
US\$	美元	1,851,334	34,989
HK\$	港元	53,099	9,101
AUD	澳元	226	12,630
		15,059,505	7,865,002



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Note:

- (a) These bank deposits are denominated in RMB. The deposits had an average maturity of three months or less, except that RMB1,517,100,000 of bank deposits as at 31 December 2018 (2019: Nil) had maturity dates over 3 months and contained an unconditional cancellable term.
- (b) Restricted cash comprises (i) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of the Group's properties, (ii) guaranteed deposits for constructions of properties from certain property development companies of the Group that are required to place certain amount of presale proceeds of properties in designated bank accounts in accordance with relevant regulations issued by local State-Owned Land and Resource Bureau, and (iii) other bank deposits of RMB40,255,000 (2018: RMB97,800,000) (Note 23) that are restricted in use as collateral for banking facilities of the Group.

The cash and cash equivalents and restricted cash denominated in RMB and certain cash and cash equivalents denominated in US\$, amounting to RMB47,908,000 (2018: RMB34,340,000), are deposited with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21 SHARE CAPITAL



Authorised:

As at 31 December 2018 and 2019

法定：

於二零一八年及二零一九年
十二月三十一日

10,000,000,000

HK\$0.05 港元

Share Capital
股本

HK\$' 000
千港元

RMB' 000
人民幣千元

500,000

418,899

Issued and fully paid:

As at 31 December 2018 and 2019

已發行及已繳足：

於二零一八年及二零一九年
十二月三十一日

3,551,609,322

HK\$0.05 港元

177,580

139,632

20 現金及現金等價物及受限制現金 (續)

附註：

- (a) 銀行存款以人民幣計價。存款的平均到期日為三個月或以下，惟於二零一八年十二月三十一日人民幣1,517,100,000元的銀行存款的到期日超過三個月(二零一九年：無)，且包含無條件可撤銷條款則除外。
- (b) 受限制現金包括(i)就銀行授予本集團物業買家的按揭貸款融資而作出的保證金；(ii)根據地方國有土地資源管理局發出的相關法規須於指定銀行戶口存放若干預售物業所得款項的本集團的若干物業開發公司作出的興建物業保證金；及(iii)被限制用於本集團銀行融資抵押品的其他銀行存款人民幣40,255,000元(二零一八年：人民幣97,800,000元)(附註23)。

以人民幣計值的現金及現金等價物及受限制現金及以美元計值的若干現金及現金等價物金額人民幣47,908,000元(二零一八年：人民幣34,340,000元)置於中國的銀行。向中國境外匯付有關結餘須遵守中國政府頒佈的外匯管制規則及法規。

21 股本



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

22 RESERVES

22 儲備

		Share premium 股份溢價 RMB' 000 人民幣千元	Exchange reserve 匯兌儲備 RMB' 000 人民幣千元	Statutory reserve 法定儲備 RMB' 000 人民幣千元	Merger reserve 合併儲備 RMB' 000 人民幣千元	Other reserves 其他儲備 RMB' 000 人民幣千元	Retained earnings 保留盈利 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
At 1 January 2018	於二零一八年一月一日	1,241,423	(70,189)	319,881	134,402	(10,226)	2,034,625	3,649,916
Comprehensive income	全面收益							
Profit for the year	年內溢利	—	—	—	—	—	990,747	990,747
Other comprehensive loss	其他全面虧損							
Currency translations differences	貨幣匯兌差額	—	(217,322)	—	—	—	—	(217,322)
Total comprehensive income	全面收益總額	—	(217,322)	—	—	—	990,747	773,425
Transactions with owners	與擁有人的交易							
Transfer to statutory reserve	轉撥至法定儲備	—	—	46,814	—	—	(46,814)	—
Change in ownership interests in subsidiaries without change of control	在控制權無變動的情況下 於附屬公司所有權權益 的變動	—	—	—	—	9,810	—	9,810
Dividends relating to 2017 final (Note 34)	與二零一七年末期有關 的股息(附註34)	—	—	—	—	—	(106,548)	(106,548)
Dividends relating to 2018 interim (Note 34)	與二零一八年中期末有關 的股息(附註34)	—	—	—	—	—	(88,790)	(88,790)
Total transactions with owners, recognised in equity	於股本確認與擁有人的 交易總額	—	—	46,814	—	9,810	(242,152)	(185,528)
At 31 December 2018	於二零一八年 十二月三十一日	1,241,423	(287,511)	366,695	134,402	(416)	2,783,220	4,237,813



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

22 RESERVES (CONTINUED)

22 儲備(續)

		Share premium 股份溢價 RMB' 000 人民幣千元	Exchange reserve 匯兌儲備 RMB' 000 人民幣千元	Statutory reserve 法定儲備 RMB' 000 人民幣千元	Merger reserve 合併儲備 RMB' 000 人民幣千元	Other reserves 其他儲備 RMB' 000 人民幣千元	Retained earnings 保留盈利 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
At 1 January 2019	於二零一九年一月一日	1,241,423	(287,511)	366,695	134,402	(416)	2,783,220	4,237,813
Comprehensive income	全面收益							
Profit for the year	年內溢利	—	—	—	—	—	1,034,931	1,034,931
Other comprehensive loss	其他全面虧損							
Currency translations differences	貨幣匯兌差額	—	(88,161)	—	—	—	—	(88,161)
Total comprehensive income	全面收益總額	—	(88,161)	—	—	—	1,034,931	946,770
Transactions with owners	與擁有人的交易							
Transfer to statutory reserve	轉撥至法定儲備	—	—	146,676	—	—	(146,676)	—
Change in ownership interests in subsidiaries without change of control	在控制權無變動的情況下 於附屬公司所有權 權益的變動	—	—	—	—	(36,215)	—	(36,215)
Dividends relating to 2018 final (Note 34)	與二零一八年末期有關 的股息(附註34)	—	—	—	—	—	(106,548)	(106,548)
Total transactions with owners, recognised in equity	於股本確認與擁有人的 交易總額	—	—	146,676	—	(36,215)	(253,224)	(142,763)
At 31 December 2019	於二零一九年 十二月三十一日	1,241,423	(375,672)	513,371	134,402	(36,631)	3,564,927	5,041,820



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

23 BORROWINGS

23 借款

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Long-term bank borrowings (Note a)	長期銀行借款 (附註 a)	3,451,066	3,549,978
11% Senior Notes due 2020 (Note b and i)	二零二零年到期 11% 優先票據 (附註 b 及 i)	—	1,362,773
9.875% Senior Notes due 2021 (Note c and i)	二零二一年到期 9.875% 優先票據 (附註 c 及 i)	1,243,720	—
Non-current borrowings	非即期借款	4,694,786	4,912,751
Short-term bank borrowings (Note a)	短期銀行借款 (附註 a)	3,152,063	592,540
6.375% Senior Notes due 2019 (Note d and i)	二零一九年到期 6.375% 優先票據 (附註 d 及 i)	—	2,048,688
8% Private Notes due 2019 (Note e)	二零一九年到期 8% 私募票據 (附註 e)	—	108,534
11% Senior Notes due 2020 (Note b and i)	二零二零年到期 11% 優先票據 (附註 b 及 i)	2,150,741	—
13.5% Senior Notes due 2020 (Note f and i)	二零二零年到期 13.5% 優先票據 (附註 f 及 i)	1,746,112	—
11.5% Senior Notes due 2020 (Note g and i)	二零二零年到期 11.5% 優先票據 (附註 g 及 i)	1,733,549	—
Portion of term loan from bank (Note a)	定期銀行貸款部分 (附註 a)	8,782,465	2,749,762
– due for repayment within one year	—須於一年內償還	3,173,759	3,246,900
– due for repayment within one year which contain a repayment on demand clause	—須於一年內償還 (包含 按要求償還條款)	131,683	24,500
– due for repayment after one year which contain a repayment on demand clause	—須於一年後償還 (包含 按要求償還條款)	—	125,768
Current borrowings	即期借款	12,087,907	6,146,930
Total borrowings	借款總額	16,782,693	11,059,681



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

23 BORROWINGS (CONTINUED)

Notes:

- (a) As at 31 December 2019, the Group's bank borrowings as at 31 December 2019 of RMB6,161,583,000 (2018: RMB4,703,953,000), were secured by certain properties under development for sale (Note 18) with the carrying amount of RMB19,010,759,000 (2018: RMB8,913,463,000), an investment property (Note 12) of RMB 504,837,000 (2018: RMB480,777,000) and bank deposits (Note 20) of RMB40,255,000 (2018: RMB97,800,000). The Group's bank borrowings of RMB3,746,988,000 (2018: RMB2,835,733,000) were guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries.

Bank borrowings bear interest from 4.02% to 13.50% (2018: 4.99% to 13.00%) per annum.

- (b) On 23 August 2018, the Company issued 11% Senior Notes due in 2020 with an aggregate nominal value of US\$200,000,000 at par value (the "11% Senior Notes due 2020"). The interest is payable semi-annually in arrears. The 11% Senior Notes due 2020 will mature on 29 August 2020, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited. The Company has further issued the 11% Senior Notes due 2020 with nominal value of US\$110,000,000 during the year ended 31 December 2019.
- (c) On 23 April 2019, the Company issued 9.875% Senior Notes due in 2021 with an aggregate nominal value of US\$180,000,000 at par value (the "9.875% Senior Notes due 2021"). The interest is payable semi-annually in arrears. The 9.875% Senior Notes due 2021 will mature on 2 May 2021, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.

23 借款(續)

附註：

- (a) 於二零一九年十二月三十一日，本集團的銀行借款為人民幣6,161,583,000元(二零一八年：人民幣4,703,953,000元)，以若干賬面值為人民幣19,010,759,000元(二零一八年：人民幣8,913,463,000元)的持作出售開發中物業(附註18)、投資物業(附註12)人民幣504,837,000元(二零一八年：人民幣480,777,000元)及銀行存款(附註20)人民幣40,255,000元(二零一八年：人民幣97,800,000元)作抵押。本集團的銀行借款為人民幣3,746,988,000元(二零一八年：人民幣2,835,733,000元)已由本公司擔保，並由本集團於若干附屬公司的股權作抵押。

銀行借款按4.02%至13.50%(二零一八年：4.99%至13.00%)的年利率計息。

- (b) 於二零一八年八月二十三日，本公司按面值發行二零二零年到期的總面值200,000,000美元11%優先票據(「二零二零年到期11%優先票據」)。利息須於每半年期後支付。除非提前贖回，否則二零二零年到期11%優先票據將於二零二零年八月二十九日到期。其於新加坡證券交易所有限公司上市。截至二零一九年十二月三十一日止年度，本公司已進一步發行二零二零年到期的面值110,000,000美元11%優先票據。
- (c) 於二零一九年四月二十三日，本公司按面值發行二零二一年到期的總面值180,000,000美元9.875%優先票據(「二零二一年到期9.875%優先票據」)。利息須於每半年期後支付。除非提前贖回，否則二零二一年到期9.875%優先票據將於二零二一年五月二日到期。其於新加坡證券交易所有限公司上市。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

23 BORROWINGS (CONTINUED)

Notes: (Continued)

- (d) On 23 February 2018, the Company issued 6.375% senior notes due in 2019 with an aggregate nominal value of US\$300,000,000 at par value (the “6.375% Senior Notes due 2019”). The interest is payable semi-annually in arrears. The 6.375% Senior Notes due 2019 was repaid on 27 February 2019 upon maturity.
- (e) On 1 August 2018, the Company issued 8% private notes due in 2019 with an aggregate nominal value of US\$15,800,000 at par value (the “8% Private Notes due 2019”). The interest is payable semi-annually in arrears. The 8% Private Notes due 2019 was repaid on 31 August 2019 upon maturity.
- (f) On 10 January 2019, the Company issued 13.5% Senior Notes due in 2020 with an aggregate nominal value of US\$250,000,000 at par value (the “13.5% Senior Notes due 2020”). The interest is payable semi-annually in arrears. The 13.5% Senior Notes due 2020 will mature on 21 January 2020, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.
- (g) On 3 December 2019, the Company issued 11.5% Senior Notes due in 2020 with an aggregate nominal value of US\$250,000,000 at par value (the “11.5% Senior Notes due 2020”). The interest is payable semi-annually in arrears. The 11.5% Senior Notes due 2020 will mature on 8 December 2020, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.

23 借款(續)

附註：(續)

- (d) 於二零一八年二月二十三日，本公司按面值發行二零一九年到期的總面值300,000,000美元6.375%優先票據(「二零一九年到期6.375%優先票據」)。利息須於每半年期後支付。二零一九年到期6.375%優先票據已於二零一九年二月二十七日到期時償還。
- (e) 於二零一八年八月一日，本公司按面值發行二零一九年到期的總面值15,800,000美元8%私募票據(「二零一九年到期8%私募票據」)。利息須於每半年期後支付。二零一九年到期8%私募票據已於二零一九年八月三十一日到期時償還。
- (f) 於二零一九年一月十日，本公司按面值發行二零二零年到期的總面值250,000,000美元13.5%優先票據(「二零二零年到期13.5%優先票據」)。利息須於每半年期後支付。除非提前贖回，否則二零二零年到期13.5%優先票據將於二零二零年一月二十一日到期。其於新加坡證券交易所有限公司上市。
- (g) 於二零一九年十二月三日，本公司按面值發行二零二零年到期的總面值250,000,000美元11.5%優先票據(「二零二零年到期11.5%優先票據」)。利息須於每半年期後支付。除非提前贖回，否則二零二零年到期11.5%優先票據將於二零二零年十二月八日到期。其於新加坡證券交易所有限公司上市。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

23 BORROWINGS (CONTINUED)

Notes: (Continued)

- (h) The Company, at its option, can redeem the 9.875% Senior Notes due 2021, the 11% Senior Notes due 2020, the 13.5% Senior Notes due 2020 and the 11.5% Senior Notes due 2020 in whole or in part prior to their maturity at the redemption price as defined in the agreements of these notes. The early redemption option of the 9.875% Senior Notes due 2021, 11% Senior Notes due 2020, the 13.5% Senior Notes due 2020 and the 11.5% Senior Notes due 2020 is regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on recognition and at 31 December 2019 (2018: same).
- (i) The Group's senior notes as at 31 December 2019 totaling RMB6,874,122,000 (2018: RMB3,519,995,000) are guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries, and subject to the fulfilment of covenants relating to certain of the Group's financial indicators. The Group regularly monitors its compliance with these covenants.

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Amounts of borrowings that are repayable: 須於下列期限償還的借款金額：			
- Within 1 year	-1年內	12,087,907	6,021,162
- Between 1 and 2 years	-1至2年	2,558,545	4,553,060
- Between 2 and 5 years	-2至5年	2,136,241	485,459
Total borrowings	借款總額	16,782,693	11,059,681

The carrying amounts of the Group's bank borrowings approximate their fair values as the impact of discounting is not significant or the borrowings carrying floating rate of interests.

23 借款(續)

附註：(續)

- (h) 本公司可自行選擇於該等票據的到期日前全部或部分以協議界定的贖回價格贖回二零二一年到期9.875%優先票據、二零二零年到期11%優先票據、二零二零年到期13.5%優先票據及二零二零年到期11.5%優先票據。提早贖回二零二一年到期9.875%優先票據、二零二零年到期11%優先票據、二零二零年到期13.5%優先票據及二零二零年到期11.5%優先票據的購股權被視為與主合同無密切關係的嵌入式衍生工具。董事認為，於二零一九年十二月三十一日，上述提早贖回購股權之公平值並不重大(二零一八年：相同)。
- (i) 本集團於二零一九年十二月三十一日的優先票據合共人民幣6,874,122,000元(二零一八年：人民幣3,519,995,000元)已由本公司擔保，並由本集團於若干附屬公司的股權作抵押，而本集團所有優先票據均須履行與本集團若干財務指標有關的契約。本集團定期監察其遵守該等契約的情況。

本集團於各自結算日的借款總額的金額(基於貸款協議所載既定還款日期)及屆滿期限(即忽略任何按要求償還條款的影響)載列如下：

本集團銀行借款的賬面值與其公平值相若，原因為折現的影響並不重大，或借款按浮動利率計息。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

23 BORROWINGS (CONTINUED)

The Group's borrowings are denominated in the following currencies:



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
US\$	美元	9,300,170	5,960,995
RMB	人民幣	7,346,406	4,948,417
HK\$	港元	136,117	150,269
		16,782,693	11,059,681

As at 31 December 2019, the Group had aggregate facilities of approximately RMB18,843,540,000 (2018: RMB9,770,255,000) for overdrafts, bank loans and senior notes. There were unused facilities of approximately RMB2,060,847,000 (2018: RMB1,001,256,000) as at the same date.

23 借款(續)

本集團借款按下列貨幣計值：

於二零一九年十二月三十一日，本集團擁有包括透支、銀行貸款及優先票據的融資總額約為人民幣18,843,540,000元(二零一八年：人民幣9,770,255,000元)。於同一日期，未動用融資約為人民幣2,060,847,000元(二零一八年：人民幣1,001,256,000元)。

24 TRADE AND OTHER PAYABLES



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Trade payables (Note a)	貿易應付款項(附註a)	3,421,830	2,372,836
Accruals and other payables (Note b)	應計費用及其他應付款項(附註b)	7,069,553	3,079,036
Other taxes payables	其他應付稅項	1,254,228	709,872
Dividend payables	應付股息	36,392	52,337
Salary payables	應付薪金	13,909	7,004
Interest payables	應付利息	219,623	97,881
Rental deposits received	已收租賃按金	4,651	4,566
		12,020,186	6,323,532

24 貿易及其他應付款項



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

24 TRADE AND OTHER PAYABLES (CONTINUED)

Note:

- (a) The ageing analysis of the trade payables based on invoice date was as follows:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
0 - 30 days	0至30天	2,979,396	1,984,378
31 - 60 days	31至60天	61,965	72,850
61 - 90 days	61至90天	94,626	90,922
Over 90 days	超過90天	285,843	224,686
		3,421,830	2,372,836

- (b) The other payables included an advance of RMB2,313,067,000 (2018: RMB1,872,137,000) from Customer A (Note 5(b)) for investing a potential property development project to be developed in the PRC with the Group.

The advance is unsecured, non-interest bearing and has no repayment term.

- (c) The carrying amounts of the Group's trade payables approximate their fair values due to their short maturities.
- (d) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
RMB	人民幣	11,801,120	6,323,532
US\$	美元	219,066	—
		12,020,186	6,323,532

24 貿易及其他應付款項(續)

附註：

- (a) 貿易應付款項按發票日期的賬齡分析如下：

- (b) 其他應付款項包括客戶A(附註5(b))擬就與本集團投資中國開發潛在物業發展項目作出的預付款項人民幣2,313,067,000元(二零一八年：人民幣1,872,137,000元)。

預付款項屬無抵押、不計息且無還款期限。

- (c) 由於到期日短，本集團貿易應付款項的賬面價值與公平值相若。
- (d) 本集團貿易及其他應付款項的賬面以下列貨幣計值：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

25 CONTRACT LIABILITIES

The Group receives payments from customers based on billing schedule as established in contracts, payments are usually received in advance of the performance under the contracts which are mainly from sales of properties. Such proceeds from customers are recorded as contract liabilities before the relevant sales are recognised.

(a) Revenue recognised in relation to contract liabilities

Revenue recognised that was included in the contract liabilities balance at 1 January 2019 is approximately RMB3,836,116,112 (2018: RMB3,726,643,000) during the year ended 31 December 2019.

(b) Unsatisfied contracts related to the sales of properties

As at 31 December 2019, approximately RMB9,362,202,000 (2018: RMB7,471,196,000) of unsatisfied performance obligations resulting from the property sales are expected to be recognised within twelve months period, whereas approximately RMB11,397,080,000 (2018: RMB5,130,385,000) of unsatisfied performance obligations resulting from the property sales are expected to be recognised after twelve months.

25 合約負債

本集團根據合約所載的出具票據進度收取客戶款項，一般於履行主要來自物業銷售的合約前收取款項。該等客戶所得款項於確認相關銷售前記錄為合約負債。

(a) 就合約負債確認的收益

截至二零一九年十二月三十一日止年度，計入二零一九年一月一日合約負債結餘的已確認收益約為人民幣3,836,116,112元(二零一八年：人民幣3,726,643,000元)。

(b) 有關銷售物業的未履行合約

於二零一九年十二月三十一日，來自物業銷售的未完成履約責任約人民幣9,362,202,000元(二零一八年：人民幣7,471,196,000元)預計將於十二個月期間內確認，而來自物業銷售的未完成履約責任約人民幣11,397,080,000元(二零一八年：人民幣5,130,385,000元)預計將於十二個月後確認。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

26 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to net cash generated from operations:

26 合併現金流量表附註

(a) 年內溢利與經營所得現金淨額之間的對賬：

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Profit before income tax	除所得稅前溢利	2,640,985	2,213,472
- Depreciation of property, plant and equipment	- 物業、廠房及設備折舊	18,998	9,930
- Amortisation of intangible assets	- 無形資產攤銷	3,740	—
- Finance income	- 融資收入	(122,486)	(95,025)
- Finance costs	- 融資成本	19,981	71,662
- Gain on disposal of subsidiaries	- 出售附屬公司收益	(113,821)	(304,271)
- Gain on disposal of investment in an associate	- 出售於一家聯營公司投資的收益	(8,407)	—
- Gains on bargain purchase arising from acquisition of subsidiaries	- 因收購附屬公司所產生議價購買收益	(72,912)	—
- Loss/(Gain) on disposal of property, plant and equipment	- 出售物業、廠房及設備虧損/(收益)	5,400	(351)
- Fair value gain on investment properties	- 投資物業公平值收益	(63,723)	(84,172)
- Fair value gain on investment properties upon transfer from properties under development for sale	- 轉撥自持作出售的開發中物業時投資物業公平值收益	(62,432)	—
- Share of loss/(profit) of investment accounted for using the equity method, net	- 應佔以權益法入賬之投資虧損/(溢利)淨額	21,545	(77,468)
- Impairment loss on other receivables	- 其他應收款項的減值虧損	15,000	18,345
- Re-measurement gains on interests in investments accounted for using the equity method	- 重新計量以權益法入賬之投資權益收益	(286,634)	(14,999)
- Realisation of unrealised gain from the transaction with a joint venture	- 變現與一家合營企業交易的未變現收益	(360)	(300)
- Exchange differences	- 匯兌差額	31,323	136,710



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

26 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)

26 合併現金流量表附註(續)

(a) Reconciliation of profit for the year to net cash generated from operations: (Continued)

(a) 年內溢利與經營所得現金淨額之間的對賬：(續)

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Operating profit before working capital change:	營運資金變動前的經營溢利：	2,026,197	1,873,533
- Completed properties held for sale	- 持作出售的已竣工物業	(903,234)	(569,726)
- Properties under development for sale	- 持作出售的開發中物業	(7,347,772)	(6,851,732)
- Contract assets	- 合約資產	—	(700,000)
- Trade and other receivables and prepayments	- 貿易及其他應收款項及預付款項	1,797,763	892,924
- Contract liabilities	- 合約負債	8,907,357	7,169,457
- Receipts in advance	- 預收賬款	—	(4,673,042)
- Trade and other payables	- 貿易及其他應付款項	134,865	2,004,132
- Restricted cash	- 受限制現金	(1,836,616)	(769,889)
Net cash generated from/ (used in) operations	經營所得/(所用)現金淨額	<u>2,778,560</u>	<u>(1,624,343)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

26 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

26 合併現金流量表附註(續)

(b) 於合併現金流量表中，出售物業、廠房及設備所得款項包括：

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Net book amount (Note 11)	賬面淨值(附註11)	10,241	296
Net (loss)/gain on disposals of property, plant and equipment (Note 7)	出售物業、廠房及設備 (虧損)/收益淨額(附註7)	(5,400)	351
Proceeds from disposals of property, plant and equipment	出售物業、廠房及設備 所得款項	4,841	647



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

26 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)

26 合併現金流量表附註(續)

(c) Reconciliation of liabilities from financing activities

(c) 來自融資活動的負債對賬

		Liabilities from financing activities 來自融資活動的負債					
		Amounts to				Amounts to	
		Dividend	Borrowings	non-	Amount	Joint	Total
		payables		controlling	due to	ventures	
				interests	an associate		
				應付	應付一家	應付合營	
				非控制性	聯營公司	企業款項	
		應付股息	借款	權益款項	款項		總計
		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
As at 31 December 2017	於二零一七年 十二月三十一日	6,907	7,243,219	116,414	—	140,209	7,506,749
Advances from non-controlling interests	來自非控制性權益墊款	—	—	2,007,245	—	—	2,007,245
Advances from joint ventures	來自合營企業墊款	—	—	—	—	129,241	129,241
Advance from an associate	來自一家聯營公司墊款	—	—	—	66,000	—	66,000
Proceeds from bank and other borrowings	銀行及其他借款所得款項	—	4,572,845	—	—	—	4,572,845
Repayment of bank and other borrowings	償還銀行及其他借款	—	(3,037,142)	—	—	—	(3,037,142)
Issuance of 6.375% Senior Notes due 2019	發行二零一九年 到期6.375%優先票據	—	2,277,435	—	—	—	2,277,435
Issuance of 11% Senior Notes due 2020	發行二零二零年到期 11%優先票據	—	1,310,388	—	—	—	1,310,388
Repayment of 7% Senior Notes due 2018	償還二零一八年到期 7%優先票據	—	(1,799,231)	—	—	—	(1,799,231)
Dividend paid	已付股息	(149,908)	—	—	—	—	(149,908)
Payment for repurchase of 6.375% Senior Notes due 2019	購回二零一九年 到期6.375%優先 票據的付款	—	(6,748)	—	—	—	(6,748)
Other non-cash movements	其他非現金變動	195,338	130,147	—	—	(245,694)	79,791
Foreign exchange adjustments	外匯調整	—	368,768	—	—	—	368,768
As at 31 December 2018	於二零一八年 十二月三十一日	52,337	11,059,681	2,123,659	66,000	23,756	13,325,433



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

26 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)

(c) Reconciliation of liabilities from financing activities
(Continued)

26 合併現金流量表附註(續)

(c) 來自融資活動的負債對賬
(續)

		Liabilities from financing activities 來自融資活動的負債					
		Dividend payables	Borrowings	Amounts to non-controlling interests	Amount due to an associate	Amounts to Joint ventures	Total
		應付股息	借款	應付非控制性權益款項	應付一家聯營公司款項	應付合營企業款項	總計
		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
As at 31 December 2018	於二零一八年十二月三十一日	52,337	11,059,681	2,123,659	66,000	23,756	13,325,433
Advances from non-controlling interests	來自非控制性權益墊款	—	—	1,484,858	—	—	1,484,858
Advances from joint ventures	來自合營企業墊款	—	—	—	—	27,020	27,020
Advance from an associate	來自一家聯營公司墊款	—	—	—	419,280	—	419,280
Proceeds from bank borrowings	銀行借款所得款項	—	7,663,125	—	—	—	7,663,125
Repayment of bank borrowings	償還銀行借款	—	(5,934,044)	—	—	—	(5,934,044)
Issuance of 13.5% Senior Notes due 2020	發行二零二零年到期13.5%優先票據	—	1,697,536	—	—	—	1,697,536
Issuance of 9.875% Senior Notes due 2021	發行二零二一年到期9.875%優先票據	—	1,201,353	—	—	—	1,201,353
Issuance of 11.5% Senior Notes due 2020	發行二零二零年到期11.5%優先票據	—	1,746,810	—	—	—	1,746,810
Additional issuance of 11% Senior Notes due 2020	額外發行二零二零年到期11%優先票據	—	726,546	—	—	—	726,546
Repayment of 8% Private Note due 2019	償還二零一九年到期8%私募票據	—	(108,675)	—	—	—	(108,675)
Repayment of 6.375% Senior Notes due 2019	償還二零一九年到期6.375%優先票據	—	(2,021,729)	—	—	—	(2,021,729)
Dividend paid	已付股息	(184,035)	—	—	—	—	(184,035)
Other non-cash movements	其他非現金變動	168,090	600,000	1,537,584	—	—	2,305,674
Foreign exchange adjustments	外匯調整	—	152,090	—	—	—	152,090
As at 31 December 2019	於二零一九年十二月三十一日	<u>36,392</u>	<u>16,782,693</u>	<u>5,146,101</u>	<u>485,280</u>	<u>50,776</u>	<u>22,501,242</u>



27 ACQUISITIONS OF SUBSIDIARIES

27.1 Assets acquisitions

(a) *Acquisition of Hebei Aohong Real Estate Development Co., Ltd*

On 1 February 2019, the Group completed the acquisition of 40% equity interest of Hebei Aohong Real Estate Development Co., Ltd. (河北澳鴻房地產開發有限公司) (“Hebei Aohong”) at a consideration of approximately RMB82,000,000. Hebei Aohong is principally engaged in property development in Hebei province and holds a parcel of land in Shijiazhuang, Hebei. As the 11% shareholder of Hebei Aohong has granted its voting rights to the Group, the Group controls more than half of the voting rights in Hebei Aohong and appointed 3 out of 5 directors of the board of Hebei Aohong. As the passing of all resolutions of the board of directors of Hebei Aohong only requires a simple majority decision, the Group is deemed to have control over Hebei Aohong and classified its investment in Hebei Aohong as a subsidiary with its results being consolidated.

27 收購附屬公司

27.1 資產收購

(a) 收購河北澳鴻房地產開發有限公司

於二零一九年二月一日，本集團以代價約人民幣82,000,000元完成收購河北澳鴻房地產開發有限公司(「河北澳鴻」)的40%股權。河北澳鴻主要於河北省從事物業開發，並擁有一塊位於河北省石家莊的土地。由於河北澳鴻的11%股東已向本集團授出其投票權，故本集團控制河北澳鴻的超過一半投票權，並已委任河北澳鴻董事會五名董事之中的三名。由於通過河北澳鴻董事會所有決議案僅須作出簡單多數決定，本集團被視為於河北澳鴻擁有控制權，並將其於河北澳鴻的投資分類為附屬公司將其業績綜合入賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.1 Assets acquisitions (Continued)

(b) *Acquisition of Taizhou Jiakai Real Estate Development Co., Ltd*

On 10 June 2019, the Group completed the acquisition of 30% equity interest of Taizhou Jiakai Real Estate Development Co., Ltd. (泰州嘉凱房地產開發有限公司) (“Taizhou Jiakai”) at a consideration of approximately RMB30,000,000. Taizhou Jiakai is principally engaged in property development in Jiangsu province and holds a parcel of land in Jiangyan District, Jiangsu. As the 21% shareholder of Taizhou Jiakai has granted its voting rights to the Group, the Group controls more than half of the voting rights in Taizhou Jiakai and appointed 3 out of 5 directors of the board of Taizhou Jiakai. As the passing of all resolutions of the board of directors of Taizhou Jiakai only requires a simple majority decision, the Group is deemed to have control over Taizhou Jiakai and classified its investment in Taizhou Jiakai as a subsidiary with its results being consolidated.

(c) *Acquisitions of Hefei Lianggao Real Estate Co., Ltd.*

On 2 September 2019, the Group completed the acquisitions of 51% equity interest of Hefei Lianggao Real Estate Co., Ltd. (合肥梁高置業有限公司) (“Hefei Lianggao”) at a consideration of approximately RMB25,500,000. Hefei Lianggao is principally engaged in property development in Hefei.

27 收購附屬公司(續)

27.1 資產收購(續)

(b) *收購泰州嘉凱房地產開發有限公司*

於二零一九年六月十日，本集團以代價約人民幣30,000,000元完成收購泰州嘉凱房地產開發有限公司(「泰州嘉凱」)的30%股權。泰州嘉凱主要於江蘇省從事物業開發，並擁有一塊位於江蘇省姜堰區的土地。由於泰州嘉凱的21%股東已向本集團授出其投票權，故本集團控制泰州嘉凱的超過一半投票權，並已委任泰州嘉凱董事會五名董事之中的三名。由於通過泰州嘉凱董事會所有決議案僅須作出簡單多數決定，本集團被視為於泰州嘉凱擁有控制權，並將其於泰州嘉凱的投資分類為附屬公司將其業績綜合入賬。

(c) *收購合肥梁高置業有限公司*

於二零一九年九月二日，本集團以代價約人民幣25,500,000元完成收購合肥梁高置業有限公司(「合肥梁高」)的51%股權。合肥梁高主要於合肥從事物業開發。



27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.1 Assets acquisitions (Continued)

Apart from the above, the Group acquired a number of property development project companies. The directors of the Company consider that these subsidiaries acquired during the year were insignificant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was disclosed as “Others” in aggregate amount.

As the above newly acquired companies did not operate any business prior to the date of acquisition, the Group considers the nature of the acquisitions as acquisitions of assets in substance and the consideration should be attributable to the individual assets acquired and liabilities assumed.

27 收購附屬公司(續)

27.1 資產收購(續)

除以上所述者，本集團收購多項物業發展項目公司。本公司董事認為，於年內收購的該等附屬公司對本集團而言屬不重大，因此該等附屬公司於收購日期的個別財務資料整合金額披露於「其他」。

由於上述新收購公司於收購日期前未有經營任何業務，本集團認為收購事項的性質乃收購實質資產，而代價應源於個別所收購資產及所承擔負債。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.1 Assets acquisitions (Continued)

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.



		Hebei Aohong 河北澳鴻 RMB' 000 人民幣千元	Taizhou Jiakai 泰州嘉凱 RMB' 000 人民幣千元	Hefei Lianggao 合肥梁高 RMB' 000 人民幣千元	Others 其他 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
Consideration paid as at acquisition date	於收購日期已付代價	82,000	30,000	25,500	88,000	225,500
<u>Recognised amounts of identifiable assets acquired and liabilities assumed:</u>	<u>可識別所收購資產及所承擔負債的已確認金額：</u>					
Property, plant and equipment	物業、廠房及設備	6	268	242	749	1,265
Deferred income tax assets	遞延所得稅資產	93	164	—	3,536	3,793
Amounts due from non-controlling interest	應收非控制性權益款項	51,000	233,506	—	—	284,506
Prepayments, deposits and other receivable	預付款項、按金及其他應收款項	26,986	199,084	314	272,524	498,908
Properties under development	開發中物業	553,322	805,849	781,023	1,917,389	4,057,583
Cash and cash equivalents	現金及現金等價物	4,803	36,317	21,977	239,919	303,016
Borrowings	借款	—	—	—	(600,000)	(600,000)
Other payables	其他應付款項	(427,228)	(263)	(753,556)	(1,411,770)	(2,592,817)
Amounts due to non-controlling interest	應付非控制性權益款項	—	(1,174,925)	—	(90,218)	(1,265,143)

27 收購附屬公司(續)

27.1 資產收購(續)

下表概述於收購日期就收購事項已付代價、所收購資產的公平值及所承擔負債。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27 收購附屬公司(續)

27.1 Assets acquisitions (Continued)

27.1 資產收購(續)

		Hebei Aohong 河北澳鴻 RMB' 000 人民幣千元	Taizhou Jiakai 泰州嘉凱 RMB' 000 人民幣千元	Hefei Lianggao 合肥梁高 RMB' 000 人民幣千元	Others 其他 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
Total identifiable net assets acquired	可識別所收購資產淨值總額	208,982	100,000	50,000	332,129	691,111
Less: Non-controlling interest initially recognised as at acquisition date	減：於收購日期初始確認的非控制性權益	(125,389)	(70,000)	(24,500)	(244,010)	(463,899)
Less: Gains on bargain purchase (Note 7)	減：議價購買收益(附註7)	(1,593)	—	—	(119)	(1,712)
Net assets acquired	所收購資產淨值	<u>82,000</u>	<u>30,000</u>	<u>25,500</u>	<u>88,000</u>	<u>225,500</u>
<u>Analysis of net outflow/(inflow) of cash and cash equivalents in respect of acquisition of subsidiaries:</u>	<u>有關收購附屬公司的現金及現金等價物流出/(流入)淨額的分析：</u>					
Cash consideration paid	已付現金代價	82,000	30,000	25,500	88,000	225,500
Less: Cash and cash equivalents acquired	減：所收購現金及現金等價物	(4,803)	(36,317)	(21,977)	(239,919)	(303,016)
Net cash outflow/(inflow)	現金流出/(流入)淨額	<u>77,197</u>	<u>(6,317)</u>	<u>3,523</u>	<u>(151,919)</u>	<u>(77,516)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.2 Business combinations

(a) *Acquisition of Linquan Huaxin Real Estate Development Co., Ltd.*

On 2 April 2019, the Group completed the acquisition of 20% equity interest of Linquan Huaxin Real Estate Development Co., Ltd. (臨泉縣華鑫房地產開發有限公司) (“Linquan Huaxin”) at a consideration of approximately RMB4,000,000. Linquan Huaxin is principally engaged in property development in Anhui province and has a property project developing in Linquan District, Anhui. As the 31% shareholder of Linquan Huaxin has granted its voting rights to the Group, the Group controls more than half of the voting rights in Linquan Huaxin and appointed 2 out of 3 directors of the board of Linquan Huaxin. As the passing of all resolutions of the board of directors of Linquan Huaxin only requires a simple majority decision, the Group is deemed to have control over Linquan Huaxin and classified its investment in Linquan Huaxin as a subsidiary with its results being consolidated.

27 收購附屬公司(續)

27.2 業務合併

(a) *收購臨泉縣華鑫房地產開發有限公司*

於二零一九年四月二日，本集團以代價約人民幣4,000,000元完成收購臨泉縣華鑫房地產開發有限公司(「臨泉華鑫」)的20%股權。臨泉華鑫主要於安徽省從事物業開發，並擁有一項位於安徽省臨泉縣的物業開發項目。由於臨泉華鑫的31%股東已向本集團授出其投票權，故本集團控制臨泉華鑫的超過一半投票權，並已委任臨泉華鑫董事會三名董事之中的兩名。由於通過臨泉華鑫董事會所有決議案僅須作出簡單多數決定，本集團被視為於臨泉華鑫擁有控制權，並將其於臨泉華鑫的投資分類為附屬公司將其業績綜合入賬。



27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.2 Business combinations (Continued)

(b) *Acquisition of Hefei Zhonghe Project Management Co., Ltd and its subsidiary*

On 25 July 2019, the Group completed the acquisition of 100% equity interest of Hefei Zhonghe Project Management Co., Ltd. (合肥眾合項目管理有限公司) (“Hefei Zhonghe”) which holds 20% equity interest of its subsidiary, Lu’an Ruiyuan Real Estate Development Co., Ltd. (六安瑞源置業發展有限公司) (“Lu’an Ruiyuan”) at a consideration of approximately RMB20,000,000. Hefei Zhonghe is an investment holding company, while Lu’an Ruiyuan is principally engaged in property development in Anhui province and has a property project developing in Hefei District. As the 31% shareholder of Lu’an Ruiyuan has granted its voting rights to the Group, the Group controls more than half of the voting rights in Lu’an Ruiyuan and appointed 2 out of 3 directors of Lu’an Ruiyuan. As the passing of all resolutions of the board of directors of Lu’an Ruiyuan only requires a simple majority decision, the Group is deemed to have control over Lu’an Ruiyuan and classified its investment in Lu’an Ruiyuan as a subsidiary with its results being consolidated.

27 收購附屬公司(續)

27.2 業務合併(續)

(b) *收購合肥眾合項目管理有限公司*

於二零一九年七月二十五日，本集團以代價約人民幣20,000,000元完成收購合肥眾合項目管理有限公司(「合肥眾合」)的100%股權，合肥眾合持有其附屬公司六安瑞源置業發展有限公司(「六安瑞源」)的20%股權。合肥眾合為一家投資控股公司，而六安瑞源主要於安徽省從事物業開發，並擁有一項位於合肥市的物業開發項目。由於六安瑞源的31%股東已向本集團授出其投票權，故本集團控制六安瑞源的超過一半投票權，並已委任六安瑞源三名董事之中的兩名。由於通過六安瑞源董事會所有決議案僅須作出簡單多數決定，本集團被視為於六安瑞源擁有控制權，並將其於六安瑞源的投資分類為附屬公司將其業績綜合入賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.2 Business combinations (Continued)

(c) *Acquisition of Anhui Xinde Business Management Co., Ltd. and its subsidiary*

On 21 November 2019, the Group completed the acquisition of 100% equity interest of Anhui Xinde Business Management Co., Ltd (安徽鑫德商業管理有限公司) (“Anhui Xinde”) which holds 20% equity interest of its subsidiary, Huaiyuan Yide City Development Co., Ltd. (懷遠毅德城發展有限公司) (“Huaiyuan Yide”) at a consideration of approximately RMB89,000,000. Anhui Xinde Zhonghe is an investment holding company, while Huaiyuan Yide is principally engaged in property development in Anhui province and has a property project developing in Huaiyuan County. As the 31% shareholder of Huaiyuan Yide has granted its voting rights to the Group, the Group controls more than half of the voting rights in Huaiyuan Yide and appointed 2 out of 3 directors of Huaiyuan Yide. As the passing of all resolutions of the board of directors of Huaiyuan Yide only requires a simple majority decision, the Group is deemed to have control over Huaiyuan Yide and classified its investment in Huaiyuan Yide as a subsidiary with its results being consolidated.

27 收購附屬公司(續)

27.2 業務合併(續)

(c) *收購安徽鑫德商業管理有限公司及其附屬公司*

於二零一九年十一月二十一日，本集團以代價約人民幣89,000,000元完成收購安徽鑫德商業管理有限公司(「安徽鑫德」)的100%股權，安徽鑫德持有其附屬公司懷遠毅德城發展有限公司(「懷遠毅德」)的20%股權。安徽鑫德為一家投資控股公司，而懷遠毅德主要於安徽省從事物業開發，並擁有一項位於懷遠縣的物業開發項目。由於懷遠毅德的31%股東已向本集團授出其投票權，故本集團控制懷遠毅德的超過一半投票權，並已委任懷遠毅德三名董事之中的兩名。由於通過懷遠毅德董事會所有決議案僅須作出簡單多數決定，本集團被視為於懷遠毅德擁有控制權，並將其於懷遠毅德的投資分類為附屬公司將其業績綜合入賬。



27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.2 Business combinations (Continued)

Apart from the above, the Group acquired a number of property development project companies. The directors of the Company consider that these subsidiaries acquired during the year were insignificant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was disclosed as “Others” in aggregate amount.

Gains on bargain purchase were resulted mainly due to the fact that the sellers did not have property developing experience in the specific province and had the intention to develop long term strategic business relationship with experienced property developer who can bring in industry expertise.

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at proportionate share in the recognised amounts of identifiable net assets as at the acquisition date.

27 收購附屬公司(續)

27.2 業務合併(續)

除以上所述者，本集團收購多項物業發展項目公司。本公司董事認為，於年內收購的該等附屬公司對本集團而言屬不重大，因此該等附屬公司於收購日期的個別財務資料整合金額披露於「其他」。

議價購買收益主要是由於賣方概無於特定省份開發物業的經驗，並有意與經驗豐富並可帶來行業知識的物業發展商建立長遠戰略業務合作夥伴關係所致。

下表概述於收購日期就收購事項已付代價、所收購資產的公平值及所承擔負債。非控制性權益按於收購日期已確認可識別資產淨值金額的按比例金額計量。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.2 Business combinations (Continued)

27 收購附屬公司(續)

27.2 業務合併(續)

		Linquan Huaxin 臨泉華鑫 RMB' 000 人民幣千元	Hefei Zhonghe and its subsidiary 合肥眾合 及其附屬公司 RMB' 000 人民幣千元	Anhui Xinde and its subsidiary 安徽鑫德 及其附屬公司 RMB' 000 人民幣千元	Others 其他 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
Consideration paid as at acquisition date	於收購日期已付代價	4,000	20,000	5,000	55,200	84,200
Consideration payable as at acquisition date	於收購日期應付代價	—	—	84,000	—	84,000
Net assets acquired	所收購資產淨值	4,000	20,000	89,000	55,200	168,200
<u>Recognised amounts of identifiable assets acquired and liabilities assumed:</u>	<u>可識別所收購資產及所承擔負債的已確認金額：</u>					
Property, plant and equipment	物業、廠房及設備	52	17,107	180	2,373	19,712
Prepayments, deposits and other receivable	預付款項、按金及其他應收款項	85,119	876,419	739,438	32,175	1,733,151
Properties under development and completed properties	開發中物業及已竣工物業	356,039	618,503	871,693	457,850	2,304,085
Amounts due from non-controlling interests	應收非控制性權益款項	—	—	41,000	790	41,790
Income tax (liabilities)/ recoverable	所得稅(負債)/可收回款項	—	43,392	136,223	2,563	182,178
Cash and cash equivalents	現金及現金等價物	52,963	60,945	165,208	31,815	310,931
Other payables	其他應付款項	(420,966)	(835,141)	(1,314,131)	(245,356)	(2,815,594)
Amounts due to non-controlling interests	應付非控制性權益款項	—	(133,678)	—	(138,763)	(272,441)
Deferred income tax liabilities	遞延所得稅負債	(1,017)	(76,645)	(67,561)	(17,333)	(162,556)
Total identifiable net assets acquired	可識別所收購資產淨值總額	72,190	570,902	572,050	126,114	1,341,256
Less: Non-controlling interest initially recognised as at acquisition date	減：於收購日期初始確認的非控制性權益	(57,751)	(520,722)	(453,640)	(69,743)	(1,101,856)
Less: Gains on bargain purchase (Note 7)	減：議價購買收益(附註7)	(10,439)	(30,180)	(29,410)	(1,171)	(71,200)
Net assets acquired	所收購資產淨值	4,000	20,000	89,000	55,200	168,200



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.2 Business combinations (Continued)

27 收購附屬公司(續)

27.2 業務合併(續)



		Linquan Huaxin 臨泉華鑫 RMB' 000 人民幣千元	Hefei Zhonghe and its subsidiary 合肥眾合 及其附屬公司 RMB' 000 人民幣千元	Anhui Xinde and its subsidiary 安徽鑫德 及其附屬公司 RMB' 000 人民幣千元	Others 其他 RMB' 000 人民幣千元	Total 總計 RMB' 000 人民幣千元
Analysis of net inflow of cash and cash equivalents in respect of acquisition of subsidiaries:	有關收購附屬公司的現金及現金等價物流入淨額的分析：					
Cash consideration paid	已付現金代價	4,000	20,000	89,000	55,200	168,200
Less: Cash and cash equivalents acquired	減：所收購現金及現金等價物	(52,963)	(60,945)	(165,208)	(31,815)	(310,931)
Net cash inflow	流入淨額	<u>(48,963)</u>	<u>(40,945)</u>	<u>(76,208)</u>	<u>(23,385)</u>	<u>(142,731)</u>

Linquan Huaxin contributed revenue of RMB309,754,000 and net profit after tax of RMB25,251,000 to the Group for the period from 2 April 2019, the acquisition date, to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, consolidated revenue and net profit after tax of the Group for the year ended 31 December 2019 would have been RMB8,602,321,000 and RMB1,472,367,000 respectively.

自收購日期二零一九年四月二日起至二零一九年十二月三十一日止期間，臨泉華鑫向本集團貢獻收益人民幣309,754,000元及除稅後純利人民幣25,251,000元。

倘收購事項於二零一九年一月一日已發生，則本集團截至二零一九年十二月三十一日止年度的合併收益及除稅後純利應分別為人民幣8,602,321,000元及人民幣1,472,367,000元。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.2 Business combinations (Continued)

Hefei Zhonghe and its subsidiary contributed revenue of RMB423,509,000 and net profit after tax of RMB41,317,610 to the Group for the period from 25 July 2019, the acquisition date, to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, consolidated revenue and net profit after tax of the Group for the year ended 31 December 2019 would have been RMB8,602,321,000 and RMB1,475,978,000 respectively.

Anhui Xinde and its subsidiary contributed no revenue and net loss after tax of RMB7,000,000 to the Group for the period from 21 November 2019, the acquisition date, to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, consolidated revenue and consolidated net profit after tax of the Group for the year ended 31 December 2019 would have been RMB8,602,321,000 and RMB1,482,169,000.

27 收購附屬公司(續)

27.2 業務合併(續)

自收購日期二零一九年七月二十五日起至二零一九年十二月三十一日止期間，合肥眾合及其附屬公司向本集團貢獻收益人民幣423,509,000元及除稅後純利人民幣41,317,610元。

倘收購事項於二零一九年一月一日已發生，則本集團截至二零一九年十二月三十一日止年度的合併收益及除稅後純利應分別為人民幣8,602,321,000元及人民幣1,475,978,000元。

自收購日期二零一九年十一月二十一日起至二零一九年十二月三十一日止期間，安徽鑫德及其附屬公司向本集團貢獻收益零元及除稅後虧損淨額人民幣7,000,000元。

倘收購事項於二零一九年一月一日已發生，則本集團截至二零一九年十二月三十一日止年度的合併收益及合併除稅後純利應為人民幣8,602,321,000元及人民幣1,482,169,000元。



27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.3 Step acquisitions

(a) Step acquisition of Top Glory Group

Top Glory Group was a 45% associate of the Group before the step acquisition.

On 26 June 2019, the Group acquired the remaining 55% equity interest of Top Glory Group at a consideration of RMB198,000,000.

The following table summarises the consideration paid for the step acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at proportionate share in the recognised amounts of identifiable net assets as at the acquisition date.



		Top Glory Group 銘高集團 RMB' 000 人民幣千元
<u>Consideration:</u>	<u>代價:</u>	
Consideration paid and payable as at acquisition date	於收購日期已付及應付代價	198,000
Fair value of the associate shares held by the Group	本集團所持聯營公司股份公平值	162,000
		<u>360,000</u>

27 收購附屬公司(續)

27.3 分次收購

(a) 分次收購銘高集團

於分次收購前，銘高集團為本集團擁有45%的聯營公司。

於二零一九年六月二十六日，本集團以代價人民幣198,000,000元收購銘高集團餘下55%的股權。

下表概述於收購日期就分次收購事項已付代價、所收購資產的公平值及所承擔負債。於收購日期的非控制性權益按可識別資產淨值確認金額的比例份額計量。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.3 Step acquisitions (Continued)

(a) Step acquisition of Top Glory Group (Continued)

27 收購附屬公司(續)

27.3 分次收購(續)

(a) 分次收購銘高集團(續)

		Top Glory Group 銘高集團 RMB' 000 人民幣千元
<u>Recognised amounts of identifiable assets</u>	<u>可識別所收購資產及所承擔負債</u>	
<u>acquired and liabilities assumed:</u>	<u>的已確認金額：</u>	
Property, plant and equipment	物業、廠房及設備	3,463
Intangible assets	無形資產	64,764
Investments accounted for using the equity method	按權益法入賬的投資	474
Trade and other receivables and deposits	貿易及其他應收款項及按金	11,271
Cash and cash equivalents	現金及現金等價物	67,977
Contract liabilities	合約負債	(18,911)
Trade and other payables	貿易及其他應付款項	(35,602)
Total identifiable net assets acquired	可識別所收購資產淨值總額	93,436
Goodwill (Note 13)	商譽(附註13)	271,228
Less: Non-controlling interest initially recognised as at acquisition date	減：於收購日期初始確認的 非控制性權益	(4,664)
Net assets acquired	所收購資產淨值	<u>360,000</u>
<u>Re-measurement gain on interests in associates</u>	<u>於聯營公司的權益重新計量收益</u>	
Fair value of interests in associates	於聯營公司的權益公平值	162,000
Less: Interests in associates (Note 15(a))	減：於聯營公司的權益(附註15(a))	(38,808)
Re-measurement gain (Note 7)	重新計量收益(附註7)	<u>123,192</u>
<u>Analysis of net outflow of cash and cash equivalents in respect of acquisition of the subsidiary:</u>	<u>有關收購附屬公司的現金及現金 等價物流出淨額的分析：</u>	
Cash consideration paid	已付現金代價	198,000
Less: Cash and cash equivalents acquired	減：所收購現金及現金等價物	(67,977)
Net cash outflow	現金流出淨額	<u>130,023</u>



27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.3 Step acquisitions (Continued)

(a) *Step acquisition of Top Glory Group (Continued)*

Top Glory Group contributed revenue of RMB80,885,000 and net profit after tax of RMB12,542,000 to the Group for the period from 26 June 2019, the acquisition date, to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, consolidated revenue and net profit after tax of the Group for the year ended 31 December 2019 would have been RMB8,669,991,000 and RMB1,555,564,000 respectively.

(b) *Step acquisition of Xianyang Baorong*

Xianyang Baorong was a 75% associate of the Group before the step acquisition.

As set out in Note 15(b)(ii), upon the sales of majority of properties for phase 1 project as at 31 December 2019, which the Group has no interest in, the Company obtained control over Xianyang Baorong.

27 收購附屬公司(續)

27.3 分次收購(續)

(a) *分次收購銘高集團(續)*

自收購日期二零一九年六月二十六日起至二零一九年十二月三十一日止期間，銘高集團向本集團貢獻收益人民幣80,885,000元及除稅後純利人民幣12,542,000元。

倘收購事項於二零一九年一月一日已發生，則本集團截至二零一九年十二月三十一日止年度的合併收益及除稅後純利應分別為人民幣8,669,991,000元及人民幣1,555,564,000元。

(b) *分次收購咸陽保榮*

於分次收購前，咸陽保榮為本集團擁有75%的聯營公司。

誠如附註15(b)(ii)所載，於二零一九年十二月三十一日出售本集團並無擁有權益的第一期項目大部分物業後，本集團取得咸陽保榮的控制權。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.3 Step acquisitions (Continued)

(b) Step acquisition of Xianyang Baorong (Continued)

The following table summarises the consideration paid for the step acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at proportionate share in the recognised amounts of identifiable net assets as at the acquisition date.

27 收購附屬公司(續)

27.3 分次收購(續)

(b) 分次收購咸陽保榮(續)

下表概述於收購日期就分次收購事項已付代價、所收購資產的公平值及所承擔負債。於收購日期的非控制性權益按可識別資產淨值確認金額的比例份額計量。

		Xianyang Baorong 咸陽保榮 RMB' 000 人民幣千元
<u>Consideration:</u>	<u>代價:</u>	
Fair value of the associate shares held by the Group	本集團所持聯營公司股份公平值	334,677
<u>Recognised amounts of identifiable assets acquired and liabilities assumed:</u>	<u>可識別所收購資產及所承擔負債的已確認金額:</u>	
Property, plant and equipment	物業、廠房及設備	159
Properties under development	開發中物業	777,285
Amounts due from non-controlling interests	應收非控制性權益款項	165,415
Trade and other receivables and deposits	貿易及其他應收款項及按金	223,059
Cash and cash equivalents	現金及現金等價物	152,472
Trade and other payables	貿易及其他應付款項	(27,476)
Contract liabilities	合約負債	(663,500)
Deferred income tax liabilities	遞延收入稅負債	(181,178)
		446,236
Less: Non-controlling interest initially recognised as at acquisition date	減: 於收購日期初始確認的非控制性權益	(111,559)
Net assets acquired	所收購資產淨值	334,677
<u>Re-measurement gain on interests in associates</u>	<u>於聯營公司的權益重新計量收益</u>	
Fair value of interests in associates	於聯營公司的權益公平值	334,677
Less: Interests in associates (Note 15(a))	減: 於聯營公司的權益(附註15(a))	(171,235)
Re-measurement gain (Note 7)	重新計量收益(附註7)	163,442
<u>Analysis of net inflow of cash and cash equivalents in respect of acquisition of the subsidiary:</u>	<u>有關收購附屬公司的現金及現金等價物流入淨額的分析:</u>	
Cash and cash equivalents acquired	所收購現金及現金等價物	152,472



27 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

27.3 Step acquisitions (Continued)

(b) *Step acquisition of Xianyang Baorong (Continued)*

If the acquisitions had occurred on 1 January 2019, consolidated revenue and net profit after tax of the Group for the year ended 31 December 2019 would have been RMB8,602,321,000 and RMB1,547,158,000 respectively.

27.4 Changes in ownership interests in subsidiaries without change in control

(a) *Acquisition of remaining equity interests of Nanchang Litou Real Estate Development Co., Ltd. and Nanchang Gaoyuan Real Estate Development Co., Ltd.*

On 19 April 2019, the Group completed the purchase of remaining 10% equity interests of Nanchang Litou Real Estate Development Co., Ltd. (南昌力投房地產開發有限公司) (“Nanchang Litou”) and Nanchang Gaoyuan Real Estate Development Co., Ltd. (南昌高遠房地產開發有限公司) (“Nanchang Gaoyuan”) from the non-controlling interest at a consideration of approximately RMB25,280,000 and RMB11,720,000 respectively. The Group recorded a decrease in non-controlling interest of approximately RMB785,000 and a decrease in the balance in other reserves of approximately RMB36,215,000 upon the completion of the purchase.

27 收購附屬公司(續)

27.3 分次收購(續)

(b) *分次收購咸陽保榮(續)*

倘收購事項於二零一九年一月一日已發生，則本集團截至二零一九年十二月三十一日止年度的合併收益及除稅後純利應分別為人民幣8,602,321,000元及人民幣1,547,158,000元。

27.4 在控制權無變動的情況下於附屬公司所有權權益的變動

(a) *收購南昌力投房地產開發有限公司及南昌高遠房地產開發有限公司的餘下股權*

於二零一九年四月十九日，本集團分別以代價約人民幣25,280,000元及人民幣11,720,000元向非控制性權益完成購買南昌力投房地產開發有限公司(「南昌力投」)及南昌高遠房地產開發有限公司(「南昌高遠」)的餘下10%股權。完成購買股權後，本集團錄得非控制性權益減少約人民幣785,000元及其他儲備結餘減少約人民幣36,215,000元。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

28 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Jiangxi Nayu Industrial Co., Ltd.

On 3 January 2019, the Group completed the disposal of 51% equity interest in Jiangxi Nayu Industrial Co., Ltd. (江西納裕實業有限公司) (“Jiangxi Nayu”) at a consideration of approximately RMB149,200,000 to the non-controlling interests. The disposal company is principally engaged in property development in the PRC. Upon the completion of the disposal, the Group lost its control over the Disposal Company and its financial results are not consolidated with the results of the Group.

(b) Disposal of Nanchang Xinrong Real Estate Development Co., Ltd.

On 23 April 2019, the Group completed the disposal of 30% equity interest in Nanchang Xinrong Real Estate Development Co., Ltd. (南昌欣榮房地產開發有限公司) (“Nanchang Xinrong”) at a consideration of approximately RMB19,438,000 to the non-controlling interests. The disposal company is principally engaged in property development in the PRC. Upon the completion of the disposal, the Group lost its control over the Disposal Company and its financial results are not consolidated with the results of the Group.

(c) Disposal of Shangrao Yunfeifeiyang Real Estate Co., Ltd. and its subsidiary

On 18 December 2019, the Group completed the disposal of 100% equity interest in Shangrao Yunfeifeiyang Real Estate Co., Ltd. (上饒市雲彩飛揚置業有限公司) (“Shangrao Yunca”) and its 49% equity subsidiary Suzhou Yunhongyou Industry Co., Ltd. (蘇州雲彩鴻佑實業有限公司) at a consideration of nil. The disposal Group is principally engaged in property development in the PRC. Upon the completion of the disposal, the Group lost its control over the Disposal Company and its financial results are not consolidated with the results of the Group.

28 出售附屬公司

(a) 出售江西納裕實業有限公司

於二零一九年一月三日，本集團以代價約人民幣149,200,000元完成向非控制性權益出售江西納裕實業有限公司(「江西納裕」)的51%股權。出售公司主要於中國從事物業開發。於出售事項完成後，本集團失去對出售公司的控制權，而其財務業績不再於本集團業績綜合入賬。

(b) 出售南昌欣榮房地產開發有限公司

於二零一九年四月二十三日，本集團以代價約人民幣19,438,000元完成向非控制性權益出售南昌欣榮房地產開發有限公司(「南昌欣榮」)的30%股權。出售公司主要於中國從事物業開發。於出售事項完成後，本集團失去對出售公司的控制權，而其財務業績不再於本集團業績綜合入賬。

(a) 出售上饒市雲彩飛揚置業有限公司及其附屬公司

於二零一九年十二月十八日，本集團以代價零元完成出售上饒市雲彩飛揚置業有限公司(「上饒雲彩」)的100%股權及其49%股本附屬公司蘇州雲彩鴻佑實業有限公司。出售公司主要於中國從事物業開發。於出售事項完成後，本集團失去對出售公司的控制權，而其財務業績不再於本集團業績綜合入賬。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

28 DISPOSAL OF SUBSIDIARIES (CONTINUED)

28 出售附屬公司(續)

An analysis on the gains on disposal of subsidiaries is as follows:

出售附屬公司的收益分析如下：

		Jiangxi Nayu	Nanchang Xinrong	Shangrao Yuncai and its subsidiary 上饒雲彩 及其附屬公司	Total
		江西納裕 RMB' 000 人民幣千元	南昌欣榮 RMB' 000 人民幣千元	RMB' 000 人民幣千元	總計 RMB' 000 人民幣千元
Consideration satisfied by:	以下列方式支付代價：				
- Cash consideration	- 現金代價	149,200	19,438	—	168,638
Less: Net assets disposed of:	減：出售資產淨值：				
- Property, plant and equipment	- 物業、廠房及設備	(1,044)	(253)	(35)	(1,332)
- Properties under development	- 開發中物業	(431,768)	—	(63,590)	(495,358)
- Deferred income tax assets	- 遞延所得稅資產	(10,810)	—	(710)	(11,520)
- Trade and other receivables, deposits and prepayments	- 貿易及其他應收款項、按金及預付款項	(163,990)	(88,117)	(156,915)	(409,022)
- Cash and cash equivalents	- 現金及現金等價物	(68,008)	(1,267)	(93)	(69,368)
- Amounts due (from)/to group companies	- (應收)/應付集團公司款項	(149,200)	(76,797)	6	(225,991)
- Amounts due from non-controlling interests	- 應收非控制性權益款項	(519,803)	(233,074)	(13,491)	(766,368)
- Trade and other payables	- 貿易及其他應付款項	90,372	87,389	32,957	210,718
- Income tax liabilities	- 所得稅負債	(42,125)	129,742	—	87,617
- Contract liabilities	- 合約負債	1,206,735	—	—	1,206,735
		59,559	(162,939)	(201,871)	(305,251)
Add: Non-controlling interests disposed of	加：出售非控制性權益	37,514	178,644	202,914	419,072



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

28 DISPOSAL OF SUBSIDIARIES (CONTINUED)

28 出售附屬公司(續)



		Jiangxi Nayu	Nanchang Xinrong	Shangrao Yunca and its subsidiary	Total
		江西納裕	南昌欣榮	及其附屬公司	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
Gain on disposal of a subsidiary, pre-tax	除稅前出售一家附屬公司收益	97,073	15,705	1,043	113,821
Less: PRC enterprise income tax payable upon disposal of subsidiaries	減：出售附屬公司時應付中國企業所得稅	(22,000)	—	(261)	(22,261)
Gains on disposal of subsidiaries, net of tax	除稅後出售附屬公司收益	<u>75,073</u>	<u>15,705</u>	<u>782</u>	<u>91,560</u>
An analysis on net inflow/(outflow) of cash and cash equivalents in respect of disposal of subsidiaries is as follows:	出售附屬公司的現金及現金等價物流入／(流出)淨額分析如下：				
Cash consideration	現金代價	149,200	19,438	—	168,638
Less: Cash and cash equivalents disposed	減：出售現金及現金等價物	(68,008)	(1,267)	(93)	(69,368)
Net cash inflow/(outflow)	現金流入／(流出)淨額	<u>81,192</u>	<u>18,171</u>	<u>(93)</u>	<u>99,270</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

29 COMMITMENTS

29 承擔

(a) Capital commitments and property development commitments

(a) 資本承擔及物業發展承擔

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Contracted but not provided for:	已訂約但尚未撥備：		
- Land use right	- 土地使用權	821,185	414,387
- Leasehold improvement	- 租賃物業裝修	1,819	1,628
- Property development expenditures	- 物業開發開支	9,517,520	6,045,822

(b) Operating lease commitments

(b) 經營租賃承擔

As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office as follows:

於二零一八年十二月三十一日，本集團於有關辦公室的不可撤銷經營租賃項下的未來最低租賃付款總額如下：

		2018 二零一八年 RMB' 000 人民幣千元
No later than one year	不超過一年	2,274
Later than one year and no later than 5 years	超過一年但不超過五年	4,611
		6,885



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

30 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at the end of each of the following reporting periods:

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	就本集團物業若干買家的按揭融資提供的擔保	9,001,924	5,932,804

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the carrying values of the financial guarantees are immaterial.

30 財務擔保及或然負債

(a) 按揭融資的擔保

本集團於下列各報告期末因按揭融資的財務擔保而存在以下或然負債：

本集團已為本集團物業的若干買家安排銀行融資，並就買家的還款責任提供擔保。該等擔保將於下列時間較早者終止：(i) 房地產所有權證轉交予買家（一般於擔保登記完成後平均六個月至三年內進行）時；或(ii) 物業買家清償按揭貸款時。

根據擔保條款，在該等買家拖欠按揭還款時，本集團須負責向銀行償還買家拖欠的按揭本金連同應計利息及罰金，而本集團有權保留相關物業的法定業權及接收所有權。本集團的擔保期由授出按揭日期起開始。董事認為，財務擔保的賬面值並不重大。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

30 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES
(CONTINUED)

- (b) There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings (Note 23) as at 31 December 2019 and 2018. The directors consider that the subsidiaries are sufficiently financially resourced to settle their obligations.
- (c) The Company provides a corporate guarantee of AUD70,000,000 (2018: AUD70,000,000) to a subsidiary of Power Out International Ltd., a joint venture of the Group, for a loan facility which was fully utilised by the joint venture. The directors of the Company are of the opinion that the carrying value of the guarantee is immaterial.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 31 December 2019 (2018: Nil).

30 財務擔保及或然負債(續)

- (b) 於二零一九年及二零一八年十二月三十一日，本集團附屬公司之間存在就借款(附註23)相互提供的若干公司擔保。董事認為，附屬公司擁有充足財務資源解除其責任。
- (c) 本公司就一項合營企業已悉數動用的貸款融資向Power Out International Ltd.的一家附屬公司提出為數70,000,000澳元(二零一八年：70,000,000澳元)的公司擔保。本公司董事認為擔保的賬面值並不重大。

除上文所披露者外，本集團及本公司於二零一九年十二月三十一日並無其他重大的或然負債(二零一八年：零)。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

31 EARNINGS PER SHARE

The basic earnings per share for the year ended 31 December 2019 is calculated based on the profit attributable to owners of the Company.



		2019 二零一九年	2018 二零一八年
Profit attributable to owners of the Company (RMB' 000)	本公司擁有人應佔溢利 (人民幣千元)	<u>1,034,931</u>	<u>990,747</u>
Weighted average number of shares in issue	已發行股份的加權平均數	<u>3,551,609,322</u>	<u>3,551,609,322</u>
Basic earnings per share (RMB cents)	每股基本盈利(人民幣分)	<u>29.14</u>	<u>27.90</u>

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the years ended 31 December 2019 (2018: same).

32 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

Except for amounts due from non-controlling interest of RMB48,512,000 and RMB65,000,000 which bear interest of 8.5% and 24% per annum respectively (2018: RMB32,270,000, RMB50,000,000 and RMB15,000,000 which bear interest of 8.5%, 18% and 11% per annum respectively) and are secured by their interests in the Group's subsidiaries, the amounts due from non-controlling interests are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

Except for amounts due to non-controlling interest of RMB222,737,100 (2018: RMB368,337,000) which bears interest of 4.75% (2018: 4.75%) per annum and RMB527,480,000 (2018: Nil) which bears interest of 12% (2018: Nil) per annum, the amounts due to non-controlling interests are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

31 每股盈利

截至二零一九年十二月三十一日止年度，每股基本盈利乃根據本公司擁有人應佔溢利計算。

於截至二零一九年十二月三十一日止年度，由於並無發行在外的潛在攤薄股份，故每股攤薄盈利等於每股基本盈利(二零一八年：相同)。

32 應收／(應付)非控制性權益款項

除分別按年利率8.5%及24%計息並以其於本集團附屬公司的權益作抵押的應收非控制性權益款項人民幣48,512,000元及人民幣65,000,000元(二零一八年：人民幣32,270,000元、人民幣50,000,000元及人民幣15,000,000元各按年利率8.5%、18%及11%計息)外，應收非控制性權益款項為免息、無抵押及須按要求償還。賬面值與其公平值相若且均以人民幣計值。

除為數人民幣222,737,100元(二零一八年：人民幣368,337,000元)及人民幣527,480,000元(二零一八年：無)的應付非控制性權益款項的年利率為4.75%(二零一八年：4.75%)及12%(二零一八年：無)外，應付非控制性權益款項均為免息、無抵押並須按要求償還。賬面值與其公平值相若及以人民幣計值。



33 RELATED PARTY TRANSACTIONS

The Group is jointly controlled by Wong Yeuk Hung and Huang Ruoqing, who own 39.06% and 26.04% of the Company's shares respectively.

Major related parties with the Group were as follows:



Related parties 關聯方	Relationship with the Company 與本公司的關係
Ganzhou Baoherun Co., Ltd. 贛州葆和潤實業有限公司	An associate 一家聯營公司
Lianyungang Hengrun Real Estate Co., Ltd 連雲港恒潤置業有限公司	An associate 一家聯營公司
Fengcheng Xinfei Property Development Co., Ltd 豐城市欣飛房地產開發有限公司	An associate 一家聯營公司
Fengcheng Liding Property Development Co., Ltd 豐城市力鼎房地產開發有限公司	An associate 一家聯營公司
Fengcheng Hending Property Development Co., Ltd 豐城市恆鼎房地產開發有限公司	An associate 一家聯營公司
Tibet Yunxi Enterprise Management Partnership (Limited Partnership) 西藏運禧企業管理合夥企業(有限合夥)	An associate 一家聯營公司
Funan Anhua Times Real Estate Development Co., Ltd. 阜南安華時代房地產開發有限公司	An associate 一家聯營公司
Love Care Redco (Shanghai) Senior Care Service Co., Ltd. 愛照護力高(上海)養老服務有限公司	An associate 一家聯營公司

33 關聯方交易

本集團由黃若虹及黃若青共同控制，而二者分別擁有本公司39.06%及26.04%的股份。

本集團的主要關聯方如下：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

33 RELATED PARTY TRANSACTIONS (CONTINUED)

33 關聯方交易(續)



Related parties 關聯方	Relationship with the Company 與本公司的關係
Huizhou Gaozhao Real Estate Development Co., Ltd 惠州市高兆房地產開發有限公司	An associate 一家聯營公司
Huizhou Lijia Real Estate Co., Ltd 惠州力佳地產有限公司	An associate 一家聯營公司
Wuhan Huacheng Quanyou Real Estate Co., Ltd 武漢華誠全友置業有限公司	An associate 一家聯營公司
Nanchang Junyu Meijia Property Service Co., Ltd. 南昌君譽美家物業服務有限公司	An associate 一家聯營公司
Redco Industry (Jiangxi) Co., Ltd. 力高實業(江西)有限公司	A joint venture 一家合營企業
Hui Gao Investments Development Ltd. and its subsidiary 匯高投資發展有限公司及其附屬公司	A joint venture 一家合營企業
Power Out International Holding Ltd. and its subsidiaries 力澳國際控股有限公司及其附屬公司	A joint venture 一家合營企業
Shenzhen Redco Hongye Property Development Co.,Ltd. 深圳力高宏業地產開發有限公司	A joint venture 一家合營企業
Qingyuan Ligao Hongye Real Estate Development Co., Ltd. 清遠力高鴻業地產開發有限公司	A joint venture 一家合營企業
Jiangxi Province Guogao Property Services Limited 江西省國高物業服務有限公司	A joint venture 一家合營企業
Nanchang Yingmei Property Co., Ltd. 南昌盈美物業有限公司	A joint venture 一家合營企業
Shijiazhuang Lanting Property Management Co., Ltd. 石家莊蘭庭物業管理有限公司	A joint venture 一家合營企業
Wong Yeuk Hung (Mr. Wong) 黃若虹(黃先生)	A major shareholder and director of the Group 本集團的一名主要股東兼董事
Huang Ruoqing (Mr. Huang) 黃若青(黃若青先生)	A major shareholder and director of the Group 本集團的一名主要股東兼董事



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties

(i) Amounts due from joint ventures



	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	Nature 性質	Interest 利息	Currency 貨幣
Qingyuan Ligao Hongye Real Estate Development Co., Ltd. 清遠力高鴻業地產開發有限公司	14,700	—	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Hui Gao Investments Development Ltd. and its subsidiary 匯高投資發展有限公司及其附屬公司	22,435	—	Non-trade 非貿易	N/A 不適用	HK\$ 港元
Power Out International Holding Ltd. and its subsidiaries 力澳國際控股有限公司及其附屬公司	22,814	4,844	Non-trade 非貿易	N/A 不適用	HK\$ 港元
	<u>59,949</u>	<u>4,844</u>			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

賬面值與其公平值相若，屬無抵押並須按要求償還。

33 關聯方交易(續)

(a) 與關聯方的結餘

(i) 應收合營企業款項



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties (Continued)

(ii) Amounts due to joint ventures

	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	Nature 性質	Interest 利息	Currency 貨幣
Jiangxi Province Guogao Property Services Limited 江西省國高物業服務有限公司	881	—	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Shenzhen Redco Hongye Property Development Co., Ltd. 深圳力高宏業地產開發有限公司	2,737	2,737	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Hui Gao Investments Development Ltd. and its subsidiary 匯高投資發展有限公司及其附屬公司	—	9,830	Non-trade 非貿易	N/A 不適用	HK\$ 港元
Power Out International Holding Ltd. and its subsidiaries 力澳國際控股有限公司及其附屬公司	—	—	Non-trade 非貿易	N/A 不適用	HK\$ 港元
Redco Industry (Jianxi) Co., Ltd. 力高實業(江西)有限公司	47,158	11,189	Non-trade 非貿易	N/A 不適用	RMB 人民幣
	<u>50,776</u>	<u>23,756</u>			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

賬面值與其公平值相若，屬無抵押並須按的要求償還。

33 關聯方交易(續)

(a) 與關聯方的結餘(續)

(ii) 應付合營企業款項



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties (Continued)

(iii) Amounts due from associates



	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	Nature 性質	Interest 利息	Currency 貨幣
Top Glory Group 銘高集團	—	7,818	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Huizhou Lijia Real Estate Co., Ltd 惠州力佳地產有限公司	160,763	—	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Huizhou Gaozhao Real Estate Development Co., Ltd 惠州市高兆房地產開發有限公司	103,950	10,000	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Lianyungang Hengrun Real Estate Co., Ltd 連雲港恒潤置業有限公司	92,089	146,660	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Funan Anhua Times Real Estate Development Co., Ltd. 阜南安華時代房地產開發有限公司	69,400	—	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Ganzhou Baoherun Co., Ltd 贛州葆和潤實業有限公司	56,643	168,393	Non-trade 非貿易	10% 10%	RMB 人民幣
Fengcheng Liding Property Development Co., Ltd 豐城市力鼎房地產開發有限公司	—	18,667	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Fengcheng Hengding Property Development Co., Ltd 豐城市恆鼎房地產開發有限公司	—	13,333	Non-trade 非貿易	N/A 不適用	RMB 人民幣
	<u>482,845</u>	<u>364,871</u>			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

賬面值與其公平值相若，屬無抵押並須按的要求償還。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties (Continued)

(iv) Amounts due to associates

	2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元	Nature 性質	Interest 利息	Currency 貨幣
Fengcheng Liding Property Development Co., Ltd 豐城市力鼎房地產開發有限公司	305,180	—	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Fengcheng Hending Property Development Co., Ltd 豐城市恆鼎房地產開發有限公司	129,367	—	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Fengcheng Xinfei Property Development Co., Ltd 豐城欣飛房地產開發有限公司	50,233	—	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Wuhan Huacheng Quanyou Real Estate Co., Ltd 武漢華誠全友置業有限公司	500	—	Non-trade 非貿易	N/A 不適用	RMB 人民幣
Xianyang Baorong Co., Ltd 咸陽保榮實業有限公司	—	66,000	Non-trade 非貿易	N/A 不適用	RMB 人民幣
	<u>485,280</u>	<u>66,000</u>			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

賬面值與其公平值相若，屬無抵押並須按的要求償還。

(b) Transactions with related parties

The Group has the following related party transactions:

- (i) During the year ended 31 December 2019, the Group purchased property management service up to 25 June 2019 amounting to RMB15,953,000 (2018: RMB25,833,000) from Top Glory Group, at prices mutually agreed by contracted parties.

33 關聯方交易(續)

(a) 與關聯方的結餘(續)

(iv) 應付聯營公司款項

(b) 與關聯方進行的交易

本集團與關聯方進行的交易如下：

- (i) 於截至二零一九年十二月三十一日止年度，本集團按各訂約方互相協定的價格向銘高集團購買直至二零一九年六月二十五日為數人民幣15,953,000元(二零一八年：人民幣25,833,000元)的物業管理服務。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

- (ii) During the year ended 31 December 2019, the Group provided project management consultancy service amounting to RMB632,000 (2018: RMB986,000) to its associates, at prices mutually agreed by contracted parties.
- (iii) During the year ended 31 December 2019, the Group received finance income amounting to RMB20,674,000 (2018: RMB25,000,000) from its associates, at interest rate mutually agreed by contracted parties.

(c) Key management compensation

Key management includes executive directors and top management. The compensation paid or payable to key management for employee services is shown below:



		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Salaries, bonus and other benefits	薪金、花紅及其他福利	27,133	19,916
Pension costs – defined contribution plan	退休金成本—界定供款計劃	661	476
		27,794	20,392

33 關聯方交易(續)

(b) 與關聯方進行的交易(續)

- (ii) 於截至二零一九年十二月三十一日止年度，本集團按各訂約方互相協定的價格向其聯營公司提供為數人民幣632,000元(二零一八年：人民幣986,000元)的項目管理顧問服務。
- (iii) 於截至二零一九年十二月三十一日止年度，本集團按各訂約方互相協定的利率自其聯營公司獲取為數人民幣20,674,000元(二零一八年：人民幣25,000,000元)的融資收入。

(c) 主要管理層薪酬

主要管理層包括執行董事及最高管理層。就僱員服務已付或應付主要管理層的薪酬列示如下：



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

34 DIVIDENDS

34 股息

		2019 二零一九年 RMB' 000 人民幣千元	2018 二零一八年 RMB' 000 人民幣千元
Interim dividend of nil (2018: RMB2.5 cents) per ordinary share	中期股息每股普通股零 (二零一八年：人民幣2.5分)	—	88,790
Proposed final dividend of RMB3 cents (2018: RMB3 cents) per ordinary share	建議末期股息每股普通股人民幣 3分(二零一八年：人民幣3分)	106,548	106,548
		106,548	195,338

A final dividend for the year ended 31 December 2019 of RMB3 cents (2018: RMB3 cents) per ordinary share, totally approximately RMB106,548,000 (2018: RMB106,548,000) has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31 December 2019.

董事會建議就截至二零一九年十二月三十一日止年度派付末期股息每股普通股人民幣3分(二零一八年：人民幣3分)，總數約為人民幣106,548,000元(二零一八年：人民幣106,548,000元)，並須待本公司於應屆股東週年大會上取得批准。建議末期股息未有視作於二零一九年十二月三十一日的應付股息處理。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

35 本公司的資產負債表及儲備變動

Balance sheet of the Company

本公司的資產負債表

		Note	2019	2018
		附註	二零一九年 RMB' 000 人民幣千元	二零一八年 RMB' 000 人民幣千元
ASSETS	資產			
Non-current asset	非流動資產			
Investment in a subsidiary	於一家附屬公司的投資		389,362	389,362
Current assets	流動資產			
Prepayments	預付款項		573	730
Amounts due from subsidiaries	應收附屬公司款項		9,354,503	7,781,900
Cash and cash equivalents	現金及現金等價物		1,784,430	707
			11,139,506	7,783,337
Total assets	資產總值		11,528,868	8,172,699
EQUITY AND LIABILITIES	權益及負債			
Equity attributable to owners of the Company	本公司擁有人應佔權益			
Share capital	股本		139,632	139,632
Reserves	儲備	(a)	1,823,734	1,916,101
Total equity	權益總額		1,963,366	2,055,733



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY
(CONTINUED)

Balance sheet of the Company (Continued)



		Note	2019	2018
		附註	二零一九年	二零一八年
			RMB' 000	RMB' 000
			人民幣千元	人民幣千元
Liabilities	負債			
Non-current liability	非流動負債			
Borrowings	借款		2,437,783	2,772,833
Current liabilities	流動負債			
Accrued expense	應計費用		263,900	154,539
Amount due to a subsidiary	應付一家附屬公司款項		1,430	1,432
Borrowings	借款		6,862,389	3,188,162
			7,127,719	3,344,133
Total liabilities	負債		9,565,502	6,116,966
Total equity and liabilities	權益及負債總額		11,528,868	8,172,699

The balance sheet of the Company was approved for issue by the Board of Directors on 31 March 2020 and were signed on its behalf:

本公司的資產負債表已由董事會於二零二零年三月三十一日批准刊發，並由以下董事代表簽署：

WONG Yeuk Hung 黃若虹
Director 董事

HUANG Ruoqing 黃若青
Director 董事



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY
(CONTINUED)

35 本公司的資產負債表及儲備變動
(續)

Note (a): Reserve movement of the Company

附註(a)：本公司的儲備變動

		Share premium	Contribution surplus	Exchange reserve	(Accumulated losses)/ retained earnings	Total
		股份溢價	繳足盈餘	匯兌儲備	／保留溢利	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 2018	於二零一八年一月一日	1,241,423	390,766	72,952	110,511	1,815,652
Comprehensive income	全面收益					
- Profit for the year	- 一年內溢利	-	-	-	287,210	287,210
Other comprehensive income	其他全面收益					
- Currency translation differences	- 貨幣換算差額	-	-	8,577	-	8,577
Total comprehensive income	全面收益總額	-	-	8,577	287,210	295,787
Transactions with owners	與擁有人的交易					
- Dividend relating to 2017 final	- 與二零一七年 末期有關的股息	-	-	-	(106,548)	(106,548)
- Dividend relating to 2018 interim	- 與二零一八年 中期有關的股息	-	-	-	(88,790)	(88,790)
At 31 December 2018	於二零一八年十二月三十一日	1,241,423	390,766	81,529	202,383	1,916,101
At 1 January 2019	於二零一九年一月一日	1,241,423	390,766	81,529	202,383	1,916,101
Comprehensive income	全面收益					
- Loss for the year	- 一年內虧損	-	-	-	27,372	27,372
Other comprehensive income	其他全面收益					
- Currency translation differences	- 貨幣換算差額	-	-	(13,191)	-	(13,191)
Total comprehensive income	全面收益總額	-	-	(13,191)	27,372	14,181
Transactions with owners	與擁有人的交易					
- Dividend relating to 2018 final	- 與二零一八年末期 有關的股息	-	-	-	(106,548)	(106,548)
At 31 December 2019	於二零一九年十二月三十一日	1,241,423	390,766	68,338	123,207	1,823,734



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

For the year ended 31 December 2019:

36 董事利益及權益(香港《公司條例》(第622章)第383條、《公司(披露董事利益資料)規例》(第622G章)及香港上市規則所規定的披露)

(a) 董事及最高行政人員酬金

各董事及最高行政人員的酬金載列如下：

截至二零一九年十二月三十一日止年度：

Name	姓名	Fees	Salary (Note i)	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
					僱主對退休 福利計劃 的供款	
		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
Executive Directors		執行董事				
Mr. WONG Yeuk Hung	黃若虹先生	—	3,000	—	16	3,016
Mr. HUANG Ruoqing	黃若青先生	—	3,000	—	16	3,016
Mr. TANG Chengyong	唐承勇先生	—	3,000	793	62	3,855
Mr. Wang Weifeng (Note iii)	王衛鋒先生(附註iii)	—	2,902	—	45	2,947
Independent non-executive directors		獨立非執行董事				
Dr. WONG Yau Kar, David BBS, JP	黃友嘉BBS太平紳士	220	—	—	—	220
Mr. CHAU On Ta Yuan	周安達源先生	220	—	—	—	220
Mr. YIP Tai Him	葉棣謙先生	220	—	—	—	220
Mr. CHOW Kwong Fai, Edward JP (Note iv)	周光暉太平紳士 (附註iv)	240	—	—	—	240
		900	11,902	793	139	13,734



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2018:



Name	姓名	Fees	Salary (Note i)	Discretionary bonuses	Employer's contribution to a retirement benefit scheme 僱主對退休 福利計劃 的供款	Total
		袍金 RMB' 000 人民幣千元	薪金(附註i) RMB' 000 人民幣千元	酌情花紅 RMB' 000 人民幣千元	RMB' 000 人民幣千元	總計 RMB' 000 人民幣千元
Executive Directors		執行董事				
Mr. WONG Yeuk Hung	黃若虹先生	—	2,500	—	16	2,516
Mr. HUANG Ruoqing	黃若青先生	—	2,500	—	16	2,516
Mr. TANG Chengyong	唐承勇先生	—	2,500	1,493	64	4,057
Independent non-executive directors		獨立非執行董事				
Dr. WONG Yau Kar, David BBS, JP	黃友嘉 BBS 太平紳士	215	—	—	—	215
Mr. CHAU On Ta Yuan	周安達源先生	215	—	—	—	215
Mr. YIP Tai Him	葉棟謙先生	215	—	—	—	215
Mr. CHOW Kwong Fai, Edward JP	周光暉 太平紳士	258	—	—	—	258
		<u>903</u>	<u>7,500</u>	<u>1,493</u>	<u>96</u>	<u>9,992</u>

Note i:

Salary received by the executive directors included all emoluments paid or receivable in respect of directors' services in connection with the management of the Company and its subsidiary undertakings.

Note ii:

Save as disclosed above, the directors did not receive or will not receive any other retirement benefits or termination benefits during the year (2018: Nil).

36 董事利益及權益(香港《公司條例》(第622章)第383條、《公司(披露董事利益資料)規例》(第622G章)及香港上市規則所規定的披露)(續)

(a) 董事及最高行政人員酬金(續)

截至二零一八年十二月三十一日止年度：

附註 i :

執行董事應收的薪金包括董事就管理本公司及其附屬公司的服務而已付或應收的一切薪酬。

附註 ii :

除上文所披露者外，董事於年內並無或將不會收取任何其他退休福利或終止利益(二零一八年：無)。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

Note iii:

Mr. WANG Weifeng was appointed as an executive director with effect from 15 April 2019.

Note iv:

Mr. CHOW Kwong Fai, Edward JP resigned as independent non-executive director with effect from 26 November 2019.

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 December 2019 (2018: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 December 2019 (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended 31 December 2019 (2018: Nil).

36 董事利益及權益(香港《公司條例》(第622章)第383條、《公司(披露董事利益資料)規例》(第622G章)及香港上市規則所規定的披露)(續)

(a) 董事及最高行政人員酬金(續)

附註iii:

王衛鋒先生獲委任為執行董事，自二零一九年四月十五日起生效。

附註iv:

周光暉先生太平紳士辭任獨立非執行董事，自二零一九年十一月二十六日起生效。

(b) 董事退任及離職福利

截至二零一九年十二月三十一日止年度，概無就任何董事有關本公司或其附屬公司的事務管理的其他服務而已付或應收的退休福利(二零一八年：無)。

截至二零一九年十二月三十一日止年度，概無就董事提前終止委聘而獲支付任何補償(二零一八年：無)。

(c) 就提供董事服務而向第三方提供的代價

截至二零一九年十二月三十一日止年度，概無就董事出任本公司董事而向董事的任何前僱主支付任何款項(二零一八年：無)。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2019 (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019 (2018: Nil).

37 SUBSEQUENT EVENTS

(a) COVID-19 outbreak

In early 2020, after the COVID-19 outbreak, a series of precautionary and control measures have been and continued to be implemented across the PRC. In light of the negative impact brought upon by the COVID-19 outbreak, it may cause a short-term impact on all sectors and the sales of the real estate industry has also been affected by the short-term psychological impact of the epidemic on the public. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

36 董事利益及權益(香港《公司條例》(第622章)第383條、《公司(披露董事利益資料)規例》(第622G章)及香港上市規則所規定的披露)(續)

(d) 有關以董事、受該等董事控制的法人公司及其關連實體為受益人的貸款、類似貸款及其他交易的資料

截至二零一九年十二月三十一日止年度，概無貸款、類似貸款及其他交易以董事、受該等董事控制的法人公司及其關連實體為受益人(二零一八年：無)。

(e) 董事於交易、安排或合約之重大權益

本公司概無訂立與本集團業務有關而本公司董事於當中擁有重大權益(不論直接或間接)，且於年末或於截至二零一九年十二月三十一日止年度內任何時間存續的重大交易、安排及合約(二零一八年：無)。

37 期後事項

(a) 新冠肺炎疫情

在新冠肺炎疫情爆發後，中國由二零二零年初開始在全國範圍內實施一系列預防和控制措施。鑑於新冠肺炎疫情帶來的負面影響，所有行業都可能受到短期性的打擊，房地產行業的銷售也因為疫情對公眾的短期心理影響而受累。本集團將密切關注新冠肺炎疫情的發展，並評估其對本集團財務狀況和營運業績的影響。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
合併財務報表附註

(b) Acquisition of 35% interest in Makati City Subway, Inc. (“MCSI”)

On 18 February 2020, the Group entered into a share purchase agreement (the “Share Purchase Agreement”) with Philippine Infradev Holdings, Inc. (“Infradev”) and MCSI, independent third parties, to acquire 35% interest in MCSI at a consideration of US\$102,000,000 (equivalent to approximately RMB712,698,000), which owns parcels of land in Makati City, the Philippines for the development of construction, normal operation and maintenance of Makati Subway System as well as the corresponding topside development (the “Project”).

On the same date of the entering of the Share Purchase Agreement, the Group, MCSI and Aggregate Business Group (ABG) Holdings Inc. (“ABG”), the immediate holding company of Infradev entered into a development agreement (the “Development Agreement”), pursuant to which the Group and ABG agreed, among other things, through Makati Redco Transit Development Corporation (“MRTD”), a company to be incorporated in the Philippines, to be jointly responsible for the development and construction of topside development corresponding to the Makati Subway System. Upon incorporation, the Group and ABG will directly hold 51% and 49% of the equity interests in MRTD respectively. The initial paid up capital of MRTD for the Group will be US\$10,200,000 (equivalent to approximately RMB71,269,800).

(b) 收購Makati City Subway, Inc. (「MCSI」) 35% 股權

於二零二零年二月十八日，本公司集團與Philippine Infradev Holdings, Inc. (「Infradev」) 及獨立第三方MCSI訂立購股協議(「購股協議」)，以代價102,000,000美元(相當於約人民幣712,698,000元)收購MCSI 35%股權，MCSI在菲律賓馬卡蒂市擁有多塊土地，用於馬卡蒂地鐵系統的建設、正常運營和維修，以及相應的上蓋發展(「該項目」)。

在訂立購股協議的同一天，本集團、MCSI及Aggregate Business Group (ABG) Holdings Inc. (「ABG」，Infradev的直接控股公司)訂立發展協議(「發展協議」)，據此，本集團及ABG同意(其中包括)透過將在菲律賓註冊成立的公司Makati Redco Transit Development Corporation (「MRTD」)共同負責發展及建設馬卡蒂地下鐵路系統相應的地鐵上蓋物業發展。於成立後，本集團及ABG將分別直接持有MRTD的51%及49%股權。本集團對MRTD的初步繳足資本將為10,200,000美元(相當於約人民幣71,269,800元)。



羅兵咸永道

To the Shareholders of Redco Properties Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Redco Properties Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 76 to 181, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.



KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters identified in our audit are:

- Valuation of investment properties
- Classification of investments

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of investment properties

Refer to Note 2.7, 4.1 and 14 to the consolidated financial statements

As at 31 December 2018, the carrying amount of the Group's investment properties in the People Republic of China ("PRC") was approximately RMB803.9 million and a fair value gain of approximately RMB84.2 million was recognised in the consolidated statement of profit or loss during the year. The Group engaged an independent external valuer to perform a valuation of the investment properties as at 31 December 2018.

The valuation of the investment property prepared under income capitalisation approach was dependent on certain key assumptions that required significant management judgement, including capitalisation rate, fair market rent and fair market price. The valuation of the investment property under construction prepared under residual approach was also dependent upon the estimated costs to completion and expected developer's profit margin.

The significant judgement and estimates involved in the valuation warrants specific audit focus and attention on this area.

Our procedures in relation to the valuation of the investment properties included:

- We assessed the competence, capability and independence of the independent external valuer;
- We engaged our in-house valuation experts to assess the appropriateness of the valuation methodology used by the valuer and the reasonableness of the key assumptions adopted in the valuation based on their knowledge of the property industry; and
- We checked, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rate, fair market rent and fair market price, to the recent renewal of lease or sale transactions of the Group and of the market. For the estimated costs to completion and expected developer's profit margin, we also checked to the construction budget and historical information of similar properties of the Group.

Based on the audit procedures performed, we consider the methodology used in preparing the valuations were appropriate and the key assumptions were supportable in light of available internal and other market evidence.



Key Audit Matter (Continued)

How our audit addressed the Key Audit Matter
 (Continued)

Classification of investments

Refer to Note 2.2, 2.3, 4.2, 15 and 28 to the consolidated financial statements

During the year ended 31 December 2018, the Group made investments with consideration of approximately RMB 755.6 million in subsidiaries and RMB 66.7 million in associates.

We focused on this area due to the magnitude of the investments and the fact that significant judgements were made by management in determining the appropriate classification of the investments that involved complex terms and arrangements.

Our procedures in relation to the classification of investments included:

- We read the contracts and agreements in relation to those investments made in the current year. We assessed the terms and conditions of those investments, including evaluation of whether there is any indication or evidence of control or significant influence found in the detailed arrangement of these investments, to determine whether appropriate classification had been adopted by management in relation to those investments based on the consideration of the totality of facts.
- We discussed with management and obtained management assessment to understand their critical judgement in the classification of investments that they had applied.
- We also discussed with management to obtain an understanding on the details of such investments, including relevant activities of the investee companies and how decisions about those activities are made, how the Group and other investors participate in the decisions, the rights and power of the Group and other investors on the investee companies.

Based on the procedures performed, we noted that management's judgement applied in the classification of investments was supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



REDCO PROPERTIES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor' s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor' s report is Chow Shiu Hay, Antonio.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2019



REDCO PROPERTIES GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 RMB' 000	2017 RMB' 000
Revenue	5	6,735,931	6,734,067
Cost of sales	6	(4,348,211)	(5,057,627)
Gross profit		2,387,720	1,676,440
Other gains/(losses), net	7	248,469	(15,803)
Selling and marketing expenses	6	(183,499)	(195,475)
General and administrative expenses	6	(424,221)	(233,450)
Fair value gain on investment properties	14	84,172	359,036
Impairment of goodwill	12	—	(49,535)
Operating profit		2,112,641	1,541,213
Finance income	9	95,025	44,729
Finance costs	9	(71,662)	(70,945)
Finance income/(cost), net		23,363	(26,216)
Share of profit of investments accounted for using the equity method, net	15	77,468	82,870
Profit before income tax		2,213,472	1,597,867
Income tax expense	10	(917,044)	(607,735)
Profit for the year		1,296,428	990,132
Profit attributable to:			
Owners of the Company		990,747	862,237
Non-controlling interests		305,681	127,895
		1,296,428	990,132
Earnings per share for profit attributable to owners of the Company for the year			
– Basic and diluted (expressed in RMB cents per share)	32	27.90	24.28

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 RMB' 000	2017 RMB' 000
Profit for the year	1,296,428	990,132
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
– Currency translation differences	(218,452)	171,999
Total other comprehensive (loss)/income	(218,452)	171,999
Total comprehensive income for the year	1,077,976	1,162,131
Total comprehensive income attributable to:		
– Owners of the Company	773,425	1,032,876
– Non-controlling interests	304,551	129,255
Total comprehensive income for the year	1,077,976	1,162,131

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



REDCO PROPERTIES GROUP LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 RMB' 000	2017 RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	11	221,300	36,489
Investment properties	14	803,899	434,669
Investments accounted for using the equity method	15	700,294	1,034,521
Prepayments	19	60,000	475,236
Deferred income tax assets	16	459,833	238,931
		<u>2,245,326</u>	<u>2,219,846</u>
Current assets			
Completed properties held for sale	17	2,133,818	1,564,092
Properties under development for sale	18	15,680,128	5,728,454
Contract assets	5	700,000	—
Trade and other receivables and deposits	19	3,371,544	3,082,594
Prepayments	19	1,053,610	964,113
Amounts due from joint ventures	34	4,844	53,123
Amounts due from associates	34	364,871	32,719
Amounts due from non-controlling interests	33	1,414,342	672,675
Income tax recoverable		312,821	180,948
Restricted cash	20	2,186,139	1,318,450
Cash and cash equivalents	20	5,678,863	3,587,062
		<u>32,900,980</u>	<u>17,184,230</u>
Assets classified as held for sale	21	—	467,931
		<u>32,900,980</u>	<u>17,652,161</u>
Total assets		<u>35,146,306</u>	<u>19,872,007</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	139,632	139,632
Reserves	23	4,237,813	3,672,089
		<u>4,377,445</u>	<u>3,811,721</u>
Non-controlling interests		<u>2,287,973</u>	<u>797,579</u>
Total equity		<u>6,665,418</u>	<u>4,609,300</u>

ANNUAL REPORT 2018
CONSOLIDATED BALANCE SHEET
As at 31 December 2018



	Note	2018 RMB' 000	2017 RMB' 000
LIABILITIES			
Non-current liabilities			
Borrowings	24	4,912,751	3,982,100
Deferred income tax liabilities	16	286,051	265,604
		5,198,802	4,247,704
Current liabilities			
Trade and other payables	25	6,323,532	2,156,112
Borrowings	24	6,146,930	3,261,119
Amounts due to non-controlling interests	33	2,123,659	116,414
Amount due to an associate	34	66,000	—
Amounts due to joint ventures	34	23,756	140,209
Contract liabilities	26	7,169,457	—
Receipts in advance	26	—	4,507,441
Income tax liabilities		1,428,752	832,164
		23,282,086	11,013,459
Liabilities directly associated with assets classified as held for sale	21	—	1,544
		23,282,086	11,015,003
Total liabilities		28,480,888	15,262,707
Total equity and liabilities		35,146,306	19,872,007

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 76 to 181 were approved for issue by the Board of Directors on 29 March 2019 and were signed on its behalf:

WONG Yeuk Hung
Director

HUANG Ruoqing
Director



REDCO PROPERTIES GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company			Non-controlling interests RMB' 000	Total equity RMB' 000	
	Note	Share capital RMB' 000	Reserves RMB' 000			Total RMB' 000
Balance at 1 January 2017, as previously reported		139,632	2,662,236	2,801,868	555,158	3,357,026
Change in accounting policy		—	48,009	48,009	—	48,009
Balance at 1 January 2017 (Restated)		139,632	2,710,245	2,849,877	555,158	3,405,035
Comprehensive income						
– Profit for the year		—	862,237	862,237	127,895	990,132
Other comprehensive income						
– Currency translation differences		—	170,639	170,639	1,360	171,999
Total comprehensive income for the year		—	1,032,876	1,032,876	129,255	1,162,131
Transactions with owners						
Non-controlling interests arising on acquisitions of subsidiaries		—	—	—	101,466	101,466
Capital injection from non-controlling interests		—	—	—	11,700	11,700
Dividends relating to 2017 interim		—	(71,032)	(71,032)	—	(71,032)
Total transactions with owners, recognised directly in equity		—	(71,032)	(71,032)	113,166	42,134
Balance at 31 December 2017		139,632	3,672,089	3,811,721	797,579	4,609,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



	Note	Attributable to owners of the Company			Non-controlling interests RMB' 000	Total equity RMB' 000
		Share capital RMB' 000	Reserves RMB' 000	Total RMB' 000		
Balance at 1 January 2018, as previously reported		139,632	3,672,089	3,811,721	797,579	4,609,300
Change in accounting policy (Note 2.1.2)		—	(22,173)	(22,173)	(9,742)	(31,915)
		<u>139,632</u>	<u>3,649,916</u>	<u>3,789,548</u>	<u>787,837</u>	<u>4,577,385</u>
Comprehensive income						
– Profit for the year		—	990,747	990,747	305,681	1,296,428
Other comprehensive income						
– Currency translation differences		—	(217,322)	(217,322)	(1,130)	(218,452)
Total comprehensive income for the year		—	<u>773,425</u>	<u>773,425</u>	<u>304,551</u>	<u>1,077,976</u>
Transactions with owners						
Change in ownership interests in a subsidiary without change of control	29	—	9,810	9,810	(28,350)	(18,540)
Non-controlling interests arising from acquisitions of subsidiaries	28	—	—	—	285,493	285,493
Non-controlling interests arising from step acquisition	28	—	—	—	238,914	238,914
Capital injection from non-controlling interests		—	—	—	699,528	699,528
Dividends relating to 2017 final		—	(106,548)	(106,548)	—	(106,548)
Dividends relating to 2018 interim		—	(88,790)	(88,790)	—	(88,790)
Total transactions with owners, recognised directly in equity		—	<u>(185,528)</u>	<u>(185,528)</u>	<u>1,195,585</u>	<u>1,010,057</u>
Balance at 31 December 2018		<u>139,632</u>	<u>4,237,813</u>	<u>4,377,445</u>	<u>2,287,973</u>	<u>6,665,418</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



REDCO PROPERTIES GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB' 000	2017 RMB' 000
Cash flows from operating activities			
Net cash (used in)/generated from operations	27	(1,624,343)	331,287
Income tax paid		(631,728)	(466,158)
Net cash used in operating activities		(2,256,071)	(134,871)
Cash flows from investing activities			
Additions of property, plant and equipment		(22,798)	(441,929)
Proceeds from disposal of property, plant and equipment	27	647	944
Capitalised subsequent expenditure on an investment property	14	(204)	(131)
Payments for acquisition and step acquisition of subsidiaries, net of cash acquired	28	(442,095)	(516,728)
Net cash outflows in respect of the disposal of subsidiaries		—	(672)
Net cash inflows in respect of the disposal of assets and liabilities held for sales	29	369,731	—
Payments for investment in joint ventures	15	(500)	(500)
Payments for investment in associates	15	(66,699)	(275,664)
Payments for prepayments for investment in an associate	19	(60,000)	—
Proceeds from the disposal of a joint venture	15	—	16,875
Advances to non-controlling interests		(711,379)	(189,768)
Advances to associates		(79,763)	(22,990)
Repayment of advances to joint ventures		48,258	92,465
Loans due from joint ventures		(4,436)	(94,089)
Loan due from an associate		—	(243,393)
Loans due from third parties		(207,620)	—
Interest received		34,945	19,012
Net cash used in investing activities		(1,141,913)	(1,656,568)
Cash flows from financing activities			
Increase in restricted cash		(97,800)	—
Proceeds from bank and other borrowings		4,572,845	4,997,001
Repayment of bank and other borrowings		(3,037,142)	(2,111,100)
Issuance of 7% Senior Note due 2018		—	1,673,784
Issuance of 6.375% Senior Note due 2019		2,277,435	—
Issuance of 11% Senior Note due 2020		1,310,388	—
Repayment of 7% Senior Note due 2018		(1,799,231)	—
Payment for repurchase of 6.375% Senior Note due 2019		(6,748)	—
Redemption of 13.75% Senior Note due 2019		—	(899,974)
Advance from/(repayment to) non-controlling interests		2,007,245	(334,894)
Advances from joint ventures		129,241	74,546
Advance from an associate		66,000	—
Proceeds from capital injection from non-controlling interests		699,528	11,700
Interest paid		(496,389)	(350,877)
Dividend paid		(149,908)	(64,125)
Net cash generated from financing activities		5,475,464	2,996,061
Net increase in cash and cash equivalents		2,077,480	1,204,622
Cash and cash equivalents at beginning of year		3,587,770	2,417,219
Currency translation differences		13,613	(34,071)
Cash and cash equivalents at end of the year	20	5,678,863	3,587,770

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Redco Properties Group Limited (the “Company”) was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the “Group”) are principally engaged in property development, property investment, project management business and healthcare service in the People’s Republic of China (the “PRC”). The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”).

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Hong Kong Companies ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and financial liabilities recognised for early redemption option which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

2.1.1 Accounting policies

(a) New and amended standard adopted by the Group

The Group has adopted the following new, revised and amended standards and interpretations to existing standards that have been issued and are effective for the Group’s accounting year beginning on or after 1 January 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK (IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle

The impact of the adoption of HKFRS 9 Financial Instruments (“HKFRS 9”) and HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) are disclosed in Note 2.1.2.

Apart from aforementioned HKFRS 9 and HKFRS 15, the other standards did not have material impact on the Group’s accounting policies and did not require any adjustments.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Accounting policies (Continued)

- (b) The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) Int-23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Investment in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Raised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

HKFRS 16 “Leases”

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

Based on management’s initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is not expected to result in a significant increase in both assets and liabilities in the consolidated balance sheet. The adoption will also front-load the expense recognition in the consolidated statement of profit and loss over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-of-use assets as compared to the rental expenses under existing standard.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Apart from aforementioned HKFRS 16, the directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Group will adopt the new standards and amendments to standards when they become effective.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior period.

(a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 December 2017	HKFRS 9	HKFRS 15	1 January 2018 (Restated)
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance sheet (extract)				
Current assets				
Trade and other receivables and deposits	3,082,594	(31,915)	(700,000)	2,350,679
Contract assets			700,000	700,000
Current liabilities				
Receipts in advance	4,507,441	—	(4,507,441)	—
Contract liabilities	—	—	4,507,441	4,507,441
Reserves	3,672,089	(22,173)	—	3,649,916
Non-controlling interests	797,579	(9,742)	—	787,837



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(b) HKFRS 9 – impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 “Financial Instruments: Recognition and Measurement” that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The total impact on the Group’s retained earnings and non-controlling interests as at 1 January 2018 is as follows:

	31 December 2017 (HKAS 39) RMB’ 000	Increase in provision for impairment of other receivables RMB’ 000	1 January 2018 (HKFRS 9) RMB’ 000
Retained earnings	2,056,798	(22,173)	2,034,625
Non-controlling interests	797,579	(9,742)	787,837
	<u>2,854,377</u>	<u>(31,915)</u>	<u>2,822,462</u>

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 9 as compared to HKAS 39 that was previously in effect before the adoption of HKFRS 9 is as follows:

	As at 31 December 2018		
	Amounts without the adoption of HKFRS 9 RMB’ 000	Effects of the adoption of HKFRS 9 RMB’ 000	Amounts as reported RMB’ 000
Statement of profit or loss (extract)			
Administrative expenses	<u>(405,876)</u>	<u>(18,345)</u>	<u>(424,221)</u>
Profit attributable to:			
– Owners of the Company	1,008,839	(18,092)	990,747
– Non-controlling interest	305,934	(253)	305,681
	<u>1,314,773</u>	<u>(18,345)</u>	<u>1,296,428</u>



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(b) HKFRS 9 – impact of adoption (Continued)

Impairment of financial assets

The Group has four types of financial assets at amortised cost and contract assets subject to HKFRS 9's new expected credit loss model:

- Trade receivables
- Other receivables and deposits (excluding prepayments)
- Amounts due from joint ventures, associates and non-controlling interests
- Other financial assets carried at amortised cost
- Contract assets

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group makes estimates and assumptions concerning the futures which are discussed below:

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For amounts due from joint ventures, associates and non-controlling interests already in place at 1 January 2018, the Group had to assess the probability of default at the initial recognition of each amounts due from joint ventures, associates and non-controlling interests that would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised.

For other receivables and deposits (excluding prepayments), the provision for impairment of RMB31,915,000 was recognised as at 1 January 2018.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(c) HKFRS 9 – accounting policies

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Recognition and measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(c) HKFRS 9 – accounting policies (Continued)

(ii) Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains/(losses) – net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within "other gains/(losses) – net" in the period in which it arises. Interest income from these financial assets is included in the "finance income".

Equity instruments

- The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.
- Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains/(losses), net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(c) HKFRS 9 – accounting policies (Continued)

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables and contract assets.

For other receivables and deposits, the Group allies a forward looking basis and the expected credit loss associated and adopted three-stages approach to assess the impairment.

(d) HKFRS 15 – impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group applied the modified retrospective approach to adopt HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(d) HKFRS 15 – impact of adoption (Continued)

The following table shows the adjustments recognised in the opening balance sheet on 1 January 2018:

	31 December 2017 (As previously stated under HKAS 18 and HKAS 11) RMB' 000	Reclassifications under HKFRS 15 RMB' 000	1 January 2018 (Restated under HKFRS 15) RMB' 000
Balance sheet (extract)			
<u>Current assets</u>			
Trade and other receivables and deposits	3,082,594	(700,000)	2,382,594
Contract assets	—	700,000	700,000
<u>Current liabilities</u>			
Receipts in advance	4,507,441	(4,507,441)	—
Contract liabilities	—	4,507,441	4,507,441

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018		
	Amounts without the adoption of HKFRS 15 RMB' 000	Effects of the adoption of HKFRS 15 RMB' 000	Amounts as reported RMB' 000
Balance sheet (extract)			
<u>Current assets</u>			
Trade and other receivables and deposits	4,071,544	(700,000)	3,371,544
Contract assets	—	700,000	700,000
<u>Current liabilities</u>			
Receipts in advance	7,169,457	(7,169,457)	—
Contract liabilities	—	7,169,457	7,169,457



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(d) HKFRS 15 – impact of adoption (Continued)

(i) Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue (“HKAS18”) and HKAS 11 Construction contracts (“HKAS11”) that relate to the recognition, classification and measurement of revenue and costs.

Under HKFRS 15, revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group’s performance:

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

(e) HKFRS 15 – accounting policies

(i) Accounting for property development activities and construction services

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

(ii) Accounting for costs to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised.

(iii) Accounting for significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(f) HKFRS 15 – Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the balance sheet to reflect the terminology of HKFRS 15:

- Contract assets in relation to sea reclamation service were previously included trade and other receivables and deposits (RMB700,000,000 as at 1 January 2018).
- Contract liabilities in relation to property sales contracts were previously included receipts in advance from customers (RMB4,507,441,000 as at 1 January 2018).

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *Subsidiaries (Continued)*

2.2.1 *Consolidation (Continued)*

(a) **Business combinations** (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) **Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Investments accounted for using the equity method

2.3.1 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investment in a joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 *Investments accounted for using the equity method (Continued)*

2.3.2 *Associates (Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to ‘share of profit of investments accounted for using equity method, net’ in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interests in associates are recognised in the consolidated statement of profit or loss.

2.4 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.5 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Company’s functional currency is Hong Kong dollars (“HK\$”), and the consolidated financial statements are presented in RMB, which is the Company’s and the Group’s presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within “finance income” and “finance costs”. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within “other gains/(losses), net”.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.5 Foreign currency translation(continue)

(c) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- share capital is translated at the historical rate;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which cash income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Building	50 years
Leasehold improvement	shorter of the lease term or useful lives
Furniture and office equipment	3 to 5 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of profit or loss.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 *Investment properties*

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Where fair value of investment properties under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are presented in the consolidated statement of profit or loss.

2.8 *Goodwill*

Goodwill arises on the acquisition of a subsidiary and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 *Properties under development for sale and completed properties for sale*

Properties under development for sale and completed properties held for sale are included in current assets at the lower of cost and net realisable value. Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 *Non-current assets held for sale*

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal company classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal company classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal company classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

2.12 *Financial assets - accounting policies applied since 1 January 2018*

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and measurement*

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets - accounting policies applied since 1 January 2018 (Continued)

(b) Recognition and measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains/(losses) – net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within "other gains/(losses) – net" in the period in which it arises. Interest income from these financial assets is included in the "finance income".



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets - accounting policies applied since 1 January 2018 (Continued)

(b) Recognition and measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains/(losses), net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For contract assets and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables and deposits, the Group applies a forward looking basis and the expected credit losses associated and adopted three-stages approach to assess the impairment.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets

2.13 Financial assets - accounting policies applied until 31 December 2017

Until 31 December 2017 the Group classifies its financial assets as loans and receivables.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(a) Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

(b) Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9, see description above. Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (continue)

2.13 Financial assets - accounting policies applied until 31 December 2017(continue)

(c) Impairment

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are classified as “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortised cost using the effective interest method. See Note 3.1(iv) for the description of the impairment policies. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services performed in the ordinary course of the Group's companies. The Group recognises revenue when control of goods or services transfers to the customers.

(a) Sales of properties and provision of services

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

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

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

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

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

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

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

(b) Sales of goods

Revenue are recognised when control of the product to has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because the passage of time is required before the payment is due.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 Employee benefits

(a) Pension obligations

The Group operates a mandatory provident fund scheme (“MPF Scheme”) in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Group and the employees are required to contribute 5% of the employees relevant income up to a maximum of HK\$1,500 per employee per month.

The Group also participates in an employee social security plan (the “Plan”) as required by the regulations in the PRC. The Group is required to make welfare contributions to the Plan which is based on certain percentage of the employees’ relevant income.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The expected cost of bonus plan is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.27 Financial guarantee liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm’s length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management’s judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within general and administrative expenses.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 *Financial guarantee liabilities (continue)*

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.28 *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.29 *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow and fair value interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management of each individual entity within the Group.

(i) *Foreign exchange risk*

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to HK\$ and United States dollars ("US\$").

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose it to material foreign exchange risk. Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB. The Group does not hedge its exposure to the foreign currencies.

As at 31 December 2018 and 2017, certain of the Group's cash and bank balances were denominated in HK\$, US\$ and Australian Dollar ("AUD"), details of which have been disclosed in Note 20.

As at 31 December 2018 and 2017, the Group was exposed to foreign exchange risk primarily with respect to the potential effects on profit or loss included the impacts from translation in intercompany balances which are not denominated in functional currency of respective group companies.

RMB depreciation against HK\$ and US\$ during the year is the major reason for the exchange differences recognised by the Group. Further appreciation of HK\$ and US\$ against RMB will affect the Group's financial position and results of operations.



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The following table shows that, if RMB had strengthened/weakened by 5% against HK\$, with all other variables held constant, post-tax profit for the year change, mainly as a result of foreign exchange losses/gains on translation of RMB denominated amounts due from/(to) fellow subsidiaries in group entities which their functional currencies are HK\$.

	2018 RMB' 000	2017 RMB' 000
Post-tax profit (decrease)/increase		
RMB strengthened by 5%	77,344	(4,393)
RMB weakened by 5%	(77,344)	4,393

The US\$ denominated borrowings (Note 24) is in the Company which functional currency is HK\$, since HK\$ is pegged to US\$, there is no significant foreign exchange risk with respect to US\$ to the Company.

(ii) Cash flow and fair value interest rate risks

Except for bank deposits with variable interest, the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings from bank. Bank borrowings of variable rates expose the Group to cash flow interest rate risk. The senior notes at a fixed rate expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 24.

Management does not anticipate significant impact to the senior notes resulted from the changes in market interest rates. Moreover, given the stability of the interest rate in the recent financial market, in the opinion of the directors, the exposure of the senior notes to fair value interest rate risk is considered to be low. Therefore no sensitivity analysis is performed.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risks (Continued)

At 31 December 2018 and 2017, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, the post-tax profit and capitalised interest for the years ended 31 December 2018 and 2017 would have changed as follows:

	2018 RMB' 000	2017 RMB' 000
Post-tax profit (decrease)/increase		
– 100 basis points higher	(3,126)	(1,368)
– 100 basis points lower	3,126	1,368
Capitalised interest increase/(decrease)		
– 100 basis points higher	60,170	46,766
– 100 basis points lower	(60,170)	(46,766)

(iii) Liquidity risk

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group's operations and to maintain sufficient cash to meet its business development requirements. The management will closely monitor the compliance stated of the covenants for all borrowings.

Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group's business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in the PRC economic conditions. The Company's directors consider that the Group will be able to maintain sufficient financial resources to meet its needs. Unused facilities of the Group as of 31 December 2018 and 2017 have been disclosed in Note 24.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	On demand RMB' 000	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000
At 31 December 2018						
Term loans subject to repayment on demand clause	150,268	—	—	—	—	150,268
Bank and other borrowings and interest payments	—	4,405,798	3,221,994	526,503	—	8,154,295
Senior notes and interest payments	—	2,266,017	1,517,228	—	—	3,783,245
Trade and other payables (excluding non-financial liabilities)	—	5,508,776	—	—	—	5,508,776
Amounts due to non-controlling interests	2,123,659	—	—	—	—	2,123,659
Amounts due to joint ventures	23,756	—	—	—	—	23,756
Amount due to an associate	66,000	—	—	—	—	66,000
Financial guarantees (Note 31)	—	2,056,505	1,785,421	2,085,298	5,580	5,932,804
	<u>2,363,683</u>	<u>14,237,096</u>	<u>6,524,643</u>	<u>2,611,801</u>	<u>5,580</u>	<u>25,742,803</u>

	On demand RMB' 000	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000
At 31 December 2017						
Term loans subject to repayment on demand clause	163,836	—	—	—	—	163,836
Bank and other borrowings and interest payments	—	1,732,358	2,319,812	1,965,593	—	6,017,763
Senior notes and interest payments	—	1,747,551	—	—	—	1,747,551
Trade and other payables (excluding non-financial liabilities)	—	1,788,511	—	—	—	1,788,511
Amounts due to non-controlling interests	116,414	—	—	—	—	116,414
Amounts due to joint ventures	140,209	—	—	—	—	140,209
Financial guarantees (Note 31)	—	1,401,594	2,542,389	2,100,581	7,874	6,052,438
	<u>420,459</u>	<u>6,670,014</u>	<u>4,862,201</u>	<u>4,066,174</u>	<u>7,874</u>	<u>16,026,722</u>



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the term loans with a repayment on demand clause based on agreed repayment schedules set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Total RMB' 000
31 December 2018	31,698	130,479	—	162,177
31 December 2017	29,048	28,236	117,182	174,466

(iv) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, trade receivables, other receivables, contract assets, other financial assets at amortised costs and amounts due from joint ventures, associates and non-controlling interests.

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, other receivables, contract assets, other financial assets at amortised costs and amounts due from joint ventures, associates and non-controlling interests represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

All the bank deposits are placed with banks with sound credit ratings to mitigate the risk. The Group does not hold any collateral as security.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in Note 31(a). If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customers' deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated.



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(a) Credit risk of cash and cash equivalents and restricted cash

To manage this risk arising from cash and bank deposits, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash and bank balances is close to zero.

(b) Credit risk of trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. The expected losses rate is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates.

The Group monitors the outstanding debts from its customers individually. Based on historical repayment trend, there is no correlation between the risk of default occurring and the collection past-due status as long as there is no significant change in the credit rating of the customers. The Group's loss arising from risk of default and time value of money is negligible.



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Credit risk (Continued)

(c) Credit risk of other receivables and deposits (excluding prepayments)

The Group assess on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopted three-stages approach to assess the impairment.

As at 31 December 2018, the loss allowance provision was RMB50,260,000 (1 January 2018: RMB31,915,000).

(d) Credit risk of amounts due from joint ventures, associates and non-controlling interests

The Group assesses on a forward looking basic the expected credit losses associated with its amounts due from joint ventures, associates and non-controlling interests. Carried at amortised cost and adopted three-stages approach to assess the impairment. Those parties have a low risk of default and a capacity to meet contractual cash flows. The expected losses rate is minimal, given there is no history of significant defaults and insignificant impact from forward-looking estimates.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustment to it in light of changes in economic condition.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or to obtain bank and other borrowings.

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balance (including cash and cash equivalent and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 RMB' 000	2017 RMB' 000
Total borrowings (Note 24)	11,059,681	7,243,219
Less: Cash and cash equivalents and restricted cash (Note 20)	(7,865,002)	(4,905,512)
Net debt	3,194,679	2,337,707
Total equity	6,665,418	4,609,300
Total capital	9,860,097	6,947,007
Gearing ratio	32%	34%



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of the trade receivables, other receivables and deposits, cash and cash equivalents, restricted cash, amounts due from non-controlling interests, amounts due from joint ventures, amounts due from associates, trade and other payables, amounts due to non-controlling interests and amounts due to joint ventures at 31 December 2018 approximate their carrying amounts due to their short term maturities.

See Note 14 for disclosures of the investment properties that is measured at fair value.

All the resulting fair value estimates are included in level 3 of the fair value hierarchy.

There were no transfers among levels 1, 2 and 3 during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Valuation of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognised in the consolidated statement of profit or loss. The fair value of investment properties were determined by using valuation technique and management updates their assessment of the fair value of the investment properties, taking into account the key valuation assumptions. Details of the judgments and assumptions have been disclosed in Note 14.

4.2 Classification of investments

The Group made investments that involved complex terms and arrangements during the year. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies and its decisions making process on those activities that involving the Group, if any and its other investors, the rights and power of the Group and other investors on the investee companies and the Group's returns from the investments. Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated financial statements of the Group.



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.3 Provision for impairment of properties held for sale and properties under development

The management makes provision for impairment of properties held or under development for sale based on the estimate of the recoverable amount of the properties. Given the volatility of the property market in the PRC, the actual recoverable amount may be higher or lower than the estimate made as at the end of the reporting period. Any increase or decrease in the provision would affect the Group's operating performance in future years.

4.4 Current taxation and deferred taxation

The Group is subject to taxation in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertain (for example, certain expenses such as entertainment and advertising expenses may not be finally deductible) during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

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

4.5 Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.



REDCO PROPERTIES GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION

The Executive Directors have been identified as the CODM. Management determines the operating segments based on the Group's internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the business from a geographical perspective and assess the performance of property development in four reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region and Others. The Group's construction and sea reclamation services and hotel operations are considered together with the property development segments and included in the relevant geographic operating segment. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers) and trading of construction materials.

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation, share of profit of investments accounted for using the equity method, net, finance income, finance costs and income tax expense. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.



5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB' 000	Central and Western Regions RMB' 000	Bohai Economic Rim RMB' 000	Pearl River Delta Region RMB' 000	Others RMB' 000	Total RMB' 000
Year ended						
31 December 2018						
Revenue from contracts with contracts						
– recognised at a point in time	1,634,976	602,983	4,177,648	3,510	278,387	6,697,504
– recognised over time	701	–	34,215	–	15,712	50,628
Less: Inter-segment revenue	–	–	–	–	(12,201)	(12,201)
Revenue (from external customers)	<u>1,635,677</u>	<u>602,983</u>	<u>4,211,863</u>	<u>3,510</u>	<u>281,898</u>	<u>6,735,931</u>
Segment results	521,751	59,704	1,688,661	(38,562)	(108,582)	2,122,972
Depreciation	(2,877)	(1,907)	(1,712)	(636)	(3,199)	(10,331)
Operating profits/(losses)	518,874	57,797	1,686,949	(39,198)	(111,781)	2,112,641
Share of profit of investments accounted for using the equity method, net	78,064	(4,903)	(5,483)	–	9,790	77,468
Finance income	32,783	33,965	16,747	1,186	10,344	95,025
Finance costs	(3,936)	–	–	–	(67,726)	(71,662)
Income tax expense	(208,317)	40,629	(730,546)	28,832	(47,642)	(917,044)
Profit/(loss) for the year	<u>417,468</u>	<u>127,488</u>	<u>967,667</u>	<u>(9,180)</u>	<u>(207,015)</u>	<u>1,296,428</u>
At 31 December 2018						
Total segment assets	9,710,114	8,631,983	11,979,372	1,281,252	3,374,164	34,976,885
Other unallocated corporate assets						169,421
Total assets						<u>35,146,306</u>
Investments accounted for using the equity method	<u>347,123</u>	<u>217,222</u>	<u>–</u>	<u>–</u>	<u>135,949</u>	<u>700,294</u>
Additions to:						
Property, plant and equipment	<u>4,977</u>	<u>4,512</u>	<u>9,094</u>	<u>648</u>	<u>171,319</u>	<u>190,550</u>
Total segment liabilities	<u>(6,164,843)</u>	<u>(4,601,789)</u>	<u>(9,108,750)</u>	<u>(847,195)</u>	<u>(7,758,311)</u>	<u>(28,480,888)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB' 000	Central and Western Regions RMB' 000	Bohai Economic Rim RMB' 000	Pearl River Delta Region RMB' 000	Others RMB' 000	Total RMB' 000
Year ended						
31 December 2017						
Total revenue	1,719,155	2,731,163	1,829,283	449,731	18,000	6,747,332
Less: Inter-segment revenue	—	—	—	—	(13,265)	(13,265)
Revenue (from external customers)	1,719,155	2,731,163	1,829,283	449,731	4,735	6,734,067
Segment results	183,385	702,674	634,102	106,165	(78,516)	1,547,810
Depreciation	(2,512)	(438)	(1,283)	(585)	(1,779)	(6,597)
Operating profits/(losses)	180,873	702,236	632,819	105,580	(80,295)	1,541,213
Share of profit of investments accounted for using the equity method, net	77,822	—	—	—	5,048	82,870
Finance income	10,461	21,904	9,046	1,052	2,266	44,729
Finance costs	—	—	—	—	(70,945)	(70,945)
Income tax expense	(80,269)	(284,012)	(176,731)	(9,837)	(56,886)	(607,735)
Profit/(loss) for the year	<u>188,887</u>	<u>440,128</u>	<u>465,134</u>	<u>96,795</u>	<u>(200,812)</u>	<u>990,132</u>
At 31 December 2017						
Total segment assets	3,380,938	4,648,435	8,948,799	1,305,368	1,587,160	19,870,700
Other unallocated corporate assets						1,307
Total assets						<u>19,872,007</u>
Investments accounted for using the equity method	<u>751,436</u>	<u>188,783</u>	<u>—</u>	<u>213</u>	<u>94,809</u>	<u>1,034,521</u>
Additions to: Property, plant and equipment	<u>7,707</u>	<u>845</u>	<u>1,175</u>	<u>1,123</u>	<u>843</u>	<u>11,693</u>
Total segment liabilities	<u>(2,723,517)</u>	<u>(1,435,831)</u>	<u>(5,867,006)</u>	<u>(515,554)</u>	<u>(4,720,799)</u>	<u>(15,262,707)</u>



5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The Group revenue consists of the following:

	2018 RMB' 000	2017 RMB' 000
Sales of properties	6,419,117	6,324,976
Construction and sea reclamation services	34,215	378,443
Project management	3,952	30,648
Trading of construction materials	277,946	—
Healthcare service	701	—
	<u>6,735,931</u>	<u>6,734,067</u>

(b) Analysis of the Group revenue by geographical market is as follows:

	2018 RMB' 000	2017 RMB' 000
PRC	6,460,872	6,734,067
Hong Kong	275,059	—
	<u>6,735,931</u>	<u>6,734,067</u>

During the year ended 31 December 2018, revenue recognised in relation to the sales of properties to a customer (the "Customer A") accounted for 12.4% of the Group's revenue. Customer A is a group of companies under common control by two independent third party individuals and not connected with the Group. These individuals also had non-controlling interests in certain subsidiaries of the Group. Both their interests and the subsidiaries are not significant to the Group.

Customer A, who is also an investment partner of the Group for a potential property development project in the PRC, has balance with the Group as at 31 December 2018 with further details in Note 19(b) and 25(b).

(c) Details of contract assets is as follows:

	2018 RMB' 000	2017 RMB' 000
Accrued contract revenue	700,000	—

As of 31 December 2018, the contract assets of RMB700,000,000 are related to sea reclamation service provided to the PRC government and were previously included in trade and other receivables and deposits (Note 19(d)).

(d) Unsatisfied contracts related to the sales of properties

As at 31 December 2018, approximately RMB7,471,196,000 of unsatisfied performance obligations resulting from the property sales are expected to be recognised within twelve months period, whereas approximately RMB 5,130,385,000 of unsatisfied performance obligations resulting from the property sales are expected to be recognised after twelve months.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

	2018 RMB' 000	2017 RMB' 000
Auditor's remuneration		
– Audit services	4,564	3,764
– Non-audit services	779	519
Cost of properties sold	4,031,933	4,851,390
Cost of construction and sea reclamation service	34,085	97,768
Cost of project management and property investment	334	—
Cost of healthcare service	93	—
Cost of construction material sold	247,882	—
Depreciation of property, plant and equipment (Note 11)	9,930	6,597
Employee benefit expenses (Note 8)	242,452	146,193
Entertainment	29,896	20,285
Marketing and advertising costs	93,481	129,559
Operating lease payments	2,290	6,099
Office and travelling expenses	77,766	45,202
Business taxes and surcharges	33,884	107,252
Land use and real estate taxes	1,024	8,088
Legal and professional fees	85,781	38,971
Donation	1,130	630
Impairment loss on other receivables	18,345	—
Others	40,282	24,235
Total cost of sales, selling and marketing expenses and general and administrative expenses	<u>4,955,931</u>	<u>5,486,552</u>

7 OTHER GAINS/(LOSSES), NET

	2018 RMB' 000	2017 RMB' 000
Gain on disposal of a subsidiary	—	1,566
Gain on disposal of assets and liabilities held for sales (Note 29)	304,271	—
Gain on disposal of investment in a joint venture (Note 15(d))	—	11,752
Remeasurement gains on interests in investments accounted for using the equity method (Note 28)	14,999	—
Gains on bargain purchase arising from acquisition of subsidiaries	—	1,150
Gain on disposal of property, plant and equipment	351	226
Exchange losses	(126,423)	(33,939)
Realised gain on a foreign exchange forward contract	50,475	—
Penalties income	2,804	2,905
Others	1,992	537
	<u>248,469</u>	<u>(15,803)</u>



8 EMPLOYEE BENEFIT EXPENSES

	2018 RMB' 000	2017 RMB' 000
Salaries and allowances	218,186	124,843
Sale commission and bonuses	30,826	32,226
Pension costs (Note a)	24,655	14,452
Other staff welfare	29,499	14,089
	<u>303,166</u>	<u>185,610</u>
Less: Capitalised in properties under development	(60,714)	(39,417)
	<u>242,452</u>	<u>146,193</u>

(a) Pension costs – Defined Contribution Plan

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, subject to a ceiling of HK\$1,500 per month per head.

Details of the retirement scheme contributions, which have been dealt with in the consolidated statement of profit or loss are as follows:

	2018 RMB' 000	2017 RMB' 000
Gross scheme contributions	24,655	14,452
Less: capitalised in properties under development	(5,164)	(3,425)
	<u>19,491</u>	<u>11,027</u>



8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 include three (2017: three) directors whose emoluments are reflected in the analysis presented in Note 37. The emoluments payable to the remaining two (2017: two) individuals during the year are as follows:

	2018 RMB' 000	2017 RMB' 000
Salaries and other short-term benefits	2,934	3,111
Retirement scheme contributions	61	50
	<u>2,995</u>	<u>3,161</u>

The emoluments fall within the following bands:

	2018	2017
HK\$1,000,001 to HK\$2,000,000 (equivalent to RMB865,201 to RMB1,730,400)	2	2

9 FINANCE INCOME AND COSTS

	2018 RMB' 000	2017 RMB' 000
Finance income from bank deposits	32,512	19,012
Finance income from a loan to an associate (Note 15(a))	25,000	6,250
Finance income from loans to non-controlling interests (Note 33)	32,883	19,467
Finance income from a loan to a third party (Note 19)	4,630	—
	<u>95,025</u>	<u>44,729</u>
Finance costs on bank and other borrowings	719,022	351,920
Finance costs on loans from non-controlling interests	20,938	—
Less: finance costs capitalised in qualifying assets	<u>(681,580)</u>	<u>(339,006)</u>
	58,380	12,914
Finance charges on early redemption of senior notes (Note 24)	13,282	58,031
	<u>71,662</u>	<u>70,945</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>7.13%</u>	<u>7.49%</u>



10 INCOME TAX EXPENSE

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the year ended 31 December 2018 (2017: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2018 (2017: Nil).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2018 RMB' 000	2017 RMB' 000
Current income tax		
PRC corporate income tax	747,694	392,597
PRC land appreciation tax	381,902	179,038
Deferred income tax (Note 16)	(212,552)	36,100
	<u>917,044</u>	<u>607,735</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise by applying the statutory tax rate in the PRC to profits of the group companies as follows:

	2018 RMB' 000	2017 RMB' 000
Profit before income tax	2,213,472	1,597,867
Calculated at PRC Corporate income tax rate of 25%	553,368	399,467
Expenses not deductible for tax purpose	65,471	32,078
Income not subject to taxation	(41,855)	(26,418)
Unrecognised tax losses	15,548	8,947
Provision for land appreciation tax	381,902	179,038
Tax effect on land appreciation tax	(95,476)	(44,760)
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	38,086	59,383
Income tax expense	<u>917,044</u>	<u>607,735</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB' 000	Furniture and office equipment RMB' 000	Motor vehicles RMB' 000	Buildings RMB' 000	Total RMB' 000
Year ended 31 December 2017					
Opening net book amount	19,755	6,591	5,077	—	31,423
Additions	4,702	4,387	2,604	—	11,693
Acquisitions of subsidiaries	—	357	597	—	954
Disposals	—	(80)	(638)	—	(718)
Disposal of a subsidiary	—	(4)	—	—	(4)
Depreciation	(1,457)	(2,346)	(3,028)	—	(6,831)
Assets classified as held for sale (Note 21)	—	(134)	(332)	—	(466)
Exchange differences	(1)	(5)	444	—	438
Closing net book amount	<u>22,999</u>	<u>8,766</u>	<u>4,724</u>	<u>—</u>	<u>36,489</u>
As at 31 December 2017					
Cost	32,643	21,672	19,147	—	73,462
Accumulated depreciation	(9,644)	(12,906)	(14,423)	—	(36,973)
Net book amount	<u>22,999</u>	<u>8,766</u>	<u>4,724</u>	<u>—</u>	<u>36,489</u>
Year ended 31 December 2018					
Opening net book amount	22,999	8,766	4,724	—	36,489
Additions	10,019	7,107	5,673	167,751	190,550
Acquisitions of subsidiaries (Note 28)	—	3,657	68	—	3,725
Transfer from an associate (Note 28)	68	49	—	—	117
Transfer from joint ventures (Note 28)	515	26	512	—	1,053
Disposals	(87)	(32)	(177)	—	(296)
Depreciation	(1,437)	(3,917)	(3,076)	(1,901)	(10,331)
Exchange differences	—	2	(9)	—	(7)
Closing net book amount	<u>32,077</u>	<u>15,658</u>	<u>7,715</u>	<u>165,850</u>	<u>221,300</u>
As at 31 December 2018					
Cost	43,215	31,863	22,708	167,751	265,537
Accumulated depreciation	(11,138)	(16,205)	(14,993)	(1,901)	(44,237)
Net book amount	<u>32,077</u>	<u>15,658</u>	<u>7,715</u>	<u>165,850</u>	<u>221,300</u>



11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charges were capitalised or expensed in the following categories in the consolidated balance sheet and the consolidated statement of profit or loss:

	2018 RMB' 000	2017 RMB' 000
Properties under development for sale	401	234
General and administrative expenses (Note 6)	9,930	6,597
	<u>10,331</u>	<u>6,831</u>

12 GOODWILL

	RMB' 000
Year ended 31 December 2017	
Opening net book amount	49,535
Impairment of goodwill	<u>(49,535)</u>
Closing net book amount	<u>—</u>
At 31 December 2017	
Cost	138,659
Accumulated impairment	<u>(138,659)</u>
Net book amount	<u>—</u>
Year ended 31 December 2018	
Opening net book amount	—
Impairment of goodwill	<u>—</u>
Closing net book amount	<u>—</u>
At 31 December 2018	
Cost	—
Accumulated impairment	<u>—</u>
Net book amount	<u>—</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 SUBSIDIARIES

(a) Details of the principal subsidiaries at 31 December 2018 are set out below:

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
力高地產控股有限公司	Redco Properties Holdings Limited	The British Virgin Islands ("BVI")	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar and 1 ordinary share of nil consideration, US\$1	100%	100%	—
力創國際發展有限公司	Power Creation International Development Limited	BVI	Limited liability company	Investment holding	100 ordinary shares of 1 US dollar each, US\$100	—	100%	—
利達集團有限公司	Maxprofit Globe Holdings Limited	BVI	Limited liability company	Investment holding	100 ordinary shares of 1 US dollar each, US\$100	—	100%	—
力泉國際投資有限公司	Power Spring International Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US\$1	—	100%	—
盛高置業投資有限公司	Top Thrive Real Estates Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US\$1	—	100%	—
創高環球投資有限公司	Top Creation Worldwide Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US\$1	—	100%	—
偉力國際發展有限公司	Wei Li International Developments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US\$1	—	100%	—
盛業國際投資有限公司	Shengye International Investments Company Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US\$1	—	100%	—
基業國際投資有限公司	Jiye International Investments Company Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US\$1	—	100%	—
力高集團(香港)有限公司	Redco Holdings (Hong Kong) Co. Limited	Hong Kong	Limited liability company	Investment holding	100,000 ordinary shares of 1 HK dollar each, HK\$100,000	—	100%	—
力盛國際投資有限公司	Power Thrive International Investment Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK\$1	—	100%	—
力高投資(國際)有限公司	Redco Investment (International) Company Limited	Hong Kong	Limited liability company	Investment holding	10,000 ordinary shares of 1 HK dollar each, HK\$10,000	—	50% (Note (i))	50%
興達國際實業有限公司	Bloom Trend International Industrial Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK\$1	—	100%	—



13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
力高實業投資有限公司	Redco Industrial Investment Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK\$1	—	100%	—
香港御高投資有限公司	Hong Kong Royal Loft Investments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK\$1	—	100%	—
香港濱江實業有限公司	Hong Kong Bingjiang Industrial Limited	Hong Kong	Limited liability company	Investment holding	150,000,000 ordinary shares of 1 HK dollar each, HK\$150,000,000	—	100%	—
香港榮力發展有限公司	Hong Kong Wing Power Developments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK\$1	—	100%	—
香港力宏投資有限公司	Hong Kong Power Profit Investments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK\$1	—	100%	—
香港盛業投資有限公司	Hong Kong Shengye Investments Company Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK\$1	—	100%	—
香港基業控股有限公司	Hong Kong Jiye Holdings Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK\$1	—	100%	—
江西萬和房地產開發有限公司	Jiangxi Man Wo Property Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK\$300,000,000 Paid up HK\$300,000,000	—	100%	—
江西力高房地產開發有限公司	Jiangxi Redco Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	100%	—
江西崇德房地產開發有限公司	Jiangxi Chong De Real Estate Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK\$200,000,000 Paid up HK\$200,000,000	—	100%	—
江西政力房地產開發有限公司	Jiangxi Zhengli Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB200,000,000 Paid up RMB200,000,000	—	51%	49%
江西力達房地產開發有限公司	Jiangxi Lida Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	78%	22%
江西怡居房地產開發有限公司	Jiangxi Yiju Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB80,000,000 Paid up RMB80,000,000	—	51%	49%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
江西力高旅遊文化產業有限公司	Jiangxi Redco Travel Cultural Real Estate Co., Ltd	PRC	Limited liability company	Investment holdings in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	100%	—
江西納裕實業有限公司	Jiangxi Nayu Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB12,000,000 Paid up RMB12,000,000	—	51%	49%
南昌欣榮房地產開發有限公司	Nanchang Xinrong Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	30% (Note (ii))	70%
江西力高國誠地產開發有限公司	Jiangxi Redco Guocheng Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	20% (Note (iv))	80%
江西城高房地產開發有限公司	Jiangxi Chenggao Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB1,000,000	—	80%	20%
江西力帆房地產開發有限公司	Jiangxi Lifan Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	—	100%	—
江西資力房地產開發有限公司	Jiangxi Zili Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	51%	49%
南昌高遠房地產開發有限公司	Nanchang Gaoyuan Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	90%	10%
江西力瑞房地產開發有限公司	Jiangxi Lirui Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up nil	—	51%	49%
江西生命陽光城投資股份有限公司	Jiangxi Life Sunshine City Investment Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	100%	—
上海力高瀟湖實業發展有限公司	Shanghai Redco Lanhu Industry Development Co., Ltd.	PRC	Limited liability company	Investment holdings in the PRC	Registered RMB10,000,000 Paid up nil	—	100%	—
寧波力卓實業有限公司	Ningbo Lizhuo Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	—	46.3% (Note (vi))	53.7%
寧波余姚晟明房地產開發有限公司	Ningbo Yu Yao Sheng Ming Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB166,000,000 Paid up RMB163,340,000	—	32.5% (Note (vi))	67.5%



13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies	Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)	
寧波余姚晟業機器人科技有限公司	Ningbo Yu Yao Sheng Ye Machinery Technology Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB60,600,000 Paid up RMB60,000,000	—	32.5% (Note (vi))	67.5%
寧波余姚雲晟機器人科技有限公司	Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB98,560,000	—	32.5% (Note (vi))	67.5%
南通市旭高置業有限公司	Nantong Xugao Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered US\$163,270,000 Paid up US\$163,270,000	—	49% (Note (iii))	51%
蘇州雲彩鴻佑實業有限公司	Suzhou Yuncai Hongye Industry Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	49% (Note (vii))	51%
力高(天津)地產有限公司	Redco (Tianjin) Real Estate Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK\$490,000,000 Paid up HK\$490,000,000	—	100%	—
天津力高宏業投資有限公司	Tianjin Redco Hongye Investment Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holdings in the PRC	Registered US\$298,000,000 Paid up US\$298,000,000	—	100%	—
天津力高基業有限公司	Tianjin Redco Jiye Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holdings in the PRC	Registered RMB 1,217,064,630 Paid up RMB 1,217,064,630	—	100%	—
天津力高興業文化傳播有限公司	Tianjin Redco Xingye Cultural Dissemination Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holdings in the PRC	Registered RMB600,000,000 Paid up RMB593,793,509	—	100%	—
天津市力高偉盛實業有限公司	Tianjin Redco Weisheng Industry Development Company Limited	PRC	Limited liability company	Investment holdings in the PRC	Registered RMB26,666,700 Paid up nil	—	37.5% (Note (viii))	62.5%
天津力高六道置業發展有限公司	Tianjin Redco Dadao Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB30,000,000 Paid up RMB 30,000,000	—	48% (Note (viii))	52%
天津博瑞房地產開發有限公司	Tianjin Borui Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB40,000,000 Paid up RMB40,000,000	—	22.5% (Note (ix))	—
煙台力高置業有限公司	Yantai Redco Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered US\$101,000,000 Paid up US\$101,000,000	—	100%	—
山東力高江浩房地產有限公司	Shandong Redco Jianghao Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	100%	—



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies	Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)	
山東新廣友置業有限公司	Shandong Xin Guangyou Properties PRC Co., Ltd.	Limited liability company	Property development in the PRC	Registered RMB36,734,600 Paid up RMB36,734,600	—	51%	49%	
濟南力高偉盛地產開發有限公司	Jinan Redco Weisheng Property Development Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered RMB100,000,000 Paid up RMB 100,000,000	—	80%	20%
山東嘉力置業有限公司	Shandong Jiali Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	80%	20%
山東力高錦盛基業房地產開發有限公司	Shandong Redco Jinsheng Jiye Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up nil	—	100%	—
山東力高凱力房地產有限公司	Shandong Redco Kaili Real Estate Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered US\$23,529,400 Paid up US\$20,000,000	—	85%	15%
濟南東風置業有限公司	Jinan Dongfeng Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	90%	10%
山東力高天潤房地產有限公司	Shandong Redco Tianrun Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	60%	40%
力高(中國)地產有限公司	Redco (China) Real Estate Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered HK\$100,000,000 Paid up HK\$100,000,000	—	100%	—
泉州麗興房地產開發有限公司	Quanzhou Lixing Real Estate Development Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered RMB30,000,000 Paid up RMB30,000,000	—	33% (Note (xi))	67%
泉州力投房地產開發有限公司	Quanzhou Litou Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	—	100%	—
咸陽力高房地產有限公司	Xianyang Redco Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	70%	30%
咸陽樺洋里置業有限公司	Xianyang Huayangli Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB 3,000,000 Paid up RMB 3,000,000	—	30% (Note (vii))	—
長豐聯華置業有限公司	Changfeng Lianhua Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,750,000 Paid up RMB50,750,000	—	80%	20%



13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
合肥力高宏業地產開發有限公司	Hefei Redco Hongye Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	100%	—
合肥力高偉盛地產開發有限公司	Hefei Redco Weisheng Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	—	80%	20%
合肥力城置業有限公司	Hefei Licheng Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	70%	30%
合肥磐瑞置業有限公司	Hefei Panrui Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	100%	—
合肥智越置業有限公司	Hefei Zhiyue Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	100%	—
合肥同購置業有限公司	Hefei Tongzhu Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up nil	—	100%	—
深圳興居貿易有限公司	Shenzhen Xingju Trading Co., Ltd.	PRC	Limited liability company	Trading in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	—	100%	—
深圳市今典設計顧問有限公司	Shenzhen Jindian Design Consulting Co., Ltd.	PRC	Limited liability company	Construction design consulting in the PRC	Registered RMB500,000 Paid up RMB500,000	—	100%	—
深圳創信工程造價諮詢有限公司	Shenzhen Chuangxin Construction Cost Consulting Co., Ltd.	PRC	Limited liability company	Construction cost consulting in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	—	100%	—
深圳市力高大道置業有限公司	Shenzhen Redco Dadao Real Estate Co. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	51%	49%
深圳力高偉力實業發展有限公司	Shenzhen Redco Weili Shiye Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	—	100%	—
深圳市力高宏業新興產業服務有限公司	Shenzhen Redco Hongye Xinxing Real Estate Service Co., Ltd	PRC	Limited liability company	Operation and management of investment projects in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	100%	—



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies	Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)	
中山市浩域房地產開發有限公司	Zhongshanshi Haoyu Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	—	70%	30%
中山市金田房地產實業發展有限公司	Zhongshan Jintian Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB3,333,400 Paid up RMB3,333,400	—	70%	30%
清遠市耀威置業有限公司	Qingyuan Yaowei Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB 10,204,082 Paid up RMB 10,204,082	—	51%	49%
武漢力高置業有限公司	Wuhan Redco Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	—	100%	—
武漢鳳翔島房地產開發有限公司	Wuhan Feng Xiang Dao Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB200,000,000 Paid up RMB200,000,000	—	70%	30%
武漢同信益置業有限公司	Wuhan Tong Xin Yi Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	—	40% (Note (xiii))	60%

Note:

- (i) Although the Group owns not more than half of the equity interest in Redco Investment (International) Co., Ltd. (“Redco Investment”), it is able to control the financing and operating decisions since the Group and the other shareholder agreed that the directors of the Group have the casting vote in the Board of Directors’ meeting for resolution of operating and major decisions. The decision are made by simple majority. It follows that the Group should consolidate Redco Investment as a subsidiary in the Group’s financial statements.
- (ii) As the 70% shareholder of Nanchang Xinrong Property Development Co., Ltd (“Nanchang Xinrong”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Nanchang Xinrong and appoints 2 out of 3 directors of the board of Nanchang Xinrong. The decisions are made by simple majority. It follows that the Group should consolidate Nanchang Xinrong as a subsidiary in the Group’s financial statements.
- (iii) Although the Group owns 49% of the equity interest in Nantong Xugao Property Co., Ltd (“Nantong Xugao”), the 51% shareholder of Nantong Xugao has granted its voting rights to the Group. The Group owns more than half of the voting rights in Nantong Xugao. The operating decision are made by simple majority. It follows that the Group should consolidate Nantong Xugao as a subsidiary in the Group’s financial statements.



13 SUBSIDIARIES (CONTINUED)

(a) *Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)*

Note: (Continued)

- (iv) Although the Group owns not more than half of the equity interest in Jiangxi Redco Guocheng Real Estate Development Co., Ltd. (“Jiangxi Redco Guocheng”), it is able to control more than one half of the voting rights by virtue of the fact that more than half of the directors of these two companies are elected by the Group and the board of Jiangxi Redco Guocheng is able to direct the activities which significantly affect the returns. The decisions are made by simple majority. The board composition can only be altered with the consent of the 2 shareholders of Jiangxi Redco Guocheng. It follows that the Group should consolidate Jiangxi Redco Guocheng as subsidiaries in the Group’s financial statements.
- (v) As the 53.7% shareholder of Ningbo Lizhuo Property Co., Ltd. (“Ningbo Lizhuo”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Ningbo Lizhuo. The decisions are made by simple majority. It follows that the Group should consolidate Ningbo Lizhuo as a subsidiary in the Group’s financial statements.

Given Ningbo Lizhuo is a subsidiary of the Group, its subsidiaries, Ningbo Yu Yao Sheng Ming Property Development Co Ltd, Nongbo Yu Yao Sheng Ye Machinery Technology Co., Ltd and Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd., are also the indirectly owned subsidiaries of the Group.
- (vi) As the 18% shareholder of Suzhou Yuncai Hongye Industry Development Compnay Limited (“Suzhou Yuncai”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Suzhou Yuncai. The decisions are made by simple majority. It follows that the Group should consolidate Suzhou Yuncai as a subsidiary in the Group’s financial statements.
- (vii) As the 62.5% shareholder of Tianjin Redco Weisheng Industry Development Compnay Limited (“Tianjin Weisheng”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Tianjin Weisheng. The decisions are made by simple majority. It follows that the Group should consolidate Tianjin Weisheng as a subsidiary in the Group’s financial statements.
- (viii) As the 3% shareholder of Tianjin Redco Dadao Real Estate Development Co., Ltd (“Tianjin Dadao”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Tianjin Dadao. The decisions are made by simple majority. It follows that the Group should consolidate Tianjin Dadao as a subsidiary in the Group’s financial statements.
- (ix) As the 28% shareholder of Tianjin Borui Real Estate Development Co., Ltd (“Tianjin Borui”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Tianjin Borui. The decisions are made by simple majority. It follows that the Group should consolidate Tianjin Borui as a subsidiary in the Group’s financial statements.
- (x) As the 18% shareholder of Quanzhou Lixing Real Estate Development Co., Ltd. (“Quanzhou Lixing”) has granted its voting rights to the Group, the Group owns more than half of the voting rights in Quanzhou Lixing. The decisions are made by simple majority. It follows that the Group should consolidate Quanzhou Lixing as a subsidiary in the Group’s financial statements.
- (xi) As the 69% shareholder of Xianyang Huayangli property Co., Ltd. (“Xianyang Huayangli”) has granted 21% voting rights of Xianyang Huayangli to the Group, the Group owns more than half of the voting rights in Xianyang Huayangli. The decisions are made by simple majority. It follows that the Group should consolidate Xianyang Huayangli as a subsidiary in the Group’s financial statements.
- (xii) As the 60% shareholder of Wuhan Tongxinyi Real Estate Development Co., Ltd. (“Wuhan Tongxinyi”) has granted 11% voting rights of Wuhan Tongxinyi to the Group, the Group owns more than half of the voting rights in Wuhan Tongxinyi. The decisions are made by simple majority. It follows that the Group should consolidate Wuhan Tongxinyi as a subsidiary in the Group’s financial statements.
- (xiii) The English names of PRC companies referred to above in this note represent management’s best efforts in translating the Chinese names of those companies as no English names have been registered or available.



13 SUBSIDIARIES (CONTINUED)

(b) Set out below are the summarised financial information of Redco Development (Jiangxi) Co., Ltd. (“Redco Development”), Changfeng Lianhua Real Estate Co., Ltd. (“Changfeng Lianhua”), Jiangxi Yiju Property Development Co., Ltd. (“Jiangxi Yiju”), Nanchang Xinrong Project Development Co., Ltd. (“Nanchang Xinrong”), Nantong Xugao Real Estate Co., Ltd. (“Nantong Xugao”) and Nanchang Guogao Property Development Co., Ltd. (Nanchang Guogao”) that have non-controlling interests that are material to the Group:

Summarised balance sheet

	Redco Development		Changfeng Lianhua		Jiangxi Yiju		Nanchang Xinrong		Nantong Xugao		Nanchang Guogao (Note i)	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Current												
Assets	456,817	444,889	696,896	875,576	363,595	653,400	634,996	648,045	1,457,084	–	783,173	–
Liabilities	(220,508)	(207,502)	(124,325)	(395,761)	(474)	(473,543)	(409,532)	(659,112)	(247,871)	–	(283,757)	–
Total net current assets/(liabilities)	236,309	237,387	572,571	479,815	363,121	179,857	225,464	(11,067)	1,209,213	–	499,416	–
Non-current												
Assets	–	–	239	318	230	567	296	5,390	1,409	–	251	–
Liabilities	–	–	(6,883)	(6,991)	(87,545)	–	–	–	(175,000)	–	(2,932)	–
Total non-current net (liabilities)/assets	–	–	(6,644)	(6,673)	(87,315)	567	296	5,390	(173,591)	–	(2,681)	–
Net (liabilities)/assets	236,309	237,387	565,927	473,142	275,806	180,424	225,760	(5,677)	1,035,622	–	496,735	–

Summarised statement of profit or loss

	Redco Development		Changfeng Lianhua		Jiangxi Yiju		Nanchang Xinrong		Nantong Xugao		Nanchang Guogao (Note i)	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Net Revenue	–	–	19,028	815,175	430,549	320,962	822,190	–	–	–	150,198	–
(Loss)/profit before income tax	(1,079)	(1,235)	645	361,609	128,349	88,379	401,929	(19,955)	(5,519)	–	11,906	–
Income tax expense	–	–	92,141	(186,690)	(32,492)	(29,229)	(170,493)	4,989	1,380	–	4,230	–
Total comprehensive (loss)/income	(1,079)	(1,235)	92,786	174,919	95,857	59,150	231,436	(14,966)	(4,139)	–	16,136	–
(Loss)/profit allocated to non-controlling interests	(540)	(618)	18,557	34,984	46,970	28,984	162,005	(10,476)	(2,111)	–	7,907	–

The information above is before inter-company eliminations.



13 SUBSIDIARIES (CONTINUED)

- (b) Set out below are the summarised financial information of Redco Development (Jiangxi) Co., Ltd. (“Redco Development”), Changfeng Lianhua Real Estate Co., Ltd. (“Changfeng Lianhua”), Jiangxi Yiju Property Development Co., Ltd. (“Jiangxi Yiju”), Nanchang Xinrong Project Development Co., Ltd. (“Nanchang Xinrong”), Nantong Xugao Real Estate Co., Ltd. (“Nantong Xugao”) and Nanchang Guogao Property Development Co., Ltd. (“Nanchang Guogao”) that have non-controlling interests that are material to the Group: (Continued)

Summarised statement of cash flows

	Redco Development		Changfeng Lianhua		Jiangxi Yiju		Nanchang Xinrong		Nantong Xugao		Nanchang Guogao (Note i)	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Cash (used in)/generated from operating activities	(366)	(1,030)	114,432	(69,154)	(33,545)	252,433	(14,369)	52,231	(1,207,209)	—	3,201	—
Income tax paid	—	—	(125,130)	(78,478)	(17,046)	(37,193)	(18,047)	(17,715)	(634)	—	(38,990)	—
Net cash (used in)/generated from operating activities	(366)	(1,030)	(10,698)	(147,632)	(50,591)	215,240	(32,416)	34,516	(1,207,843)	—	(35,789)	—
Net cash generated from/(used in) investing activities	—	—	212	57,138	—	432	(20)	(504)	(33)	—	—	—
Net cash generated from/(used in) financing activities	—	—	—	—	—	(199,900)	(30,000)	30,000	1,339,762	—	—	—
Net (decrease)/increase in cash and cash equivalents	(366)	(1,030)	(10,486)	(90,494)	(50,591)	15,772	(62,436)	64,012	131,886	—	(35,789)	—
Cash and cash equivalents at beginning of year	800	1,830	117,686	208,180	84,810	69,038	64,012	—	—	—	129,853	—
Cash and cash equivalents at end of year	434	800	107,200	117,686	34,219	84,810	1,576	64,012	131,886	—	94,064	—

Note (i): Nanchang Guogao became an indirectly wholly owned subsidiary for the Group from 1 July 2018. Hence, no summarised balance sheet as of 31 December 2017 is shown above and the summarised statement of profit or loss and the statement of cash flows are presented for the period from 1 July 2018 to 31 December 2018. Details of the step acquisitions are disclosed in Note 28.



14 INVESTMENT PROPERTIES

	2018 RMB' 000	2017 RMB' 000
At 1 January	434,669	—
Additions	284,854	—
Transfer from properties under development for sale	—	75,502
Capitalised subsequent expenditure	204	131
Fair value gain	84,172	359,036
At 31 December	<u>803,899</u>	<u>434,669</u>

As at 31 December 2018, an investment property with fair value of RMB480,777,000 (2017: Nil) was pledged as collaterals for the Group's bank and other borrowings of approximately RMB175,000,000 (2017: Nil) (Note 24).

Fair value measurement

As at 31 December 2018, the fair values of the investment properties were measured at level 3 of fair value hierarchy using significant unobservable inputs.

There were no transfers between levels 1, 2 and 3 during the year.

Valuation process of investment properties

The Group engages an external, independent and qualified valuer, Jiangxi Hengfang Real Estate and Land Valuation Consultancy Co., Ltd. (“江西恒方房地產土地估價諮詢有限公司”) to determine the fair values of the investment properties.

Discussions of valuation processes and results had been held between management and the valuer in respect of the valuation as at reporting date.

Information about fair value measurements using significant unobservable input (Level 3) is as follows:

Description	Fair value (RMB' 000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment property under development- PRC	480,777	Residual method	(1) Market selling prices (2) Developer's margin	(1) RMB16,640 - 21,078 per sq.m. (2) 35%	The higher the market selling prices and lower the developer's margin, the higher the fair value
Completed investment properties	323,122	Direct Comparison	(1) Market selling prices	(1) RMB45,045 - 51,520 per sq.m.	The higher the market selling prices, the higher the fair value



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	2018 RMB' 000	2017 RMB' 000
Associates	383,463	561,586
Joint ventures	316,831	472,935
At 31 December	<u>700,294</u>	<u>1,034,521</u>

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2018 RMB' 000	2017 RMB' 000
Associates	3,486	14,546
Joint ventures	73,982	68,324
For the year ended 31 December	<u>77,468</u>	<u>82,870</u>

(a) *Interests in associates*

	2018 RMB' 000	2017 RMB' 000
At beginning of the year	318,193	27,983
Additions	66,699	275,664
Transfer to a subsidiary (Note 28)	(4,915)	—
Share of profit, net		
– Gain on bargain purchase (Note b(i))	28,588	12,317
– Others	(25,102)	2,229
At end of the year	<u>383,463</u>	<u>318,193</u>
A loan due from an associate (Note i)	—	243,393
	<u>383,463</u>	<u>561,586</u>

Note:

- (i) The loan bore interest of 10% per annum, unsecured and had no fixed repayment terms. The carrying value approximated its fair value and was denominated in RMB. RMB100,000,000 was repaid by the associate during the year and the remaining balance has been reclassified to amounts due from associates (Note 34 (a)(iii)).



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interests in associates

Name of entity	Principal place of business	% of ownership is indirectly held interest		Nature of the relationship	Measurement method
		2018	2017		
Top Glory International Holdings Limited (“Top Glory”)	PRC	45%	45%	—	Equity
Jiangxi Chang Da Rui Feng Technology Development Co., Limited (江西昌大瑞豐科技發展有限公司) (“Jiangxi Chang Da Rui Feng”)	PRC	20%	20%	—	Equity
Jiangxi Life Sunshine City Investment Co., Limited (江西生命陽光城投資股份有限公司) (“Jiangxi Life Sunshine City”)	PRC	— (Note 28)	25%	—	Equity
Ganzhou Baoherun Co., Limited (贛州葆和潤實業有限公司) (“Ganzhou Baoherun”)	PRC	30%	20%	Note i	Equity
Xianyang Baorong Co., Limited (咸陽保榮實業有限公司) (“Xianyang Baorong”)	PRC	75%	75%	Note ii	Equity
Lianyungang Hengrun Real Estate Co., Ltd (連雲港恒潤置業有限公司) (“Lianyungang Hengrun”)	PRC	40%	—	Note iii	Equity
Fencheng Xinfei Property Development Co., Ltd. (豐城欣飛房地產開發有限公司) (“Fencheng Xinfei”)	PRC	40%	—	—	Equity
Fengcheng Liding Property Development Co., Ltd (豐城市力鼎房地產開發有限公司) (“Fengcheng Liding”)	PRC	40%	—	—	Equity
Fengcheng Hending Property Development Co., Ltd (豐城市恆鼎房地產開發有限公司) (“Fengcheng Hending”)	PRC	40%	—	—	Equity

The associates held by the Group have share capital consisting solely of ordinary shares. All of the associates are private companies with no quoted market price available for their shares.



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interests in associates (Continued)

Note:

- (i) Ganzhou Baoherun is a limited liability company incorporated on 19 June 2014. The principal activities are property development and management in the PRC. Ganzhou Baoherun is accounted for as an associate following at a consideration of RMB57,500,000, representing 20% interest, on 30 September 2017. The Group acquired additional 10% equity interest of Ganzhou Baoherun at a consideration of RMB5,357,000 and the transaction was completed on 30 January 2018. The gain on bargain purchase of RMB28,588,000 was mainly resulted from the fact that the Group would bring in industry expertise to this associate.

The property project of Ganzhou Baoherun consists of three phases. The Group is entitled to 30% interest in phase 2 and an additional 21% voting rights of phase 2 of Ganzhou Baoherun was granted to the Group by the 70% shareholder of Ganzhou Baoherun. The decisions of phase 2 are made by simple majority. Meanwhile, the Group has no interests in phase 1 and phase 3.

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has assessed whether to consolidate Ganzhou Baoherun as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Even though the Company holds 51% voting right of phase 2 of Ganzhou Baoherun, the directors of the Company is of the view, having considered the terms stated in the operating agreement entered into with the other shareholder and the way in which the board of the Company governs the affairs of Ganzhou Baoherun legally, that the Company does not have power over certain operating business of Ganzhou Baoherun and is not exposed to or able to obtain variable returns from that operating segment for the purposes of HKFRS 10. It follows that the three requirements in HKFRS 10 for consolidation have not been met, the Company should not consolidate Ganzhou Baoherun as a subsidiary in the Company's financial statements and should account for its interest in Ganzhou Baoherun as an associate.

- (ii) Xianyang Baorong is a limited liability company incorporated on 5 September 2011. The principal activities are property development and management in the PRC. Xianyang Baorong is accounted for as an associate following the acquisition of 75% interest at a consideration of RMB188,783,000 by the Group and the Group obtained the significant influence on 31 December 2017.

The property project of Xianyang Baorong consists of two phases. The Group is entitled to 75% interest of phase 2 and none of the interests in phase 1.

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company's returns. All three of these requirements must be met. The Company has assessed whether to consolidate Xianyang Baorong as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Even though the Company holds 75% of the shareholding and voting right in phase 2, the directors of the Company is of the view, having considered the terms stated in the operating agreement entered into with the other shareholder and the way in which the board of the Company governs the affairs of Xianyang Baorong legally, that the Company does not have power over certain operating business of Xianyang Baorong and is not exposed to or able to obtain variable returns from that operating segment for the purposes of HKFRS 10. It follows that the three requirements in HKFRS 10 for consolidation have not been met, the Company should not consolidate Xianyang Baorong as a subsidiary in the Company's financial statements and should account for its interest in Xianyang Baorong as an associated company.



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interests in associates (Continued)

Note: (Continued)

(iii) Lianyungang Hengrun is a limited liability company incorporated on 15 May 2007. The principal activities are property development and management in the PRC. Lianyungang Hengrun is accounted for as an associate following the acquisition of 40% interest at a consideration of RMB33,340,000 by the Group and the Group obtained the significant influence on 22 August 2018.

The property project of Lianyungang Hengrun consists of three phases. The Group is entitled to 40% interest in phase 3 and none of the interests in phase 1 and phase 2.

(c) Summarised financial information for the associates

Set out below are the summarised financial information for Top Glory and its subsidiaries and Xianyang Baorong which, in the opinion of the directors, are material to the Group and other immaterial associates (“Others”). The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group’s share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Summarised balance sheet

	Top Glory and its subsidiaries		Xianyang Baorong (Note (i))		Others (Note (i))	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Cash and cash equivalents	67,494	62,391	225,251	1,611	269,542	107,833
Other current assets (excluding cash)	11,866	11,326	407,112	265,774	4,510,736	1,187,951
Total current assets	79,360	73,717	632,363	267,385	4,780,278	1,295,784
Financial current liabilities (excluding trade payables)	—	—	—	—	(164,311)	(30,000)
Other current liabilities (including trade payables)	(57,043)	(59,749)	(567,877)	(196,988)	(3,816,729)	(831,024)
Total current liabilities	(57,043)	(59,749)	(567,877)	(196,988)	(3,981,040)	(861,024)
Non-current assets	1,969	1,802	126	49	116,449	117,094
Financial liabilities (excluding trade payables)	—	—	—	—	(398,393)	(243,393)
Other liabilities	—	—	(7,457)	(7,457)	(75,000)	(75,000)
Total non-current liabilities	—	—	(7,457)	(7,457)	(473,393)	(318,393)
Non-controlling interests	(3,191)	(3,866)	—	—	—	—
Net assets	21,095	11,904	57,155	62,989	442,294	233,461



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Summarised financial information for the associates (Continued)

Summarised income statement

	Top Glory and its subsidiaries		Xianyang Baorong (Note (i))		Others (Note (i))	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Revenue	128,270	103,262	—	—	999	6,380
Depreciation	(660)	(211)	(36)	—	(9,760)	(4,643)
Operating profit/(loss)	11,274	14,685	(6,125)	—	(57,107)	(3,658)
Interest income	13	—	735	—	1,771	145
Interest expenses	—	—	—	—	(30,138)	(12,002)
Tax expenses	(2,682)	(1,674)	—	—	—	—
Profit attributable to non-controlling interests	(366)	(1,156)	—	—	—	—
Total comprehensive income/(loss)	8,239	11,855	(5,390)	—	(85,474)	(15,515)



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Summarised financial information for the associates (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information of the associates presented to the carrying amount of the Group's interests in associates.

	Top Glory and its subsidiaries		Xianyang Baorong (Note (i))		Others (Note (i))		Total	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Opening net assets								
1 January	14,040	2,185	122,586	—	326,279	—	462,905	2,185
Initial recognition of the investment	—	—	—	122,586	144,876	341,794	144,876	464,380
Transfer to subsidiaries	—	—	—	—	(11,325)	—	(11,325)	—
Profit/(loss) for the year/period	8,239	11,855	(5,390)	—	(85,474)	(15,515)	(82,625)	(3,660)
Closing net assets	22,279	14,040	117,196	122,586	376,623	326,280	513,831	462,905
Interests in associates	10,026	6,318	87,897	91,940	129,743	65,837	227,666	164,095
Implicit goodwill	27,000	27,000	96,843	96,843	31,954	30,255	128,797	127,098
A loan due from an associate	—	—	—	—	—	243,393	—	243,393
Carrying value	37,026	33,318	184,740	188,783	161,697	339,485	383,463	561,586

Notes:

(i) As mentioned in Note 15 (b)(i), Note 15 (b)(ii) and Note 15 (b)(iii), the Group does not have power over certain operating business of Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun and is not exposed to or able to obtain variable returns from those operating segments.

In addition, the liabilities relating to those operating businesses over which the Group has no control or power when there is any defaults, may have impact on the Group's interests in such associate. As of 31 December 2018, there is no indicator of such defaults, and thus the outflow of resources of the Group is not probable.

Hence, the summarised balance sheet as of 31 December 2018 shown above is the financial position of Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun as a whole while the summarised income statement for the year ended 31 December 2018 of Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun only presented the results of phase 2, phase 2 and phase 3 respectively.



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Summarised financial information for the associates (Continued)

Reconciliation of summarised financial information (Continued)

Notes: (Continued)

For the year ended 31 December 2017, the summarised income statement of Xianyang Baorong had not been disclosed as the result was related to the financial performance of the operating segment that the Group has no interest.

- (ii) No dividend has been paid or declared by the associates to the Group since the dates of investments and there are no other contingent liabilities relating to the Group's interests in associates.

(d) Interests in joint ventures

	2018 RMB' 000	2017 RMB' 000
At beginning of the year	401,886	338,185
Capital injection to a joint venture	500	500
Disposal of a joint venture (Note a)	—	(5,123)
Transfer to a subsidiary (Note 28)	(235,322)	—
Share of profit	73,982	68,324
Net asset attributable to the Group's interest	241,046	401,886
Unrealised gain from the transaction with a joint venture	(22,740)	(23,040)
At end of the year	218,306	378,846
Loans due from joint ventures (Note b)	98,525	94,089
	316,831	472,935

Note:

- (a) On 14 December 2017, Redco (China) Real Estate Co., Ltd. agreed to sell 36% of the equity interest of its joint venture, Jiangxi Manwei Property Development Co., Limited ("Jiangxi Manwei"), at a cash consideration of RMB16,875,000 to its joint venture partner of Jiangxi Manwei and the transaction was completed on the same day. Upon the completion, Jiangxi Manwei was derecognised as a joint venture of the Group and the gain on disposal was included in "other gains/(losses), net" in the consolidated statement of profit or loss (Note 7).
- (b) The loans due from joint ventures, Hui Gao Investments Development Limited and Power Out International Holding Limited, are interest-free, unsecured and have no fixed repayment terms. The carrying amount approximates their fair values.



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(e) *Nature of interests in joint ventures*

Name of entity	Principal place of business	% of ownership indirectly held interest		Measurement method
		2018	2017	
Redco Industry (Jiangxi) Co., Limited ("Redco Industry")	PRC	50%	50%	Equity
Nanchang Guogao Property Development Co., Limited (南昌國高房地產置業有限公司)	PRC	— (Note 28)	51%	Equity
Jiangxi Po Hu Feng Qing Property Development Co., Limited (江西鄱湖風情置業有限公司)	PRC	— (Note 28)	60%	Equity
Power Out International Holding Limited	PRC	68%	68%	Equity
Hui Gao Investments Development Limited	PRC	51%	51%	Equity
Shenzhen Redco Hongye Property Development Co., Limited (深圳力高宏業地產開發有限公司)	PRC	50%	50%	Equity

The Group has joint control over the above entities under contractual agreements, and unanimous consent is required from all parties for all relevant activities of the entities.

The joint ventures held by the Group have share capital consisting solely of ordinary shares. All of the joint ventures are private companies with no quoted market price available for their shares.



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) Summarised financial information for the joint ventures

Set out below are the summarised financial information for Redco Industry which, in the opinion of the directors, are material to the Group and other immaterial joint ventures (“Others”). The information disclosed reflects the amounts presented in the financial statements of the joint ventures and not the Group’s share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Summarised balance sheet

	Redco Industry		Others	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Cash and cash equivalents	19,076	32,123	1,018	162,207
Other current assets (excluding cash)	12,381	27,781	161,532	889,914
Total current assets	31,457	59,904	162,550	1,052,121
Financial current liabilities (excluding trade payables)	—	—	—	—
Other current liabilities (including trade payables)	(18,722)	(64,328)	(299,709)	(854,813)
Total current liabilities	(18,722)	(64,328)	(299,709)	(854,813)
Non-current assets	514,172	506,436	420,017	470,312
Financial liabilities (excluding trade payables)	—	—	(337,705)	(356,227)
Other liabilities	(45,608)	(41,296)	—	—
Total non-current liabilities	(45,608)	(41,296)	(337,705)	(356,227)
Non-controlling interests	—	—	(3)	(3)
Net assets/(liabilities)	481,299	460,716	(54,850)	(311,390)



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) Summarised financial information for the joint ventures (Continued)

Summarised income statement

	Redco Industry		Others	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Revenue	103,081	92,041	577,570	535,400
Depreciation	(17,249)	(13,748)	(127)	(276)
Operating profit/(loss)	7,558	6,365	148,950	141,810
Fair value gain on an investment property	17,251	46,696	—	—
Interest income	118	46	58	482
Interest expenses	(31)	(31)	(18,032)	(23,021)
Tax (expenses)	(4,313)	(11,674)	(42,867)	(54,393)
Total comprehensive income	20,583	41,402	88,229	65,878
Unrecognised share of losses	—	—	24,354	13,512
Cumulative unrecognised share of losses	—	—	35,721	13,983

No dividend has been paid or declared by the joint ventures to the Group since the dates of investments.

A corporate guarantee provided by the Group to the subsidiary of Power Out International Holding Limited for a loan facility. Please see Note 31(b) for details.



15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) Summarised financial information for the joint ventures (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information of the joint ventures presented to the carrying amount of the Group's interests in joint ventures.

	Redco Industry		Others		Total	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Opening net assets 1 January	460,716	419,314	311,896	257,739	772,612	677,053
Initial recognition of the investment	—	—	—	1,000	66,848	1,000
Capital injection	—	—	1,000	—	1,000	—
Disposal of a joint venture	—	—	(454,254)	(12,720)	(454,254)	(12,720)
Profit/(loss) for the year	20,583	41,402	88,229	65,878	108,812	107,280
Closing net assets/(liabilities)	481,299	460,716	(53,129)	311,897	428,170	772,613
Interests in joint ventures	240,648	230,357	398	170,226	241,046	400,583
Unrealised profit from the transaction with a joint venture	(22,740)	(23,040)	—	—	(22,740)	(23,040)
Implicit goodwill	—	—	—	1,303	—	1,303
Amount due from a joint venture	—	—	98,525	94,089	98,525	94,089
Carrying value	217,908	207,317	98,923	265,618	316,831	472,935

**16 DEFERRED INCOME TAX**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax assets/(liabilities), net, is as follows:

	2018 RMB' 000	2017 RMB' 000
Deferred income tax assets		
– to be recovered within 12 months	283,867	207,350
– to be recovered after more than 12 months	175,966	31,581
	<u>459,833</u>	<u>238,931</u>
Deferred income tax liabilities		
– to be settled within 12 months	(71,868)	(35,683)
– to be settled after more than 12 months	(214,183)	(229,921)
	<u>(286,051)</u>	<u>(265,604)</u>
Deferred tax assets/(liabilities), net	<u>173,782</u>	<u>(26,673)</u>

The movements on the net deferred income tax assets/(liabilities) are as follows:

	2018 RMB' 000	2017 RMB' 000
At 1 January	(26,673)	76,523
Credited/(charged) to the consolidated statement of profit or loss (Note 10)	212,552	(36,100)
Acquisition of subsidiaries (Note 28)	(12,097)	(64,718)
Assets classified as held for sale (Note 21)	—	(2,194)
Disposal of a subsidiary	—	(184)
At 31 December	<u>173,782</u>	<u>(26,673)</u>



16 DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets:

	Unrealised profit RMB' 000	Tax losses RMB' 000	Provisions and others RMB' 000	Total RMB' 000
At 1 January 2017	5,835	45,517	167,781	219,133
(Charged)/credited to consolidated statement of profit of loss	(75)	10,524	11,727	22,176
Disposal of a subsidiary	—	(184)	—	(184)
Assets classified as held for sale	—	(2,194)	—	(2,194)
At 31 December 2017	<u>5,760</u>	<u>53,663</u>	<u>179,508</u>	<u>238,931</u>
At 1 January 2018	5,760	53,663	179,508	238,931
(Charged)/credited to consolidated statement of profit of loss	(75)	60,180	158,628	218,733
Acquisition of subsidiaries (Note 28)	—	2,169	—	2,169
At 31 December 2018	<u>5,685</u>	<u>116,012</u>	<u>338,136</u>	<u>459,833</u>

Deferred tax liabilities:

	Fair value adjustment on acquisition of subsidiaries RMB' 000	Fair value gain on an investment property RMB' 000	Interest capitalised RMB' 000	Withholding tax RMB' 000	Total RMB' 000
At 1 January 2017	17,901	—	53,648	71,061	142,610
(Credited)/charged to consolidated statement of profit of loss	(10,910)	89,759	(39,956)	19,383	58,276
Acquisition of subsidiaries	64,718	—	—	—	64,718
At 31 December 2017	<u>71,709</u>	<u>89,759</u>	<u>13,692</u>	<u>90,444</u>	<u>265,604</u>
At 1 January 2018	71,709	89,759	13,692	90,444	265,604
(Credited)/charged to consolidated statement of profit of loss	(33,107)	21,043	(13,692)	31,937	6,181
Acquisition of subsidiaries (Note 28)	14,266	—	—	—	14,266
At 31 December 2018	<u>52,868</u>	<u>110,802</u>	<u>—</u>	<u>122,381</u>	<u>286,051</u>

**16 DEFERRED INCOME TAX (CONTINUED)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2018 and 2017, the unrecognised tax losses are as follows:

	2018 RMB' 000	2017 RMB' 000
Expiry date in:		
2018	—	3,206
2019	38,730	38,730
2020	24,100	24,100
2021	27,527	27,530
2022	35,789	35,789
2023	62,194	—
No expiry date	15,345	15,369
	203,685	144,724

During the year, tax losses amounting to RMB3,206,000 (2017: RMB3,313,000) expired.

Pursuant to the relevant PRC corporate income tax rules and regulations, deferred tax on withholding tax is imposed on declared dividends in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008.

Deferred income tax liabilities of approximately RMB45,087,000 (2017: RMB45,087,000) as at 31 December 2018 have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of the Group's certain PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

17 COMPLETED PROPERTIES HELD FOR SALE

	2018 RMB' 000	2017 RMB' 000
Amount comprised:		
Land use rights	786,156	671,492
Construction costs and capitalised expenditures	1,201,986	761,718
Interest capitalised	145,676	130,882
	2,133,818	1,564,092

Completed properties held for sale are all located in the PRC.



18 PROPERTIES UNDER DEVELOPMENT FOR SALE

	2018 RMB' 000	2017 RMB' 000
Within normal operating cycle included under current assets		
Amount comprised:		
Land use rights	12,350,903	3,653,337
Construction costs and capitalised expenditures	2,523,725	1,790,369
Interest capitalised	805,500	284,748
	<u>15,680,128</u>	<u>5,728,454</u>

The normal operating cycle of the Group's property development generally ranges from one to two years.

The properties under development for sale are all located in the PRC.

	2018 RMB' 000	2017 RMB' 000
Properties under development for sale:		
Expected to be completed and available for sale after more than 12 months	10,655,370	2,873,776
Expected to be completed and available for sale within 12 months	5,024,758	2,854,678
	<u>15,680,128</u>	<u>5,728,454</u>
Pledged as collateral for the Group's borrowings (Note 24)	<u>8,913,463</u>	<u>2,963,928</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS

	2018 RMB' 000	2017 RMB' 000
Trade receivables, other receivables and deposits:		
Trade receivables (Note a, b, c and g)	263,682	147,910
Accrued contract revenue (Note d)	—	700,000
	<u>263,682</u>	<u>847,910</u>
Other receivables (Note b)	2,119,885	1,117,961
Loan receivables (Note e)	212,412	—
Receivables in relation to the disposal of assets and liabilities held for sales (Note 29)	150,000	—
Deposits with local real estate associations (Note f)	555,791	1,109,331
Deposits with labour department	10,275	2,645
Deposits with treasury bureau	109,759	4,747
	<u>3,158,122</u>	<u>2,234,684</u>
Less: provision for impairment on other receivables and deposits	(50,260)	—
	<u>3,107,862</u>	<u>2,234,684</u>
	<u>3,371,544</u>	<u>3,082,594</u>
Prepayments:		
Prepaid other taxes	127,688	26,623
Prepayments of purchase of property, plant and equipment	—	475,236
Prepayments for construction costs	29,757	4,888
Prepayments for land use rights	850,865	678,602
Prepayments for acquisitions of subsidiaries	45,300	254,000
Prepayments for investment in an associate	60,000	—
	<u>1,113,610</u>	<u>1,439,349</u>
Less: Non-current portion		
– prepayments for purchase of property, plant and equipment	—	(475,236)
– prepayments for investment in an associate	(60,000)	—
	<u>1,053,610</u>	<u>964,113</u>



19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS (CONTINUED)

Note:

- (a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit terms are generally granted to certain customers and the customers are required to settle the receivables according to the sales and purchase agreements.
- (b) Included in trade receivables and other receivables are amounts due from Customer A (Note 5(b)) of RMB193,343,000 (2017: Nil) and RMB338,143,000 (2017: Nil) respectively.
- (c) The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	2018 RMB' 000	2017 RMB' 000
0 - 30 days	197,142	95,312
31 - 60 days	—	9,130
61 - 90 days	2,370	16,660
91 - 180 days	6,111	7,888
Over 180 days	58,059	18,920
	263,682	147,910

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The expected losses rate is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. No provision was made against the gross amount of trade receivables. (2017: Nil).

As at 31 December 2018, trade receivables of RMB46,673,000 (2017: RMB140,590,000) were overdue but not impaired.

The ageing analysis of those trade receivables which were overdue but not impaired was as follows:

	2018 RMB' 000	2017 RMB' 000
0 - 30 days	31,920	88,712
31 - 60 days	311	9,130
61 - 90 days	—	16,660
91 - 180 days	370	7,888
Over 180 days	14,072	18,200
	46,673	140,590

**19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS (CONTINUED)**

Note: (Continued)

(d) Accrued contract revenue arose from the Group's sea reclamation service to the PRC government. The sea reclamation service provided to the customer was completed and the corresponding receivable balance is not yet billed due to administrative procedures. This balance has been transferred to Contract Assets upon the adoption of HKFRS 15 (Note 5(c)).

(e) During the year ended 31 December 2018, the Group granted an unsecured loan of HK\$100,000,000 (equivalent to RMB87,620,000) (2017: N/A) to an independent third party for a term of 12 months at interest rates of 11% per annum from 25 July 2018 to 31 October 2018 and 14.875% per annum from 1 November 2018 to 31 December 2018. Included in loan receivables amount is an interest receivable of RMB4,792,000 (2017: N/A) as at 31 December 2018.

During the year ended 31 December 2018, the Group granted loans of RMB100,000,000 (2017: N/A) and RMB20,000,000 (2017: N/A) to 2 independent third parties respectively. The loans are interest-free, repayable within 12 months from the date of grant and secured by the pledge of 20% equity interest of an entity held by these third parties.

(f) The deposits with local real estate associations mainly included deposits made to PRC government bodies for future land development and site clearing for the listing-for-sale or in connection with the retention of the quality for properties construction as required by the relevant regulations in respect of the Group's property development projects.

(g) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free.

(h) The carrying amounts of other receivables and deposits approximate their fair values and are unsecured, interest-free and repayable on demand.

(i) The carrying amounts of the Group's trade receivables, other receivables and deposits are denominated in the following currencies:

	2018 RMB' 000	2017 RMB' 000
RMB	3,249,980	3,082,594
HK\$	102,564	—
US\$	19,000	—
	3,371,544	3,082,594



20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2018 RMB' 000	2017 RMB' 000
Cash at bank and on hand	3,661,763	3,587,770
Short term bank deposits (Note a)	2,017,100	—
Less: assets classified as held for sales (Note 21)	—	(708)
Cash and cash equivalents	5,678,863	3,587,062
Restricted cash (Note b)	2,186,139	1,318,450
Cash and cash equivalents and restricted cash	<u>7,865,002</u>	<u>4,905,512</u>

The carrying amounts of the Group's cash and cash equivalents and restricted cash are equivalent to their fair values and are denominated in the following currencies:

	2018 RMB' 000	2017 RMB' 000
RMB	7,808,282	4,121,026
US\$	34,989	751,421
HK\$	9,101	33,065
AUD	12,630	—
	<u>7,865,002</u>	<u>4,905,512</u>

Note:

- (a) These bank deposits are denominated in RMB. The deposits had an average maturity of three months or less (2017: N/A), except that RMB 1,517,100,000 of bank deposits (2017: Nil) had maturity dates over 3 months and contained an unconditional cancellable term. Management has an intention to withdraw the bank deposits within 12 months, hence they are classified as current assets.
- (b) Restricted cash comprises (i) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of the Group's properties, (ii) guaranteed deposits for constructions of properties from certain property development companies of the Group that are required to place certain amount of presale proceeds of properties in designated bank accounts in accordance with relevant regulations issued by local State-Owned Land and Resource Bureau, and (iii) other bank deposits of RMB97,800,000 (2017: Nil) (Note 24) that are restricted in use as collateral for banking facilities of the Group.

The cash and cash equivalents and restricted cash denominated in RMB are deposited with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

**21 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE**

On 19 December 2017, Tianjin Redco Shengye Company Limited (天津力高盛業有限公司), an indirectly subsidiary of the Group incorporated in the PRC, entered into an agreement (the “Agreement”) with Shanghai Zhong Da Industry Development Company Limited (上海重達實業發展有限公司) (the “Purchaser”), a company incorporated in the PRC which is principally engaged in investment holding and independent of the Group, in relation to the disposal of all its equity interest in Shanghai Mingchang Real Estate Company Limited (上海明昌置業有限公司) (the “Disposal Company”). As of the date of the Agreement, the Disposal Company was principally engaged in property development. The consideration for the disposal is approximately RMB671,798,000 (subject to adjustment). Approximately RMB67,179,800, representing 10% of the consideration, has been paid by the Purchaser (Note 25). Completion is conditional upon the satisfaction of certain conditions precedents stipulated in the Agreement.

The following assets and liabilities were reclassified as held for sale in relation to the Disposal Company as at 31 December 2017:

	RMB' 000
Assets classified as held for sale	
Property, plant and equipment (Note 11)	466
Deferred income tax assets (Note 16)	2,194
Properties under development for sale	462,536
Trade and other receivables, deposits and prepayments	2,027
Cash and cash equivalents	708
Total assets of the Disposal Company held for sale	<u>467,931</u>
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	<u>(1,544)</u>
Total liabilities of the Disposal Company held for sale	<u>(1,544)</u>

The Disposal Company has been disposed on 27 February 2018. Please refer to Note 29 for details.



22 SHARE CAPITAL

	Number of Share	Par value per share	Share Capital	
			HK\$' 000	RMB' 000
Authorised:				
As at 31 December 2017 and 31 December 2018	10,000,000,000	HK\$0.05	500,000	418,899
Issued and fully paid:				
As at 31 December 2017 and 31 December 2018	3,551,609,322	HK\$0.05	177,580	139,632

23 RESERVES

	Share premium RMB' 000	Exchange reserve RMB' 000	Statutory reserve RMB' 000	Merger reserve RMB' 000	Other reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000
At 1 January 2017	1,241,423	(240,828)	254,839	134,402	(10,226)	1,330,635	2,710,245
Comprehensive income							
Profit for the year	—	—	—	—	—	862,237	862,237
Other comprehensive income/(loss)							
Currency translations differences	—	170,639	—	—	—	—	170,639
Transfer to statutory reserve	—	—	65,042	—	—	(65,042)	—
Total comprehensive income (Note 35)	—	170,639	65,042	—	—	797,195	1,032,876
Transactions with owners							
Dividends relating to 2017 interim (Note 36)	—	—	—	—	—	(71,032)	(71,032)
Total transactions with owners, recognised in equity	—	—	—	—	—	(71,032)	(71,032)
At 31 December 2017, as previously reported	1,241,423	(70,189)	319,881	134,402	(10,226)	2,056,798	3,672,089
Change in accounting policy (Note 2.1.2)	—	—	—	—	—	(22,173)	(22,173)
	1,241,423	(70,189)	319,881	134,402	(10,226)	2,034,625	3,649,916



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RESERVES (CONTINUE)

	Share premium RMB' 000	Exchange reserve RMB' 000	Statutory reserve RMB' 000	Merger reserve RMB' 000	Other reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000
Comprehensive income							
Profit for the year	—	—	—	—	—	990,747	990,747
Other comprehensive (loss)/income							
Currency translations differences	—	(217,322)	—	—	—	—	(217,322)
Transfer to statutory reserve	—	—	46,814	—	—	(46,814)	—
Total comprehensive income	<u>1,241,423</u>	<u>(287,511)</u>	<u>366,695</u>	<u>134,402</u>	<u>(10,226)</u>	<u>2,978,558</u>	<u>4,423,341</u>
Transactions with owners							
Change in ownership interests in subsidiary without change of control	—	—	—	—	9,810	—	9,810
Dividends relating to 2017 final (Note 35)	—	—	—	—	—	(106,548)	(106,548)
Dividends relating to 2018 interim (Note 35)	—	—	—	—	—	(88,790)	(88,790)
Total transactions with owners, recognised in equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,810</u>	<u>(195,338)</u>	<u>(185,528)</u>
At 31 December 2018	<u>1,241,423</u>	<u>(287,511)</u>	<u>366,695</u>	<u>134,402</u>	<u>(416)</u>	<u>2,783,220</u>	<u>4,237,813</u>

24 BORROWINGS

	2018 RMB' 000	2017 RMB' 000
Long-term bank and other borrowings, secured (Note a)	3,549,978	3,982,100
11% Senior Notes due 2020, secured (Note b)	<u>1,362,773</u>	—
Non-current borrowings, secured	<u>4,912,751</u>	<u>3,982,100</u>
Short-term bank and other borrowings, secured (Note a)	592,540	472,300
7% Senior Notes due 2018, secured (Note c)	—	1,622,697
6.375% Senior Notes due 2019, secured (Note d)	2,048,688	—
8% Private Notes due 2019, secured (Note e)	<u>108,534</u>	—
	<u>2,749,762</u>	<u>2,094,997</u>
Portion of long-term bank and other borrowings secured (Note a)		
– due for repayment within one year	3,246,900	1,002,286
– due for repayment within one year which contain a repayment on demand clause	24,500	24,500
– due for repayment after one year which contain a repayment on demand clause	<u>125,768</u>	<u>139,336</u>
Current borrowings, secured	<u>6,146,930</u>	<u>3,261,119</u>
Total borrowings	<u>11,059,681</u>	<u>7,243,219</u>



24 BORROWINGS (CONTINUED)

Notes:

- (a) The Group's bank and other borrowings as at 31 December 2018 of RMB4,703,953,000 (2017: RMB2,425,680,000), were secured by certain properties under development for sale (Note 18) with the carrying amount of RMB8,913,463,000 (2017: RMB2,963,928,000), an investment property (Note 14) of RMB480,777,000 (2017: Nil) and bank deposits (Note 20) of RMB97,800,000 (2017: Nil). The Group's bank and other borrowings as at 31 December 2018 of RMB2,835,733,000 (2017: RMB3,194,842,000) were guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries.

Bank and other borrowings bear interest from 4.99% to 13.00% (2017: 2.90% to 9.50%) per annum.

- (b) On 23 August 2018, the Company issued 11% Senior Notes due in 2020 with an aggregate nominal value of US\$200,000,000 at par value (the "11% Senior Notes due 2020"). The interest is payable semi-annually in arrears. The 11% Senior Notes due 2020 will mature on 29 August 2020, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.
- (c) On 9 August 2017, the Company redeemed an aggregate principal amount of US\$125,000,000 of all outstanding senior notes due in 2019 (the "13.75% Senior Notes due 2019"). The total redemption price paid by the Company was US\$133,976,000. The finance charges on early redemption of 13.75% Senior Notes due 2019 of approximately RMB58,031,000 was included in "finance income and costs" in the consolidated statement of profit or loss for the year ended 31 December 2017.

On 15 November 2017, the Company issued 7% senior notes due in 2018 with an aggregate nominal value of US\$250,000,000 at par value (the "7% Senior Notes due 2018"). On 17 September 2018, the Company redeemed US\$200,000,000 in principal amount of the 7% Senior Notes due 2018 (the "Partial Redemption"). The finance charges on early redemption of the 7% Senior Notes due 2018 of approximately RMB13,282,000 was included in "finance income and costs" in the consolidated statement profit or loss for the year ended 31 December 2018. The total redemption amount was US\$206,744,000. After completion of the Partial Redemption, the outstanding principal amount of the 7% Senior Notes due 2018 was US\$50,000,000 which was repaid on 14 November 2018 upon maturity.

- (d) On 23 February 2018, the Company issued 6.375% senior notes due in 2019 with an aggregate nominal value of US\$300,000,000 at par value (the "6.375% Senior Notes due 2019"). The interest is payable semi-annually in arrears. The 6.375% Senior Notes due 2019 will mature on 27 February 2019 unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.
- (e) On 1 August 2018, the Company issued 8% private notes due in 2019 with an aggregate nominal value of US\$15,800,000 at par value (the "8% Private Notes due 2019"). The interest is payable semi-annually in arrears. The 8% Private Notes due 2019 will mature on 31 August 2019 unless redeemed earlier.

The Company, at its option, can redeem the 6.375% Senior Notes due 2019, the 8% Private Notes due 2019 and the 11% Senior Notes due 2020 in whole or in part prior to their maturity at the redemption price as defined in the agreements of these notes. The early redemption option of the 6.375% Senior Notes due 2019, the 8% Private Notes due 2019 and the 11% Senior Notes due 2020 is regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on recognition and at 31 December 2018.

The Group's senior notes as at 31 December 2018 totalling RMB3,519,995,000 (2017: RMB1,622,697,000) are guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries, and subject to the fulfilment of covenants relating to certain of the Group's financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2018, none of these covenants had been breached.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 BORROWINGS (CONTINUED)

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2018 RMB' 000	2017 RMB' 000
Amounts of borrowings that are repayable:		
– Within 1 year	6,021,162	3,121,793
– Between 1 and 2 years	4,553,060	2,113,509
– Between 2 and 5 years	485,459	2,007,917
Total borrowings	<u>11,059,681</u>	<u>7,243,219</u>

The carrying amounts of the Group's borrowings approximate their fair values as the impact of discounting is not significant or the borrowings carrying floating rate of interests.

The Group's borrowings are denominated in the following currencies:

	2018 RMB' 000	2017 RMB' 000
US\$	5,960,995	3,879,876
RMB	4,948,417	3,199,507
HK\$	150,269	163,836
	<u>11,059,681</u>	<u>7,243,219</u>

As at 31 December 2018, the Group had aggregate banking facilities of approximately RMB9,770,255,000 (2017: RMB7,944,228,000) for overdrafts and bank loans. There were unused facilities of approximately RMB1,001,256,000 as at the same date (2017: RMB1,472,200,000).

25 TRADE AND OTHER PAYABLES

	2018 RMB' 000	2017 RMB' 000
Trade payables (Note a)	2,372,836	1,401,828
Accruals and other payables (Note b)	3,079,036	298,499
Other taxes payables	709,872	364,314
Deposit received for the sale of the Disposal Company (Note 21)	—	67,180
Dividend payables	52,337	6,907
Salary payables	7,004	2,246
Interest payables	97,881	15,138
Rental deposits received	4,566	—
	<u>6,323,532</u>	<u>2,156,112</u>



25 TRADE AND OTHER PAYABLES (CONTINUE)

Note:

- (a) The ageing analysis of the trade payables based on invoice date was as follows:

	2018 RMB' 000	2017 RMB' 000
0 - 30 days	1,984,378	1,348,561
31 - 60 days	72,850	418
61 - 90 days	90,922	13,859
Over 90 days	224,686	38,990
	2,372,836	1,401,828

- (b) The other payables included an advance of RMB1,872,137,000 (2017: Nil) from Customer A (Note 5(b)) for investing a potential property development project to be developed in the PRC with the Group.

The advance is unsecured, non-interest bearing and has no repayment term.

- (c) The carrying amounts of the Group's trade payables approximate their fair values due to their short maturities and are denominated in RMB.

26 CONTRACT LIABILITIES (2017: RECEIPTS IN ADVANCE)

The Group receives payments from customers based on billing schedule as established in contracts, payments are usually received in advance of the performance under the contracts which are mainly from sales of properties. Such proceeds from customers are recorded as contract liabilities (2017: receipts in advance) before the relevant sales are recognised.

(a) Revenue recognised in relation to contract liabilities

Revenue recognised that was included in the contract liabilities balance at 1 January 2018 is approximately RMB3,726,643,000 during the year ended 31 December 2018.

(b) Unsatisfied contracts related to the sales of properties

As at 31 December 2018, approximately RMB7,471,196,000 of unsatisfied performance obligations resulting from the property sales are expected to be recognised within twelve months period, whereas approximately RMB 5,130,385,000 of unsatisfied performance obligations resulting from the property sales are expected to be recognised after twelve months.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to net cash generated from operations:

	2018 RMB' 000	2017 RMB' 000
Profit before income tax	2,213,472	1,597,867
– Depreciation on property, plant and equipment	9,930	6,597
– Finance income	(95,025)	(44,729)
– Finance costs	71,662	70,945
– Gain on disposal of subsidiaries	(304,271)	(1,566)
– Gain on disposal of investment in a joint venture	–	(11,752)
– Gains on bargain purchase arising from acquisition of subsidiaries	–	(1,150)
– Gain on disposal of property, plant and equipment	(351)	(226)
– Fair value gain on investment property	(84,172)	(359,036)
– Share of profit of investment accounted for using the equity method, net	(77,468)	(82,870)
– Impairment loss on other receivables	18,345	–
– Impairment of goodwill	–	49,535
– Remeasurement gains on interests in investments accounted for using the equity method	(14,999)	–
– Realisation of unrealised gain from the transaction with a joint venture	(300)	(300)
– Exchange differences	136,710	24,089
Operating profit before working capital change:	1,873,533	1,247,407
– Completed properties held for sale	(569,726)	408,389
– Properties under development for sale	(6,851,732)	1,423,390
– Contract assets	(700,000)	–
– Trade and other receivables and prepayments	892,924	(1,752,614)
– Contract liabilities	7,169,457	–
– Receipts in advance	(4,673,042)	271,620
– Trade and other payables	2,004,132	(1,134,710)
– Restricted cash	(769,889)	(132,195)
Net cash (used in)/generated from operations	<u>(1,624,343)</u>	<u>331,287</u>

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2018 RMB' 000	2017 RMB' 000
Net book amount (Note 11)	296	718
Net gain on disposals of property, plant and equipment (Note 7)	351	226
Proceeds from disposals of property, plant and equipment	<u>647</u>	<u>944</u>



27 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities from financing activities

	Liabilities from financing activities				Total RMB' 000
	Borrowings RMB' 000	Amounts to non- controlling interests RMB' 000	Amount due to an associate RMB' 000	Amounts to joint ventures RMB' 000	
As at 31 December 2016	3,629,232	451,308	—	65,663	4,146,203
Repayment of advances from non-controlling interests	—	(334,894)	—	—	(334,894)
Advances from joint ventures	—	—	—	74,546	74,546
Proceeds from bank and other borrowings	4,997,001	—	—	—	4,997,001
Repayment of bank and other borrowings	(2,111,100)	—	—	—	(2,111,100)
Issuance of 7% Senior Notes due 2018	1,673,784	—	—	—	1,673,784
Redemption of 13.75% Senior Notes due 2019	(899,974)	—	—	—	(899,974)
Other non-cash movements	135,817	—	—	—	135,817
Foreign exchange adjustments	(181,541)	—	—	—	(181,541)
As at 31 December 2017	<u>7,243,219</u>	<u>116,414</u>	<u>—</u>	<u>140,209</u>	<u>7,499,842</u>
As at 31 December 2017	7,243,219	116,414	—	140,209	7,499,842
Advances from non-controlling interests	—	2,007,245	—	—	2,007,245
Advances from joint ventures	—	—	—	129,241	129,241
Advance from an associate	—	—	66,000	—	66,000
Proceeds from bank and other borrowings	4,572,845	—	—	—	4,572,845
Repayment of bank and other borrowings	(3,037,142)	—	—	—	(3,037,142)
Issuance of 6.375% Senior Notes due 2019	2,277,435	—	—	—	2,277,435
Issuance of 11% Senior Notes due 2020	1,310,388	—	—	—	1,310,388
Payment for repurchase of 7% Senior Notes due 2018	(1,799,231)	—	—	—	(1,799,231)
Redemption of 6.375% Senior Notes due 2019	(6,748)	—	—	—	(6,748)
Other non-cash movements	130,147	—	—	(245,694)	(115,547)
Foreign exchange adjustments	368,768	—	—	—	368,768
As at 31 December 2018	<u>11,059,681</u>	<u>2,123,659</u>	<u>66,000</u>	<u>23,756</u>	<u>13,273,096</u>



28 ACQUISITIONS OF SUBSIDIARIES

28.1 Assets acquisitions

(a) *Acquisition of Wuhan Feng Xiang Dao Property Development Co., Ltd.*

On 11 January 2018, the Group completed the acquisition of 70% equity interest of Wuhan Feng Xiang Dao Property Development Co., Ltd. (武漢鳳翔島房地產開發有限公司) (“Wuhan Feng Xiang Dao”) at a consideration of approximately RMB140,000,000. Wuhan Feng Xiang Dao is principally engaged in property development in Wuhan.

(b) *Acquisition of Hefei Tong Zhu Property Co., Ltd.*

On 17 January 2018, the Group completed the acquisition of 100% equity interest of Hefei Tong Zhu Property Co., Ltd. (合肥同鑄置業有限公司) (“Hefei Tong Zhu”) at a consideration of approximately RMB132,240,000. Hefei Tong Zhu is principally engaged in property development in Hefei.

(c) *Acquisitions of Ningbo Yu Yao Sheng Ming Property Development Co., Ltd., Ningbo Yu Yao Sheng Ye Machinery Technology Co., Ltd. and Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd.*

On 26 June 2018, the Group completed the acquisitions of 62% equity interest of Ningbo Yu Yao Sheng Ming Property Development Co., Ltd. (寧波余姚晟明房地產開發有限公司) (“Ningbo Sheng Ming”), Ningbo Yu Yao Sheng Ye Machinery Technology Co., Ltd. (寧波余姚晟業機器人科技有限公司) (“Ningbo Sheng Ye”) and Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd. (寧波余姚雲晟機器人科技有限公司) (“Ningbo Yun Sheng”) at consideration of approximately RMB205,460,000, RMB72,060,000 and RMB94,810,000 respectively. These companies are principally engaged in property development in Ningbo.

Apart from the above, the Group acquired a number of property development project companies. The directors of the Company consider that these subsidiaries acquired during the year were insignificant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was disclosed as “Others” in aggregate amount.

As the above newly acquired companies did not operate any business prior to the date of acquisition, the Group considers the nature of the acquisitions as acquisitions of assets in substance and the consideration should be attributable to the individual assets acquired and liabilities assumed.



28 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

28.1 Assets acquisitions (Continued)

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Wuhan Feng Xiang Dao RMB' 000	Hefei Tong Zhu RMB' 000	Ningbo Sheng Ming RMB' 000	Ningbo Yun Sheng RMB' 000	Others RMB' 000	Total RMB' 000
Consideration paid and payable as at acquisition date	140,000	132,240	205,460	94,810	91,000	755,570
<u>Recognised amounts of identifiable assets acquired and liabilities assumed:</u>						
Property, plant and equipment	3,677	—	48	—	—	3,725
Prepayments, deposits and other receivable	37,707	90,829	440	15	560,373	689,376
Properties under development	273,406	783,358	506,567	152,897	638,305	2,354,533
Cash and cash equivalents	954	636	4,962	7	44,493	56,221
Borrowings	(71,873)	—	—	—	—	(71,873)
Other payables	(43,871)	(742,583)	(180,630)	—	(1,023,835)	(1,990,919)
Total identifiable net assets acquired	200,000	132,240	331,387	152,919	224,517	1,041,063
Less: Non-controlling interest initially recognised as at acquisition date	(60,000)	—	(125,927)	(58,109)	(41,457)	(285,493)
Net assets acquired	<u>140,000</u>	<u>132,240</u>	<u>205,460</u>	<u>94,810</u>	<u>183,060</u>	<u>755,570</u>
<u>Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:</u>						
Cash consideration paid	140,000	132,240	205,460	94,810	91,000	755,570
Less: Prepayment for acquisition paid in prior year	(50,000)	(132,240)	—	—	—	(182,240)
Less: Cash and cash equivalents acquired	(954)	(636)	(4,962)	(7)	(44,493)	(56,221)
Net cash outflow/(inflow)	<u>89,046</u>	<u>(636)</u>	<u>200,498</u>	<u>94,803</u>	<u>46,507</u>	<u>517,109</u>



28 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

28.2 Step acquisitions

- (a) *Step acquisition of Nanchang Guogao Property Development Co., Limited (“Nanchang Guogao”) and Jiangxi Po Hu Feng Qing Property Development Co., Limited (“Jiangxi Po Hu Feng Qing”)*

Nanchang Guogao and Jiangxi Po Hu Feng Qing were 51% and 60% joint ventures of the Group before the step acquisition respectively.

On 1 July 2018, the Group negotiated with the joint venture partner of Nanchang Guogao and Jiangxi Po Hu Feng Qing, who is an independent third party, for the business operation and management of Nanchang Guogao. The joint venture partner intended to cooperate with the Group for its industry expertise for its existing property development projects. Hence, Nanchang National Resources Operating Group Property Development Co., Limited has signed an agreement with the Group and granted its 49% and 40% of voting rights of Nanchang Guogao and Jiangxi Po Hu Feng Qing to the Group respectively, and the Group obtained a control of the board of the directors of Nanchang Guogao and Jiangxi Po Hu Feng Qing. It follows that the Group should consolidate Nanchang Gougao as subsidiaries from 1 July 2018 when the memoranda of association are effective.

- (b) *Step acquisition of Jiangxi Life Sunshine City Investment Co., Limited (“Jiangxi Life Sunshine City”)*

Jiangxi Life Sunshine City was a 25% associate of the Group before the step acquisition.

On 17 November 2018, the Group acquired the remaining 75% equity interest of Jingxi Life Sunshine City at a consideration of RMB15,000,000.

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date:

	Nanchang Guogao RMB' 000	Jiangxi Po Hu Feng Qing RMB' 000	Jiangxi Life Sunshine City RMB' 000
Consideration:			
– Fair value of the shares held by the Group	245,104	5,132	5,000
– Cash consideration	—	—	15,000
<u>Less: Net assets acquired:</u>			
– Property, plant and equipment	321	732	117
– Completed properties and properties under development	67,329	86,798	24,818
– Prepayments, deposits and other receivable	275,178	8,346	13,420
– Cash and cash equivalents	70,212	3,808	994
– Other payables	(170,893)	(86,257)	(3,345)
– Amount due from/(to) the group	245,694	(21)	(16,004)
– Deferred income tax assets	—	—	2,169
– Deferred income tax liabilities	(7,245)	(4,852)	(2,169)
	480,596	8,554	20,000
Less: Non-controlling interests initially recognised as at acquisition date	(235,492)	(3,422)	—
	<u>245,104</u>	<u>5,132</u>	<u>20,000</u>



28 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

28.2 Step acquisitions (Continued)

(b) Step acquisition of Jiangxi Life Sunshine City Investment Co., Limited (“Jiangxi Life Sunshine City”) (Continued)

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date: (Continued)

	Nanchang Guogao RMB' 000	Jiangxi Po Hu Feng Qing RMB' 000	Jiangxi Life Sunshine City RMB' 000
Fair value of interests in joint ventures or an associate	245,104	5,132	5,000
Less: Interests in joint ventures/an associate	(235,322)	—	(4,915)
Remeasurement gain	<u>9,782</u>	<u>5,132</u>	<u>85</u>
<u>Analysis of net cash flows arising from the step acquisitions:</u>			
Cash consideration	—	—	(15,000)
Less: Payable to the ex-shareholder	—	—	15,000
Add: Cash and cash equivalents acquired	<u>70,212</u>	<u>3,805</u>	<u>994</u>
Net cash inflow from the step acquisitions	<u>70,212</u>	<u>3,805</u>	<u>994</u>

Nanchang Guogao and Jiangxi Po Hu Feng Qing contributed revenue of RMB169,530,000 and net profit after tax of RMB18,753,000 to the Group for the period from 1 July 2018, the acquisition date, to 31 December 2018.

Jiangxi Life Sunshine City would contribute net loss after tax of RMB165,000 to the Group for the period from 17 November 2018, the acquisition date, to 31 December 2018. No revenue generated by Jiangxi Life Sunshine City during the year ended 31 December 2018.

If all the above step acquisitions had occurred on 1 January 2018, consolidated revenue and net profit after tax of the Group for the year ended 31 December 2018 would have been RMB7,313,500,000 and RMB1,420,230,000 respectively.

29 DISPOSAL OF ASSETS AND LIABILITIES HELD FOR SALES

On 1 January 2018, the Group completed the purchase of 10% equity interest of Shanghai Mingchang Real Estate Company Limited (上海明昌置業有限公司) (“Shanghai Mingchang”) from the non-controlling interest at a consideration of approximately RMB18,540,000 which was prepaid in 2017. The Group recorded a decrease in non-controlling interest of approximately RMB28,350,000 against an increase in the balance in reserves of approximately RMB9,810,000 upon the completion of the purchase.

On 27 February 2018, the Group completed the disposal of 100% equity interest in Shanghai Mingchang at an adjusted consideration of approximately RMB644,644,000 to Shanghai Zhong Da Industry Development Company Limited (上海重達實業發展有限公司) (“Shanghai Zhong Da”), an independent third party.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 DISPOSAL OF ASSETS AND LIABILITIES HELD FOR SALES (CONTINUED)

An analysis on the gain on disposal of assets and liabilities held for sales is as follows:

	RMB' 000
Consideration satisfied by cash consideration	644,644
Less: Net assets disposed of on the date of completion on 27 February 2018:	
– Property, plant and equipment	(466)
– Properties under development	(462,216)
– Deferred income tax assets	(2,194)
– Trade and other receivables, deposits and prepayments	(2,428)
– Cash and cash equivalents	(4,726)
– Amounts due to group companies	184,603
– Trade and other payables	61
	(287,366)
Less: Individual income tax paid for ex-shareholders for the acquisition in year 2016	(53,007)
Gain on disposal of a subsidiary, pre-tax	304,271
Less: PRC enterprise income tax payable upon disposal of a subsidiary	(92,402)
Gain on disposal of a subsidiary, net of tax	<u>211,869</u>
An analysis on net cash flows arising from the disposal:	
Net cash consideration	644,644
Less: Receivable from Shanghai Zhong Da	(150,000)
Less: Deposit received in prior year	(67,180)
Less: Individual income tax paid for ex-shareholders for the acquisition in year 2016	(53,007)
Less: Cash and cash equivalents disposed	(4,726)
Net cash inflow	<u>369,731</u>

30 COMMITMENTS

(a) Capital commitments and property development commitments

	2018 RMB' 000	2017 RMB' 000
Contracted but not provided for:		
– Land use right	414,387	—
– Leasehold improvement	1,628	—
– Property development expenditures	6,045,822	2,244,062
– Acquisition of subsidiaries	—	146,446
– Capital injection to a joint venture	—	5,357
	<u>—</u>	<u>5,357</u>



30 COMMITMENTS (CONTINUED)

(b) *Operating lease commitments*

At 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office as follows:

	2018 RMB' 000	2017 RMB' 000
No later than one year	2,274	904
Later than one year and no later than 5 years	4,611	272
	<u>6,885</u>	<u>1,176</u>

31 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) *Guarantees on mortgage facilities*

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at the end of each of the following reporting periods:

	2018 RMB' 000	2017 RMB' 000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>5,932,804</u>	<u>6,052,438</u>

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

- (b) The Company provides a corporate guarantee of AUD 70,000,000 to the subsidiary of Power Out International Ltd., a joint venture of the Group, for a loan facility which was fully utilised by the joint venture. The directors of the Company are of the opinion that it is not probable that the above guarantee will be called upon and the guarantee measured at fair value is immaterial.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 31 December 2018 (2017: Nil).

**32 EARNINGS PER SHARE**

The basic earnings per share for the year ended 31 December 2018 is calculated based on the profit attributable to owners of the Company.

	2018	2017
Profit attributable to owners of the Company (RMB' 000)	<u>990,747</u>	<u>862,237</u>
Weighted average number of shares in issue	<u>3,551,609,322</u>	<u>3,551,609,322</u>
Basic earnings per share (RMB cents)	<u>27.90</u>	<u>24.28</u>

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the years ended 31 December 2018 and 2017.

33 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

Except for amounts due from non-controlling interest of RMB32,270,000, RMB50,000,000 and RMB15,000,000 which bear interest of 8.5%, 18% and 11% per annum respectively (2017: RMB207,518,000 and RMB15,000,000 which bears interest of 10% and 11% per annum respectively) and are secured by their interests in the Group's subsidiaries, the amounts due from non-controlling interests are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

Except for amounts due to non-controlling interest of RMB368,337,000 which bears interest of 4.75% per annum (2017: Nil), the amounts due to non-controlling interests are interest-free, unsecured and repayable in demand. The carrying values approximate their fair values and are denominated in RMB.



34 RELATED PARTY TRANSACTIONS

The Group is jointly controlled by Wong Yeuk Hung and Huang Ruoqing, who own 39.06% and 26.04% of the Company's shares respectively.

Major related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Company
Top Glory International Holdings Ltd. and its subsidiaries	An associate
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd. 江西昌大瑞豐科技發展有限公司	An associate
Ganzhou Baoherun Co., Ltd. 贛州葆和潤實業有限公司	An associate
Xianyang Baorong Co., Ltd. 咸陽保榮實業有限公司	An associate
Lianyungang Hengrun Real Estate Co., Ltd 連雲港恒潤置業有限公司	An associate
Fengcheng Xinfei Property Development Co., Ltd 豐城市欣飛房地產開發有限公司	An associate
Fengcheng Liding Property Development Co., Ltd 豐城市力鼎房地產開發有限公司	An associate
Fengcheng Hending Property Development Co., Ltd 豐城市恆鼎房地產開發有限公司	An associate
Redco Industry (Jiangxi) Co., Ltd. 力高實業(江西)有限公司	A joint venture
Hui Gao Investments Development Ltd. and its subsidiary 匯高投資發展有限公司	A joint venture
Power Out International Holding Ltd. and its subsidiaries 力澳國際控股有限公司	A joint venture
Shenzhen Redco Hongye Property Development Co., Ltd. 深圳力高宏業地產開發有限公司	A joint venture
Wong Yeuk Hung (Mr. Wong) 黃若虹	A major shareholder and director of the Group (Note a)
Huang Ruoqing (Mr. Huang) 黃若青	A major shareholder and director of the Group

Note:

(a) Mr. Wong was appointed as an executive director and chairman of the Board with effect from 9 March 2017.



34 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) *Balances with related parties*

(i) *Amounts due from joint ventures*

	2018 RMB' 000	2017 RMB' 000	Nature	Interest	Currency
Redco Industry (Jiangxi) Co., Ltd.	—	27,911	Non-trade	N/A	RMB
Jiangxi Po Hu Feng Qing Property Development Co., Ltd.	—	25,212	Non-trade	N/A	RMB
Power Out International Holding Ltd. and its subsidiaries	4,844	—	Non-trade	N/A	HK\$
	4,844	53,123			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

(ii) *Amounts due to joint ventures*

	2018 RMB' 000	2017 RMB' 000	Nature	Interest	Currency
Shenzhen Redco Hongye Property Development Co., Ltd.	2,737	12,737	Non-trade	N/A	RMB
Hui Gao Investments Development Ltd. and its subsidiary	9,830	8,701	Non-trade	N/A	HK\$
Power Out International Holding Ltd. and its subsidiaries	—	2,108	Non-trade	N/A	HK\$
Nanchang Guogao Property Development Co. Ltd.	—	116,663	Non-trade	N/A	RMB
Redco Industry (Jianxi) Co., Ltd.	11,189	—	Non-trade	N/A	RMB
	23,756	140,209			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.



34 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties (Continued)

(iii) Amounts due from associates

	2018 RMB' 000	2017 RMB' 000	Nature	Interest	Currency
Top Glory International Holdings Ltd. and its subsidiaries	7,818	6,721	Non-trade	N/A	RMB
Jiangxi Life Sunshine City Investment Co., Ltd.	—	16,000	Non-trade	N/A	RMB
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd.	10,000	10,000	Non-trade	N/A	RMB
Lianyungang Hengrun Real Estate Co., Ltd	146,660	—	Non-trade	N/A	RMB
Ganzhou Baoherun Co., Ltd	168,393	—	Non-trade	10%	RMB
Fengcheng Liding Property Development Co., Ltd	18,667	—	Non-trade	N/A	RMB
Fengcheng Hengding Property Development Co., Ltd	13,333	—	Non-trade	N/A	RMB
	<u>364,871</u>	<u>32,721</u>			

(iv) Amounts due to an associate

	2018 RMB' 000	2017 RMB' 000	Nature	Interest	Currency
Xianyang Baorong Co., Ltd	66,000	—	Non-trade	N/A	RMB
	<u>66,000</u>	<u>—</u>			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

(b) Transactions with related parties

Save as disclosed in Note 30 (c), the Group has the following related party transactions:

- (i) During the year ended 31 December 2018, the Group purchased property management service amounting to RMB25,833,000 (2017: RMB31,695,000) from Top Glory International Holdings Ltd. and its subsidiaries, at prices mutually agreed by contracted parties.
- (ii) During the year ended 31 December 2018, the Group provided project management consultancy service amounting to RMB986,000 (2017: RMB 136,000) to its associates.

During the year ended 31 December 2017, the Group provided project management consultancy service amounting to RMB28,125,000 to its joint ventures.

**34 RELATED PARTY TRANSACTIONS (CONTINUED)***(c) Key management compensation*

Key management includes executive directors and top management. The compensation paid or payable to key management for employee services is shown below:

	2018 RMB' 000	2017 RMB' 000
Salaries, bonus and other benefits	19,916	7,642
Pension costs - defined contribution plan	476	225
	<u>20,392</u>	<u>7,867</u>

35 DIVIDENDS

	2018 RMB' 000	2017 RMB' 000
Interim dividend of RMB 2.5 cents (2017: RMB 2 cents) per ordinary share	88,790	71,032
Proposed final dividend of RMB 3 cents (2017: RMB 3 cents) per ordinary share	106,548	106,548
	<u>195,338</u>	<u>177,580</u>

A final dividend for the year ended 31 December 2018 of RMB3 cents (2017: RMB 3 cents) per ordinary share, totally approximately RMB106,548,000 (2017: RMB106,548,000) has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31 December 2018.



36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2018 RMB' 000	2017 RMB' 000
ASSETS			
Non-current asset			
Investment in a subsidiary		389,362	389,362
Current assets			
Prepayments		730	733
Amounts due from subsidiaries		7,781,900	5,123,090
Cash and cash equivalents		707	348,323
		<u>7,783,337</u>	<u>5,472,146</u>
Total assets		<u>8,172,699</u>	<u>5,861,508</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves	(a)	1,916,101	1,815,652
Total equity		<u>2,055,733</u>	<u>1,955,284</u>
Liabilities			
Non-current liability			
Borrowings		2,772,833	2,117,595
Current liabilities			
Accrued expense		154,539	24,913
Amount due to a subsidiary		1,432	1,435
Borrowings		3,188,162	1,762,281
		<u>3,344,133</u>	<u>1,788,629</u>
Total liabilities		<u>6,116,966</u>	<u>3,906,224</u>
Total equity and liabilities		<u>8,172,699</u>	<u>5,861,508</u>

The balance sheet of the Company was approved for issue by the Board of Directors on 29 March 2019 and were signed on its behalf:

WONG Yeuk Hung
Director

HUANG Ruoqing
Director



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a): Reserve movement of the Company

	Share premium RMB' 000	Contribution surplus RMB' 000	Exchange reserve RMB' 000	(Accumulated losses)/ retained earnings RMB' 000	Total RMB' 000
At 1 January 2017	1,241,423	390,766	111,934	(340,961)	1,403,162
Comprehensive income					
– Profit for the year	—	—	—	522,504	522,504
Other comprehensive loss					
– Currency translation differences	—	—	(38,982)	—	(38,982)
Total comprehensive income/(loss)	—	—	(38,982)	522,504	483,522
Transactions with owners					
– Dividend relating to 2017 interim	—	—	—	(71,032)	(71,032)
At 31 December 2017	1,241,423	390,766	72,952	110,511	1,815,652
Comprehensive income					
– Profit for the year	—	—	—	287,210	287,210
Other comprehensive income					
– Currency translation differences	—	—	8,577	—	8,577
Total comprehensive income	—	—	8,577	287,210	295,787
Transactions with owners					
– Dividend relating to 2017 final	—	—	—	(106,548)	(106,548)
– Dividend relating to 2018 interim	—	—	—	(88,790)	(88,790)
At 31 December 2018	1,241,423	390,766	81,529	202,383	1,916,101



37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES

(a) *Directors' and chief executive's emoluments*

The remuneration of each director and the chief executive is set out below:

For the year ended 31 December 2018:

Name	Fees RMB' 000	Salary (Note a) RMB' 000	Discretionary bonuses RMB' 000	Employer's contribution to a retirement benefit scheme	Total RMB' 000
				RMB' 000	
Executive Directors					
Mr. WONG Yeuk Hung	—	2,500	—	16	2,516
Mr. HUANG Ruoqing	—	2,500	—	16	2,516
Mr. TANG Chengyong	—	2,500	1,493	64	4,057
Independent non-executive directors					
Dr. WONG Yau Kar, David BBS, JP	215	—	—	—	215
Mr. CHAU On Ta Yuan	215	—	—	—	215
Mr. YIP Tai Him	215	—	—	—	215
Mr. CHOW Kwong Fai, Edward JP	258	—	—	—	258
	<u>903</u>	<u>7,500</u>	<u>1,493</u>	<u>96</u>	<u>9,992</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES (CONTINUED)

(a) *Directors' and chief executive's emoluments (Continued)*

For the year ended 31 December 2017:

Name	Fees RMB' 000	Salary (Note a) RMB' 000	Discretionary bonuses RMB' 000	Employer's contribution to a retirement benefit scheme RMB' 000	Total RMB' 000
Executive Directors					
Mr. WONG Yeuk Hung	—	1,790	—	14	1,804
Mr. HUANG Ruoqing	—	2,000	—	16	2,016
Mr. TANG Chengyong	—	1,028	300	58	1,386
Mr. HONG Duxuan (Note c)	—	256	—	16	272
Independent non-executive directors					
Dr. WONG Yau Kar, David BBS, JP	216	—	—	—	216
Mr. CHAU On Ta Yuan	216	—	—	—	216
Mr. YIP Tai Him	216	—	—	—	216
Mr. CHOW Kwong Fai, Edward JP	260	—	—	—	260
	<u>908</u>	<u>5,074</u>	<u>300</u>	<u>104</u>	<u>6,386</u>

Note a:

Salary received by the executive directors included all emoluments paid or receivable in respect of directors' services in connection with the management of the Company and its subsidiary undertakings.

Note b:

Save as disclosed above, the directors did not receive or will not receive any other retirement benefits or termination benefits during the year (2017: Nil).

Note c:

Mr. HONG Duxuan resigned as an executive director with effect from 9 March 2017.

(b) *Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



38 SUBSEQUENT EVENTS

On 10 January 2019, the Company issued 13.5% senior notes due 2020 with an aggregate nominal value of US\$250,000,000 at par value (the “13.5% Senior Notes due 2020”). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US\$247,000,000. The 13.5% Senior Notes due 2020 will mature on 21 January 2020, unless redeemed earlier.

On 27 March 2019, the Company entered into a facility agreement with certain financial institutions in respect of a US\$175,000,000 term loan facility with a term of 36 months from the date of the facility agreement and at an interest rate of London Inter-bank Offered Rate plus 5.1% per annum.

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